



INTERIM RESULTS

SOFTWARE CIRCLE PLC

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Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information as stipulated under the UK Market Abuse Regulation. With the publication of this announcement, this information is now considered to be in the public domain.

5 December 2024

Software Circle plc ("Software Circle", the "Company" or the "Group")

Unaudited Interim Results for the period ended 30 September 2024

Financial highlights

	Six months to 30 September 2024	Six months to 30 September 2023
Revenue	£8.9m	£8.2m
Operating EBITDA ¹	£2.3m	£1.5m
aEBITDA ²	£1.5m	£1.0m
Cash flow from operations	£1.5m	£1.2m
Operating Cash Flow Per Share ³	0.2p	0.5p
Cash and Cash Equivalents	£12.7m	£18.7m
Net Cash	£2.4m	£6.7m
EPS	0.3p	(1.3)p

¹ Earnings before interest, tax, depreciation and amortisation (EBITDA) before impairments, exceptional costs, acquisition related costs, central group administration costs and the capitalisation of qualifying development costs

² Operating EBITDA less central group administration costs

³ Cash flow from operating activities and other investing activities divided by the weighted average number of shares

Full definitions and basis for application of our Alternative Performance Measures (APMs) can be found on page 18 of our latest full annual financial statements, available at www.softwarecircle.com/reports-downloads

Operational highlights

- Two further acquisitions added to the Group, Bethebrand and Link Maker
- Revenue increased by £0.7m, an 8% increase
- Operating EBITDA growth of 54%
- Positive aEBITDA of £1.5m, a 50% increase
- 5% organic revenue growth achieved across our acquisitions
- 19% organic growth in Operating EBITDA
- £1.8m sale of printing.com domain completed

For further information:**Software Circle plc**

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Interim Statement

In our Annual Report, we said that our focus for the upcoming year would be to continue our search for businesses that match our acquisition criteria. Utilising the funds that we raised through equity to acquire Vertical Market Software ("VMS") businesses. Focussing on deploying capital in a disciplined way, driving organic growth and improving Earnings Per Share which in turn, builds long term value for our Shareholders.

In the interim period, we've seen that focus bear fruit. We've expanded our portfolio by adding two further acquisitions. We've continued to drive organic growth within our acquired portfolio and have improved earnings.

We've also seen some rotations in our 'NED Squad' as announced as part of our Trading Update on 18 September 2024. We have welcomed Brad Ormsby and Marc Maurer who bring new experience and talent to the Board. At the same time, we are immensely grateful to Jan Mohr and Conrad Bona who step away having been an instrumental part in guiding the Group through significant change.

That change has seen us grow to become a home for eight software business units across multiple sectors. Our portfolio of businesses operate within the following sectors: Graphics and Ecommerce, Professional Services, Property, Education, Health and Social Care.

The two new businesses and teams we've welcomed during the six-month period ended 30 September 2024 were Bethebrand, a marketing compliance and digital asset management platform which was acquired at the end of May, contributing to four months in the period. Followed by Link Maker, an adoption platform acquired at the end of July, contributing to two months in the period.

I'm pleased to report that trading continues to align with our internal forecasts and our Trading Update on 18 September 2024. The performance of our acquired business units remains encouraging, meeting our expectations and reinforcing the strength of our strategic direction.

As always, we sincerely thank our talented teams across all of our businesses for their efforts and dedication in helping continue the Group's growth both in revenue and profitability.

Financial Results and Cash

With our newly acquired businesses contributing in part, revenue rose to £8.9m (2023: £8.2m), an increase of 8%. We've driven organic growth in revenue of 5% from the acquired operating units during the interim period. However, an expected decline in the lower margin, non-recurring revenue within our Nettle Systems business, following a turbulent previous financial year, resulted in an overall decline in like-for-like revenue of 8% for the Group. Moving forward we expect Nettle's revenues to stabilise at this year's level. A focus on profitability and a new revenue mix means it has seen growth in EBITDA for the interim period.

Gross profit for the Group rose to £6.3m (2023: £5.1m) and our gross margin percentage increased to 71% (2023: 61%). As the profile of our business continues to evolve, more of our revenue will come from recurring revenues. As this continues to grow, Nettle's lower margin product-led revenues become an ever smaller part of the overall Group. We would therefore expect the trend towards increasing gross margin percentage to continue as we acquire more VMS businesses.

As a result of the two further acquisitions made, our total operating costs increased, with staff costs of £3.1m (2023: £2.5m) and total other operating charges increasing to £1.3m (2023: £0.9m). Those additional costs came with additional recurring revenues. This, along with the earnings growth delivered from the existing portfolio, has meant our Operating EBITDA increased to £2.3m (2023: £1.5m) equating to 26% of revenue (2023: 18%).

Central costs at £0.8m (2023: £0.6m) are slightly higher than originally expected, 9% of revenue compared to an expected 7%. This is due to one-off costs relating to Non-Executive Director recruitment, investment in our finance platforms and other costs brought forward into this half of the year. It is our expectation and intention to reduce central costs as a percentage of sales over time, as we scale. Right now, we're 'tooling up' for growth. After these Central Costs, our aEBITDA improved to £1.5m (2023: £1.0m) a 50% increase, representing 17% of revenue (2023: 12%).

After accounting for acquisition-related costs, the completion of the £1.8m sale of the printing.com domain, and £2.2m (2023: £1.6m) in amortisation charges on intangible assets primarily related to ongoing acquisitions, our Operating Profit improved to £1.4m (2023: loss of £1.6m). Capital expenditure totalled £0.9m (2023: £0.6m), with nearly all of it dedicated to developing our platforms, which support operations and generate ongoing revenue across our business units.

At 30 September 2024, the Company had cash of £12.7m (2023: £18.7m) and debt of £10.3m (2023: £12.0m). Our operating activities generated £1.5m of cash (2023: £1.2m) impacted by the settlement of £0.6m of lease liabilities provided for in the prior year financial statements.

Trading Review

£5.5m of revenue was generated by our seven acquired VMS businesses, the first time the majority of our revenues has come from acquisitions. Collectively, they are growing organically and tracking ahead of valuation expectations. In the interim period, we've improved the Operating EBITDA of the Group by 19%, an increase of £0.4m compared with last year.

This has meant that our Return on Capital Deployed ("ROCD"), which measures the total cash invested to date, including related expenses, versus the Operating EBITDA for the period, is 30% for our seven acquisitions and 26% for the Group overall.

We use several metrics internally to provide insight, improve and measure success within our portfolio. Our Quality Score, that measures year-on-year Revenue Growth % + EBITDA %, is a useful barometer of health, 40% being an industry standard indicator, showing a healthy balance between growth and profitability. By this measure, for the interim period our portfolio of acquired business units are now collectively at 41%. Reflecting improvements in both earnings and revenue growth.

The Group has continued to drive an increase in recurring revenues. Adding to the stability of our revenue streams. For the seven acquisitions that now form part of the Group, recurring revenues are above 90%. That has meant that recurring revenues now contribute 67% (2023: 60%) of the Group's total revenue. The vast majority of revenue streams in businesses we look to acquire are recurring and therefore, as we add more to the Group, that percentage is likely to increase further.

We've said that maximising Operating Cash Flow Per Share, a measure that demonstrates the Group's cash generating ability on a per share basis, in the long term is the number one financial priority for us. This measure for the interim period is 0.2p (2023: 0.5p), an inevitable reduction following the equity capital raise in September 2023. The continued redeployment of this capital and disciplined execution of our acquisition strategy is what will compound our Operating Cash Flow Per Share in the years to come. Building our acquisition flywheel and implementing our business systems to drive organic growth are our twin growth engines.

Outlook

Our annualised revenue run-rate, trading and profitability remains in line with management expectations. On a run-rate basis, without any new acquisitions, our annualised revenue would be approximately £20m which is a 20% increase on last year. Adjusted EBITDA above 15% of revenue, is a realistic target. We therefore remain cautiously optimistic about the remaining year.

Our search for VMS businesses continues as we look to effectively and diligently deploy further funds on acquisitions that meet our specific criteria.

We previously announced on 24 July 2024, in our final results for the year ended 31 March 2024, the Group's intention to restructure its balance sheet and redeem the remaining £6.7m of bonds at par. To that end, as announced on 25 November 2024, we have entered into a new £16.7m funding facility with Shawbrook Bank Limited. We've now utilised £6.7m to settle the bonds and have in place an additional drawdown facility of £10.0m for further acquisitions. This is a key step in enhancing the Group's ability to fund M&A opportunities in the future.

Matthias Riechert
Chairman
4 December 2024

Gavin Cockerill
Chief Executive Officer

Unaudited Interim Results for the period ended 30 September 2024 Consolidated Statement of Comprehensive Income for the six months ended 30 September 2024

	Note	Unaudited Six months to 30 September 2024 £000 Total	Unaudited Six months to 30 September 2023 £000 Total	Audited Year ended 31 March 2024 £000 Total
Revenue	3	8,917	8,247	16,165
Direct costs		(2,625)	(3,181)	(5,971)
Gross profit		6,292	5,066	10,194
Staff costs		(3,073)	(2,460)	(5,332)
Doubtful debt expense		36	(54)	(527)
Other operating charges		(1,255)	(941)	(2,870)
Profit on disposal of domain		1,712	-	-
Earnings before interest, tax depreciation and amortisation		3,712	1,611	1,465
Depreciation and amortisation		(2,277)	(1,784)	(3,551)
Impairment of assets		-	(1,419)	(1,440)
Value adjustment on consideration payable		-	-	301
Operating profit / (loss)		1,435	(1,592)	(3,225)
Financial income		187	74	400
Financial expenses	4	(309)	(979)	(1,278)
Value adjustment on bond settlement		-	622	622
Net financing expense		(122)	(283)	(256)

Profit / (loss) before tax		1,313	(1,875)	(3,481)
Taxation		(68)	292	1,111
Profit / (loss) for the period		1,245	(1,583)	(2,370)
Other comprehensive income				
Exchange differences on translation of foreign subsidiaries		(74)	(3)	(59)
Total comprehensive income for the period		1,171	(1,586)	(2,429)
Earnings per share - Basic and diluted	5	0.32p	(1.28)p	(0.92)p

Consolidated Statement of Financial Position
at 30 September 2024

	Note	Unaudited 30 September 2024 £000	Unaudited 30 September 2023 £000	Audited 31 March 2024 £000
Non-current assets				
Property, plant and equipment		1,150	1,266	1,242
Intangible assets	6	23,251	15,217	15,302
Total non-current assets		24,401	16,483	16,544
Current assets				
Inventories		25	28	33
Trade and other receivables	7	2,622	2,473	2,418
Consideration receivable		-	350	-
Cash and cash equivalents		12,684	18,707	15,391
Total current assets		15,331	21,558	17,842
Total assets		39,732	38,041	34,386
Current liabilities				
Trade and other payables	8	4,304	1,828	3,144
Other interest-bearing loans and borrowings	9	8,057	4,247	1,511
Total current liabilities		12,361	6,075	4,655
Non-current liabilities				
Other interest-bearing loans and borrowings	9	2,248	7,798	6,984
Deferred tax liabilities		2,219	1,681	1,066
Total non-current liabilities		4,467	9,479	8,050
Total liabilities		16,828	15,554	12,705
Net assets		22,904	22,487	21,681
Equity				
Share capital		3,901	3,901	3,901
Share premium		28,255	28,255	28,255
Merger reserve		838	838	838
Share based payment reserve		89	88	37
Translation reserve		(16)	114	58
Retained earnings		(10,163)	(10,709)	(11,408)
Total equity		22,904	22,487	21,681

Consolidated Statement of Changes in Shareholders Equity
for the six months ended 30 September 2024

	Share Capital £000	Share Premium £000	Merger Reserve £000	Share based payment reserve £000	Translation reserve £000	Retained earnings £000	Total £000
Opening shareholders' funds at 1 April 2023	1,145	7,866	838	88	117	(9,126)	928
Total comprehensive loss for the period	-	-	-	-	(3)	(1,583)	(1,586)
Shares issued in the period	2,756	20,669	-	-	-	-	23,425
Costs associated with shares issued	-	(280)	-	-	-	-	(280)

Closing shareholders' funds at 30 September 2023	3,901	28,255	838	88	114	(10,709)	22,487
Total comprehensive loss for the period	-	-	-	-	(56)	(787)	(843)
Transfer of lapsed option reserve	-	-	-	(88)	-	88	-
Share option charge	-	-	-	37	-	-	37
Closing shareholders' funds at 31 March 2024	3,901	28,255	838	37	58	(11,408)	21,681
Total comprehensive income for the period	-	-	-	-	(74)	1,245	1,171
Share option charge	-	-	-	52	-	-	52
Closing shareholders' funds at 30 September 2024	3,901	28,255	838	89	(16)	(10,163)	22,904

Consolidated Statement of Cash Flows
for the six months ended 30 September 2024

	Unaudited Six months to 30 September 2024 £000	Unaudited Six months to 30 September 2023 £000	Audited Year ended 31 March 2024 £000
Note			
Cash flows from operating activities			
Profit / (loss) for the period	1,245	(1,583)	(2,370)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment	2,277	1,784	3,551
Profit on disposal of plant and equipment	(92)	(15)	(13)
Profit on disposal of intangible assets	3 (1,712)	-	-
Share based payments	52	-	37
Financial income	(187)	-	(400)
Financial expense	309	283	1,278
Value adjustment on bond settlement	-	-	(622)
Bad debt (credit)/expense	(36)	54	527
Foreign exchange loss	-	(12)	-
Tax expense / (income)	68	(292)	(1,111)
Impairment of consideration receivables	-	1,419	1,440
Value adjustment on consideration payable	-	-	(301)
Operating cash flow before changes in working capital and provisions	1,924	1,638	2,016
Change in trade and other receivables	294	(280)	(274)
Change in inventories	8	3	(2)
Change in trade and other payables	(946)	(175)	559
Cash generated from operations	1,280	1,186	2,299
Corporation tax received / (paid)	81	-	(6)
R&D tax received	96	-	-
Net cash from operating activities	1,457	1,186	2,293
Cash flows from investing activities			
Purchase of property, plant and equipment	(56)	(22)	(70)
Disposal of plant and equipment	53	16	25
Disposal of intangible assets	1,712	-	-
Capitalised development expenditure	6 (810)	(596)	(1,133)
Purchase of other intangible assets	(16)	-	-
Interest received	212	5	334
Acquisition of subsidiaries net of cash	(4,170)	-	(444)
Payment of deferred consideration	(369)	(182)	(3,656)
Net cash from investing activities	(3,444)	(779)	(4,944)
Cash flows from financing activities			
Proceeds from share issue	-	23,425	23,425
Costs associated with share issue	-	(280)	(280)
Repayment of loans	(181)	(6,739)	(6,894)
Finance costs paid	(402)	-	-
Capital payment of lease liabilities	(64)	(66)	(136)
Interest payment of lease liabilities	(48)	(33)	(65)
Net cash from financing activities	(695)	16,307	16,050
Net (decrease) / increase in cash and cash equivalents	(2,682)	16,714	13,399
Exchange difference on cash and cash equivalents	(25)	(1)	(2)
Cash and cash equivalents at start of period	15,391	1,994	1,994
Cash and cash equivalents at end of period	12,684	18,707	15,391

Notes

(forming part of the interim financial statements)

1 Basis of preparation

Software Circle plc (the "Company") is a company incorporated and domiciled in the UK.

These financial statements do not include all information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 March 2024. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was: (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These interim financial statements are prepared on the same basis as the financial statements for the year ended 31 March 2024, in which our full set of accounting policies, including critical judgements and key sources of estimation uncertainty, can be found.

As of the balance sheet date, the Company maintains a substantial cash balance, providing a strong liquidity position to support its business operations and strategic growth plans. The cash reserves are considered sufficient to meet the current operational requirements and short-term obligations of the Company.

The Company's primary strategic objective includes expansion through acquisitions, which involves inherent risks, particularly concerning deferred consideration payments. While the Company has a significant cash balance, the Directors recognise the following risks:

- Acquisition Volume and Payment Obligations: The risk of acquiring multiple companies in a short time frame could potentially strain the Company's liquidity if not managed prudently.
- Deferred Consideration Payments: The Company must ensure that it can meet deferred consideration payments as they fall due, without compromising its operational liquidity.

To mitigate these risks, the Directors have implemented the following measures:

- Due Diligence and Acquisition Strategy: Rigorous due diligence processes are in place to evaluate potential acquisition targets, ensuring that each acquisition aligns with the Company's strategic objectives and financial capacity.
- Cash Flow Forecasting and Management: Detailed cash flow forecasting is conducted regularly to project the timing and amounts of deferred consideration payments, ensuring that adequate cash reserves are maintained.
- Contingency Planning: Contingency plans are established to address any potential shortfalls in liquidity, including securing additional financing if necessary.

After considering the Company's strong cash position, the comprehensive risk management strategies in place, and the ability to adjust the pace of acquisitions if required, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these interim financial statements.

These condensed consolidated interim financial statements were approved by the Board of Directors on 4 December 2024.

2 Significant accounting policies

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 March 2024.

3 Segmental information

Segmental reporting is prepared for the Group's operating segments based on the information which is presented to the Board, which reviews revenue and adjusted EBITDA by segment. The Group's costs, finance income, tax charges, non-current liabilities, net assets and capital expenditure are only reviewed by the Board at a consolidated level and therefore have not been allocated between segments in the analysis below.

Analysis by location of revenue

	UK & Ireland £000	Europe £000	Other £000	Total £000
Six months ended 30 September 2024	8,685	67	165	8,917
Six months ended 30 September 2023	7,981	64	202	8,247
Year ended 31 March 2024	15,568	169	428	16,165

Revenue generated outside the UK is in Belgium, France, Ireland, New Zealand, the Netherlands and the USA. No single customer provided the Group with over 2% of its revenue.

Disaggregation of revenue and EBITDA

Period ended 30 September 2024

	Professional & financial services	Health & social care	Property	Education	Central	Total
Ecommerce						

	£000	£000	£000	£000	£000	£'000	£000
Licence and subscription revenue	1,722	1,269	1,553	791	614	-	5,949
Product and service revenue	2,818	120	28	2	-	-	2,968
Revenue	4,540	1,389	1,581	793	614	-	8,917
Operating EBITDA	632	561	544	375	225	-	2,337
Central costs	-	-	-	-	-	(797)	(797)
aEBITDA	632	561	544	375	225	(797)	1,540
Development costs	299	140	330	41	-	-	810
Acquisition costs	-	-	-	-	-	(299)	(299)
Exceptional items	-	-	(51)	-	-	1,712	1,661
EBITDA	931	701	823	416	225	616	3,712

Exceptional items

On 2 April 2024, the Company announced the sale of the printing.com domain to JAL Equity Corp for £1,772,000. Related disposal costs totalled £60,000. £51,000 of restructuring costs were incurred in our Health & social care division to enable the required reinvestment into development of the operating unit's platform, future proofing and preparing that business for growth.

Period ended 30 September 2023	Professional						Total £000
	Graphics & Ecommerce	& financial services	Health & social care	Property	Education	Central	
	£000	£000	£000	£000	£000	£'000	
Licence and subscription revenue	1,753	634	1,295	756	-	-	4,438
Product and service revenue	3,705	82	20	2	-	-	3,809
Revenue	5,458	716	1,315	758	-	-	8,247
Operating EBITDA	476	286	380	374	-	-	1,516
Central costs	-	-	-	-	-	(501)	(501)
aEBITDA	476	286	380	374	-	(501)	1,015
Development costs	311	140	20	125	-	-	596
EBITDA	787	426	400	499	-	(501)	1,611

4 Finance expenses

	Unaudited Six months to 30 September 2024 £000	Unaudited Six months to 30 September 2023 £000	Audited Year ended 31 March 2024 £000
Lease interest	48	33	66
Bearer bond interest	207	744	948
Loan interest	9	19	32
Foreign exchange gains / (losses)	(57)	10	(17)
Unwinding of discount on deferred consideration	102	173	249
Total finance expense	309	979	1,278

5 Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares:

	Unaudited Six months to 30 September 2024 £000	Unaudited Six months to 30 September 2023 £000	Audited Year ended 31 March 2024 £000
Profit / (loss) after taxation for the period	1,245	(1,583)	(2,370)
Weighted average number of shares in issue	390,083,306	123,605,283	256,844,295
Dilutive effect of share options	2,898,742	-	-
Weighted average shares in issue on a diluted basis	392,982,048	123,605,283	256,844,295
Basic earnings per share	0.32p	(1.28)p	(0.92)p
Diluted earnings per share	0.32p	(1.28)p	(0.92)p

Diluted earnings per share is calculated based on the treasury method prescribed in IAS 33. This calculates the theoretical number of shares that could be purchased at the average market price in the period from the proceeds of exercised options. The difference between the number of shares under option and the theoretical number of shares that could be purchased from the proceeds of their exercise is deemed liable to be issued at nil value and represents the dilution. Where the Group has reported a net loss after tax, including the options would be anti-dilutive, therefore all outstanding options have no dilutive effect.

6 Intangible assets

	Domains & brand £000	Software £000	Development costs £000	Customer Lists £000	Technology £000	Goodwill £000	Other £000	Total £000
Cost								
Balance at 30 September 2023	363	4,544	5,989	5,192	10,792	635	162	27,677
Additions - internally developed	-	-	537	-	-	-	-	537
Addition through subsidiary acquisition	-	-	-	547	785	319	-	1,651
Acquisition adjustment	-	-	-	(265)	(265)	-	-	(530)
Disposals	-	-	-	-	-	-	(23)	(23)
Balance at 31 March 2024	363	4,544	6,526	5,474	11,312	954	139	29,312
Additions - internally developed	-	16	810	-	-	-	-	826
Addition through subsidiary acquisition (note 11)	-	-	-	2,184	2,131	4,977	-	9,292
Balance at 30 September 2024	363	4,560	7,336	7,658	13,443	5,931	139	39,430
Amortisation and impairment								
Balance at 30 September 2023	350	4,519	4,736	986	1,723	12	134	12,460
Amortisation	(1)	17	222	221	1,113	-	1	1,573
Disposals	-	-	-	-	-	-	(23)	(23)
Balance at 31 March 2024	349	4,536	4,958	1,207	2,836	12	112	14,010
Amortisation	1	4	415	316	1,431	-	2	2,169
Balance at 30 September 2024	350	4,540	5,373	1,523	4,267	12	114	16,179
Net book value								
At 30 September 2023	13	25	1,253	4,206	9,069	623	28	15,217
At 31 March 2024	14	8	1,568	4,267	8,476	942	27	15,302
At 30 September 2024	13	20	1,963	6,135	9,176	5,919	25	23,251

7 Trade and other receivables

	Unaudited 30 September 2024 £000	Unaudited 30 September 2023 £000	Audited 31 March 2024 £000
Trade receivables	2,440	2,970	2,505
Less provision for trade receivables	(610)	(1,103)	(660)
Trade receivables net	1,830	1,867	1,845
Total financial assets other than cash and cash equivalents classified at amortised cost	1,830	1,867	1,845
Corporation tax	-	193	232
Prepayments	312	153	130
Other receivables	480	260	211
Total other receivables	792	606	573
Total trade and other receivables	2,622	2,473	2,418

8 Trade and other payables

	Unaudited 30 September 2024 £000	Unaudited 30 September 2023 £000	Audited 31 March 2024 £000
Trade payables	599	443	737
Accruals	613	320	383
Other liabilities	1,277	842	658

Lease settlements	-	-	632
Current financial liabilities measured at amortised cost	2,489	1,605	2,410
Deferred Income	1,815	223	734
Total trade and other payables	4,304	1,828	3,144

9 Other interest-bearing loans and borrowings

	Unaudited 30 September	Unaudited 30 September	Audited 31 March
Current liabilities	2024	2023	2024
	£000	£000	£000
Lease liabilities	83	138	160
Bearer bonds	5,905	-	402
Loans	177	315	324
Deferred consideration	1,892	3,794	625
	8,057	4,247	1,511
Non-current liabilities			
Lease liabilities	769	867	847
Loans	-	177	26
Bearer bonds	-	5,894	5,697
Deferred consideration	1,479	860	414
	2,248	7,798	6,984

10 Dividend

The Directors have not declared an Interim Dividend (2023: Nil).

11 Acquisitions

Acquisition of Be The Brand Experience Limited (Bethebrand)

The entire issued share capital of Bethebrand, a provider of marketing compliance and digital asset management workflow solutions for businesses providing financial services, was acquired on 30 May 2024 for consideration of £3,500,000. The initial consideration paid at completion was £2,800,000, with deferred consideration of £700,000 to be paid on the first anniversary of completion. In addition, the consideration was increased by a further £413,000 in respect of surplus cash within the business at the acquisition, £171,000 of which was paid on completion with the remainder deferred until the agreement of completion accounts. The present value of expected consideration payments at acquisition totalled £3,838,000.

Bethebrand met Software Circle's acquisition criteria by being a software business and having a prominent position in its vertical market. Delivering solutions that generate revenues of a recurring nature.

In the period during the current financial period that Bethebrand was owned by the Group, it contributed revenue of £652,000 and a profit before tax of £203,000. Had it been owned by the Group for the full period, it would have contributed revenue of £960,000 and a profit before tax of £327,000.

Net assets of Bethebrand on acquisition:

	Book Value	Adjustments	Fair value
	£000	£000	£000
Customer base	-	905	905
Technology	-	994	994
Development costs	229	(229)	-
Cash and cash equivalents	770	-	770
Trade and other receivables	196	-	196
Trade and other payables	(631)	-	(631)
Deferred tax	-	(475)	(475)
Net assets acquired	564	1,195	1,759
Consideration			3,838
Goodwill			2,079

Consideration satisfied by:

	£000
Cash on completion	2,971
Deferred consideration	867
	3,838

An income approach was used to value contractual customer lists and relationships, using a discount factor of 12.1%. The useful life has been estimated at 10 years. The technology was valued by using a relief from royalty approach, based on a royalty rate of 50% and using a discount factor of 12.1%. The useful life has been estimated at 3 years.

Trade and other receivables include gross contractual amounts due of £148,000 of which £nil was expected to be uncollectible at the date of acquisition.

The goodwill arising from the acquisition of Bethebrand is attributable to a number of factors, including the specialised knowledge and expertise of the assembled workforce and the market position.

The deferred tax liabilities recognised represent the tax effect which will result from the amortisation of the intangible assets, estimated using the tax rate substantively enacted at the balance sheet date.

Acquisition of Link Maker Systems Limited (Link Maker)

The entire issued share capital of Link Maker, whose adoption platform joins-up children's social care across the UK, was acquired on 25 July 2024 for consideration of £4,500,000. The initial consideration paid at completion was £3,000,000. Up to a further £1,500,000 is payable contingent upon the achievement of certain targets relating to the future financial performance of Link Maker and may be achieved over the 12 months following the 1st anniversary of completion. In addition, the consideration was increased by a further £580,000 in respect of surplus cash within the business at the acquisition, payable in full on the agreement of completion accounts. The present value of expected consideration payments at acquisition totalled £4,774,000.

Link Maker met Software Circle's acquisition criteria by being a software business and having a prominent position in its vertical market. Delivering solutions that generate revenues of a recurring nature.

In the period during the current financial period that Link Maker was owned by the Group, it contributed revenue of £267,000 and a profit before tax of £131,000. Had it been owned by the Group for the full period, it would have contributed revenue of £729,000 and a profit before tax of £355,000.

Net assets of Link Maker on acquisition:

	Book Value £000	Adjustments £000	Fair value £000
Customer base	-	1,279	1,279
Technology	-	1,137	1,137
Property, plant and equipment	13	-	13
Cash and cash equivalents	1,032	-	1,032
Trade and other receivables	324	-	324
Trade and other payables	(1,305)	-	(1,305)
Deferred tax	-	(604)	(604)
Net assets acquired	64	1,812	1,876
Consideration			4,774
Goodwill			2,898

Consideration satisfied by:	£000
Cash on completion	3,000
Deferred consideration	580
Contingent consideration	1,194
	4,774

An income approach was used to value contractual customer lists and relationships, using a discount factor of 12.1%. The useful life has been estimated at 10 years. The technology was valued by using a relief from royalty approach, based on a royalty rate of 50% and using a discount factor of 12.1%. The useful life has been estimated at 3 years.

Trade and other receivables include gross contractual amounts due of £206,000 of which £nil was expected to be uncollectible at the date of acquisition.

The goodwill arising from the acquisition of Link Maker is attributable to a number of factors, including the specialised knowledge and expertise of the assembled workforce and the market position.

The deferred tax liabilities recognised represent the tax effect which will result from the amortisation of the intangible assets, estimated using the tax rate substantively enacted at the balance sheet date.

12 Post balance sheet events

On 22 November 2024 the Company entered into a new 5-year loan facility of up to £16,700,000 with Shawbrook Bank Limited.

On 25 November 2024, £6,700,000 of the facility was used to repay the outstanding bonds in issue, at face value, from the Company's perpetual bond facility established in July 2020. A value adjustment loss on settlement of £867,000 will be recognised in the second half of this financial year.

£3,350,000 of the facility utilised to repay the outstanding bonds is repayable in monthly instalments over the 5 years, attracting interest over SONIA of 4.95%. The remaining £3,350,000 is repayable at the end of the loan term and attracts interest over SONIA of 5.55%.

The remaining £10,000,000 of the agreed facility is structured specifically to enable the Company to continue with its acquisition strategy, and is to be utilised by 22 May 2027, attracting interest over SONIA of 5.55% on funds drawn during this time. Subsequently, 50% of funds drawn at 22 May 2027 will convert to an amortising facility, repaying monthly on a 5-year schedule with the balance due at the end of the loan term, attracting interest over SONIA of 4.95%. The remaining 50% is repayable at the end of the loan term and attracts interest over SONIA of 5.55%.

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