

IDE Group Holdings Plc
(“IDE”, the “Group” or the “Company”)

Unaudited Interim Results

IDE Group Holdings plc, the mid-market IT managed services provider, today announces its unaudited results for the six months ended 30 June 2022.

Highlights

- Revenue of £6.7 million (H1 2021*: £7.6 million)
- Gross profit* of £2.4 million (H1 2021: £3.6 million) representing a lower margin of 36% (H1 2021 46%)
- Adjusted EBITDA* profit of £0.9 million (H1 2021: 2.1 million)
- Year two of the £22.5m contract previously announced progressing to plan
- The restructuring and the closing down of six non-trading subsidiaries, simplifying the Group structure

** from continuing operations, excluding the results relating to IDE Group Connect Limited and Nimoveri Limited in 2021.*

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Non-Executive Chairman’s Statement

The first six months of the year has been a period of laying the foundations for future growth, following the disposal of the Connect Division. The Group has taken advantage of this period to continue to restructure the operational side of the business and focus on expanding our network of partners.

The profile of business this year is weighted differently to 2021, with a number of projects running in the second half of the year, resulting in revenue being down slightly from H1 2021. The product mix have also changed, with less Lifecycle projects, which has meant a decrease in the Gross margin. Furthermore a number of contracts that were won have had a delayed start an example of which is a contract scheduled for commencement in May now expected for November 1st.

Management expect results for FY22 full year to be in line with FY21 full year, on a like for like basis.

All our colleagues in Manage deserve a hearty thank you for the outstanding work delivered and service excellence enjoyed by our partners.

Summary and Outlook

The board continues to be pleased with the trading as we build for a profitable cash generative year. We continue to build our base of customers and revenue. The company has latter stage engagement with new partners that would deliver a meaningful uplift and deeper spread of revenues for 2023 and beyond.

It has taken over three years to turn the Company around, but I am truly delighted to say that at last, with the sale of Connect last October, we have a profitable Company with excellent prospects. The Company is generating positive cashflow over and above the repayment of onerous contracts (which end this year), with the cash bank balance sitting above £1m at the date these results are posted.

The efforts of all staff involved in this turnaround cannot be underestimated. Some incredibly tough decisions have been made along the way, which has seen good people leave the business because the company neither had the scale or resources to keep them.

At both a trading and post central and PLC costs, we have a profitable business. Our focus is now entirely on growth, continued organic growth and the possibility of acquisitions. We have an exciting future ahead of us.

It is the intention of the Group, following the release of these interim results, to call a General Meeting in order to allow a share capital reorganisation, and to convert the majority of the outstanding loan notes into equity, allowing the Group to reduce the indebtedness of the to an appropriate level.

We can confidently look forward to a positive and rewarding future for IDE shareholders.

Andy Parker
Non-Executive Chairman

Financial Review

Results for the six months to 30 June 2022

Revenue from continuing operations for the six months to 30 June 2022 from operations was £ 6.7 million (H1 2021 continuing operations: £7.6 million).

Gross profit from continuing operations for the six months to 30 June 2022 was £2.4 million (H1 2021: £3.6 million), representing an overall decline in gross margin of 10.0 percentage points compared to the prior period. The change in gross profit in the six months to 30 June 2022 was due to a change in product mix with less Lifecycle project work.

At an Adjusted EBITDA* level for continuing operations the Group generated a profit of £0.9 million (H1 2021: £2 million).

Exceptional costs amounted to £0.04 million (H1 2021: £0.1 million) and related predominantly to legacy redundancy costs as a result of the reduction in headcount in the previous financial year. Going forward, we expect exceptional costs to continue to decrease.

Net financial costs were £1.4 million (H1 2021: £0.8 million), which include £1.0 million of interest on the loan notes issued which is payable at the end of their term. In addition, the costs include £6,000 of notional interest in relation to the convertible loan notes.

The loss after tax for the period was £1.2 million (H1 2021: loss of £1.3 million).

Loss per share was 0.27p (H1 2021: loss per share 0.31p).

Cashflow and Net Debt

The Group's cash generated from operating activities in the period was £0.7 million (H1 2021 inflow of £0.1 million), reflecting positive underlying performance and careful management of working capital. The Group invested £0.03 million in fixed assets. There were no new borrowings, but repayment of lease liabilities consumed £0.1 million (H1 2021: £0.1 million). The net result is that as at 30 June 2022 there were no bank borrowings or overdraft debt and the cash balance was £0.4 million (H1 2021: £0.5 million). Net debt as at 30 June 2022 was £24.0 million (31 December 2021: £24.2 million).

Consolidated Statement of Comprehensive Income

Continuing Operations	Note	Unaudited Six months ended 30 June 2022 £000	Unaudited Six months ended 30 June 2021 £000	Audited Year ended 31 December 2021 £000
Revenue	2	6,741	7,557	14,456
Cost of sales		(4,317)	(3,998)	(8,185)
Gross profit		2,424	3,559	6,271
Other operating income		-	27	40
Administrative expenses excluding impairment		(2,210)	(2,933)	(5,151)
Impairment charge on intangibles		-	-	(1,833)
Impairment charge on trade receivables		-	-	139
Operating profit/(loss)		214	653	(534)
<i>Analysed as:</i>				
Adjusted EBITDA*		942	2,061	3,099
Non underlying items	3	(36)	(91)	(433)
Depreciation		(98)	(288)	(321)
Amortisation		(585)	(1,029)	(1,169)
Impairment of goodwill and intangibles		-	-	(1,833)
Impairment credit on trade receivables		-	-	139
Profit/(Loss) on the sale of assets		(9)	-	-
Charges for share-based payments		-	-	(16)
Net financial costs		(1,440)	(773)	(2,453)
Loss before taxation		(1,226)	(120)	(2,987)
Income tax		513	(260)	1,204
Loss for the period after taxation		(713)	(380)	(1,783)
Discontinued operations:				
(Loss)/profit attributed to discontinued operations		-	(885)	(193)
Loss for the period and total comprehensive income attributable to equity holders of the parent		(713)	(1,265)	(1,976)
Basic and diluted loss per share – continuing operations	4			
Basic and diluted (pence per share)		(0.14)	(0.09)	(0.39)
Basic and diluted loss per share – discontinued operations				
Basic and Diluted (pence per share)		-	(0.22)	(0.04)
Total basic and diluted profit/(loss) (pence per share)		(0.14)	(0.31)	(0.43)

* Earnings from continuing operations before net finance costs, tax, depreciation, amortisation, impairment charges, share based payments and exceptional costs

Consolidated Statement of Financial Position

	Unaudited 30 June 2022 £000	Unaudited 30 June 2021 £000	Audited 31 December 2021 £000
Non-current assets			
Intangible assets	7,647	9,788	8,231
Goodwill	-	196	-
Property, plant and equipment	748	705	813
Deferred tax asset	2,778	-	2,265
Financial and other assets	-	2,284	313
	11,173	12,973	11,622
Current assets			
Trade and other receivables	3,530	5,736	3,969
Deferred tax asset	-	3,439	-
Cash and cash equivalents	798	615	349
	4,328	9,790	4,318
Total assets	15,501	22,763	15,940
Current liabilities			
Borrowings	5	-	100
Trade and other payables	4,300	11,278	5,318
Contract liabilities	-	1,581	49
Taxation	-	-	-
Finance lease obligations	162	620	146
Provisions	113	115	157
	4,575	13,694	5,770
Non-current liabilities			
Trade and other payables	900	-	730
Contract liabilities	-	15	-
Borrowings	5	18,422	14,656
Convertible loan notes	6	137	-
Finance lease obligations	629	545	710
Deferred tax liabilities	-	1,547	-
Provisions	181	91	202
	20,269	16,854	18,800
Total liabilities	24,844	30,548	24,570
Net (liabilities)/assets	(9,343)	(7,785)	(8,630)
Equity attributable to equity holders of the parent			
Called up share capital	12,418	12,417	12,418
Share premium account	35,882	35,439	35,882
Other reserves	58	502	(92)
Retained earnings	(57,701)	(56,143)	(56,838)
Total equity	(9,343)	(7,785)	(8,630)

Consolidated Statement of Changes in Equity

	Share capital (a)	Share premium (b)	Equity Reserve (c)	Retained earnings (d)	Foreign currency translation reserve (e)	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2021	10,020	35,439	967	(54,878)	(150)	(8,602)
Total comprehensive income for the period						
Loss for the financial year and total comprehensive income	-	-	-	(1,265)	-	(1,265)
Shares issued on the redemption of convertible loan notes	2,397	-	(315)	-	-	2,082
At 30 June 2021 (unaudited)	12,417	35,439	652	(56,143)	(150)	(7,785)
Total comprehensive income for the period						
Adjustment to shares issued on redemption of convertible loan notes	1	443	(594)	-	-	(150)
Loss for the financial year and total comprehensive income	-	-	-	(711)	-	(711)
Transactions with owners recorded directly in equity						
Share based payments	-	-	-	16	-	16
At 31 December 2021 (Audited)	12,418	35,882	58	(56,838)	(150)	(8,630)
At 1 January 2022	12,418	35,882	58	(56,838)	(150)	(8,630)
Total comprehensive income for the period						
Loss for the financial year and total comprehensive income	-	-	-	(713)	-	(1,226)
Loss on FX realised	-	-	-	(150)	150	-
At 30 June 2022 (unaudited)	12,418	35,882	58	(57,701)	-	(9,856)

(a) Share capital represents the nominal value of equity shares

(b) Share premium represents the excess over nominal value of the fair value of consideration received for equity shares; net of expenses of the share issue;

(c) The equity reserve consists of the equity component of convertible loan notes that were issued as part of the fundraising in August 2018 less the equity component of instruments converted or settled.

The fair value of the equity component of convertible loan notes issued is the residual value after deduction of the fair value of the debt component of the instrument from the face value of the loan note.

(d) Retained earnings represents retained profits and accumulated losses

(e) On consolidation, the balance sheets of the Group's foreign subsidiaries are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains or losses arising from the consolidation of these foreign subsidiaries are recognised in the foreign currency translation reserve. As the foreign subsidiaries are being liquidated the balance on the reserve has been recognised in Retained earnings.

Consolidated Cash Flow Statement

	Unaudited Six months ended 30 June 2022 £000	Unaudited Six months ended 30 June 2021 £000	Audited Year ended 31 December 2021 £000
Loss from continuing operations	(1,226)	(120)	(2,987)
Loss from discontinuing operations	-	(1,385)	(193)
Loss before tax for the period	(1,226)	(1,505)	(3,180)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	98	545	321
Amortisation of intangible assets	585	1,445	1,169
Profit on disposal of discontinued operations	-	-	(1,286)
Loss on discontinued operations	-	-	-
Impairment charge on goodwill and intangibles	-	-	1,833
Impairment charge on property, plant and equipment	-	-	-
Impairment credit on trade receivables	-	-	(139)
Net financial costs	1,440	783	2,453
Equity settled share-based payment expenses	-	-	16
Profit/Loss on sale of fixed assets	9	(4)	-
	906	1,264	1,187
Decrease in trade and other receivables	750	(2,477)	(133)
Decrease in trade and other payables	(897)	1,420	(513)
Increase/(decrease) in provisions	(65)	(105)	47
	694	102	588
Net corporation tax recovered/ (paid)	-	-	-
Net cash acquired from operating activities	694	102	588
<i>Cash flow from investing activities:</i>			
Disposal of subsidiaries	-	-	(586)
Acquisition of property, plant and equipment	(30)	(43)	(28)
Proceeds from sale of fixed assets	-	4	-
Net cash used in investing activities	(30)	(39)	(614)
<i>Cash flows from financing activities:</i>			
Repayment of lease liabilities	(77)	(126)	(434)
New loans and borrowings, net of expenses	-	-	1,000
Repayments of loans and borrowings, net of expenses	(100)	-	-
Interest paid	(38)	(15)	(334)
Supplier finance repaid	-	-	(550)
Net cash absorbed by financing activities	(215)	(141)	(318)
Net increase/ (decrease) in cash and cash equivalents	449	(78)	(344)
Cash and cash equivalents at beginning of period	349	693	693
Cash and cash equivalents at end of period	798	615	349
Being:			
Cash and cash equivalents	798	615	349
	798	615	349

Notes to the half-yearly financial information

1. Basis of preparation

The condensed consolidated interim financial information for the six-month period ended 30 June 2022 and 30 June 2021 is unaudited. This statement has not been reviewed by the Company's auditor. This condensed consolidated interim financial information was approved by the Board of Directors and authorised for issue on 30th September 2022. A copy of this half-yearly financial report is available on the Company's website at www.idegroup.com.

The comparative figures for the financial year ended 31 December 2021 are extracted from but do not comprise the Group's consolidated financial statements for that year.

The Company is a public limited liability company incorporated and domiciled in Scotland. The address of its registered office is 24 Dublin Street, Edinburgh EH1 3PP. The Company is listed on the AIM market of the London Stock Exchange.

IDE and its subsidiaries have not applied IAS 34, 'Interim Financial Reporting' as adopted by the European Union, which is not mandatory for UK AIM listed companies, in the preparation of this half-yearly financial report.

This condensed consolidated interim financial information for the six-month period ended 30 June 2022 therefore does not comply with all the requirements of IAS 34, 'Interim Financial Reporting' as adopted by the European Union. The consolidated interim financial information should be read in conjunction with the annual financial statements of the Company as at and for the year ended 31 December 2021, which were prepared in accordance with IFRS as adopted by the European Union.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Board of Directors on 29 September 2022 and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Accounting policies

The accounting policies used in the preparation of the condensed consolidated interim financial information for the six months ended 30 June 2022 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted by the European Union and are consistent with those that will be adopted in the annual statutory financial statements for the year ended 31 December 2022.

While the financial information included has been prepared in accordance with the recognition and measurement criteria of IFRS, as adopted by the European Union, these financial statements do not contain sufficient information to comply with IFRSs. The accounting policies adopted in the interim financial statements are consistent with those adopted in the financial statements for the year ended 31 December 2021.

Exceptional items and other non-recurring items

Items which are material because of their size or nature, and which are non-recurring are highlighted separately on the face of the income statement. The separate reporting of exceptional items helps provide a better picture of the Company's underlying performance. Items which may be included within the exceptional category include:

- spend on major restructuring programmes;
- significant goodwill or other asset impairments; and
- other particularly significant or unusual items.

Exceptional items are excluded from the headline profit measures used by the Group and are highlighted separately in the income statement as management believe that they need to be considered separately to gain an understanding the underlying profitability of the trading businesses.

For further details, please refer to note 3.

Going concern

The condensed consolidated interim financial information has been prepared on a going concern basis.

Taking into account the support of certain of the Company's significant shareholders, of which the largest is represented on the Board, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors consider that the adoption of the going concern basis is appropriate.

2. Segment reporting

Following the sale of the Connect business on 19 October 2021 there is only one segment remaining, the IDE Group Manage business.

Unaudited for the six-month period ended 30 June 2021

	IDE Group Manage	IDE Group Connect	Nimoveri Limited	Central & inter- segment	Total
	£000	£000	£000	£000	£000
Revenue	7,807	6,313	39	(250)	13,909
Cost of Sales	(4,248)	(5,843)	(9)	250	(9,850)
Gross profit	3,559	470	30	-	4,059
Other operating income	27	82	-	-	109
Administrative expenses	(1,564)	(1,943)	(14)	(1,369)	(4,890)
Operating profit/ (loss)	2,022	(1,391)	16	(1,369)	(722)
<i>Analysed as:</i>					
Adjusted EBITDA*	2,398	(616)	16	(337)	1,453
Depreciation	(288)	(257)	-	-	(545)
Amortisation of intangible assets	-	(416)	-	(1,029)	(1,445)
Exceptional costs	(88)	(98)	-	(3)	(189)
Profit on sale of assets	-	4	-	-	4
Net financial costs	(4)	(10)	-	(769)	(783)
Profit/(Loss) before taxation	2,018	(1,401)	16	(2,138)	(1,505)
Tax on loss on ordinary activities	(260)	500	-	-	240
Profit/(Loss) for the period after taxation	1,758	(901)	16	(2,138)	(1,265)

* Earnings from continuing operations before net finance costs, tax, depreciation, amortisation, goodwill impairment, share based payments and exceptional costs

Administrative expenses are not allocated against operating segments in the Group's internal reporting. The statement of financial position is not allocated between the operating segments in the Group's internal reporting.

3. Exceptional costs

In accordance with the Group's policy in respect of exceptional costs, the following charges were incurred in relation to continuing operations:

	Unaudited Six months ended 30 June 2022 £000	Unaudited Six months ended 30 June 2021 £000	Audited Year ended 31 December 2021 £000
Restructuring and reorganisation costs	36	189	433

4. Earnings per share from continuing operations

The calculation of basic and diluted loss per share is based on results from continuing operations attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares for the purpose of calculating the basic and diluted measures in the reporting periods is the same. This is because the outstanding options would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33. Basic and diluted unaudited loss per share from continuing operations are calculated as follows:

	Unaudited Six months ended 30 June 2022 £000	Unaudited Six months ended 30 June 2021 £000	Audited Year ended 31 December 2021 £000
Loss attributable to shareholders	(713)	(1,265)	(1,976)
Weighted average number of shares	496,702,792	413,413,639	461,185,527
Diluted weighted average number of shares	496,702,792	413,413,639	461,185,527
Basic loss per share (pence)	(0.14)	(0.31)	(0.43)
Diluted loss per share (pence)	(0.14)	(0.31)	(0.43)

5. Borrowings

In January 2019 the Company issued £5.3 million of secured loan notes with a six-year term and a 12% coupon which is compounded, rolled up and payable at the end of the term ("Loan Notes"). In February and March 2019, a further £4.7 million in total of Loan Notes were issued. The Loan Notes carry an arrangement fee of 2.5 per cent., payable at the end of the term, and an exit fee of 2.5 per cent., also payable at the end of the term.

In December 2019 the Company issued an additional £1.5 million of Loan Notes (with the same terms as those issued in the first quarter of the year).

The Loan Notes are held at amortised cost using the effective interest rate method. The effective interest rate for the Loan Notes has been calculated to be 18%.

On 1 June 2020, Group completed the acquisition of Nimoveri Holdings Limited, a small cloud and IT services business, for a total consideration of £0.2 million; £0.1 million paid in cash on completion and the issue of £0.1 million 0% Loan Notes by IDE Group Limited, a Group company (the "Nimoveri Loan Notes"). The Nimoveri Loan Notes are secured over the assets of Nimoveri Holdings Limited and redeemable on 31 December 2021.

The Company issued a further loan note (“Loan Note 2025”) net of expenses for proceeds of £1m on 1 December 2021. The terms of the loan were that the rate of interest is 1.5% per month if repaid by 31 January 2022, 2.5% per month if repaid by 28 February 2022 and 3% per month if repaid by 31 March 2022. If not repaid by 31 March 2022 the amount due at that date including fees (£1.1875m) is then subject to interest at 20.4% per annum compound. The maturity date is 23 December 2025. At the year-end management intended to settle the loan notes before 31 March 2022 and accordingly, they are classified as current liabilities.

	Unaudited Six months ended 30 June 2022 £000	Unaudited Six months ended 30 June 2021 £000	Audited Year ended 31 December 2021 £000
Non-Current			
Loan Notes	18,422	14,656	17,027
Current			
Loan Notes	-	100	100

6. Convertible Loan Notes

On 21 August 2018, as part of a wider fundraising, the Company issued £2.55 million of unsecured loan notes, which have a term of 5 years and a zero per cent coupon (“CLNs”). The CLNs can be converted into new ordinary shares in the capital of IDE at a price of 2.5 pence per share. Conversion is at the option of the holder at any time during the 5-year term. At the end of the term, if the holder has not chosen to convert the CLNs, the CLNs will be settled with a cash repayment. At issue, the CLNs had a fair value of £2.54 million, split into an equity component (£0.96 million) and a debt component (£1.58 million).

*On 7 June 2021 £2,397,519 of the unsecured convertible loan notes issued in August 2018 were converted into 95,900,760 Ordinary shares of 2.5p each, at a conversion price of 2.5p per share. £2.1 million has been posted against the Consolidated Loan Notes debt component in June 2021 and the balance of £0.3 million set off against the Equity reserve.

	Unaudited Six months ended 30 June 2022 £000	Unaudited Six months ended 30 June 2021 £000	Audited Year ended 31 December 2021 £000
Balance at beginning of period	131	1,983	1,983
Issue of new shares*	-	(2,082)	(1,932)
Interest unwound	6	99	80
Total	137	-	131