17 November 2021

Merit Group plc (formerly Dods Group plc)

("Merit", the "Company" or "the Group")
UNAUDITED INTERIM RESULTS TO 30 SEPTEMBER 2021

Merit Group plc (AIM: MRIT), the data and intelligence business, announces its unaudited interim results for the half year ending 30 September 2021.

Financial Highlights

- Strong year on year growth in Net Income, Gross Margin and Earnings;
- Adjusted EBITDA of £1.3m (H1 2021 Adjusted EBITDA loss of £0.2m);
- Recovery on track with first half loss before tax falling by £2.0m to £0.6m; (H1 2021 loss £2.6m);
- Operating cash inflow, before deferred liabilities and exceptional items, of £0.6m; (H1 2021 £0.2m inflow);
- Cash balance of £2.8m and Net Debt of £1.8m as at 30 September, against total debt facilities of £4.6m.

	H1 2022 **30 Sept 21**	Restated* H1 2021 30 Sept 20	
Total revenue	**£12.3m**	£10.2m	+21%
Net Income [1]	**£10.8m**	£9.4m	+15%
Gross margin	**39%**	31%	+26%
Adjusted EBITDA [2]	**£1.3m**	(£0.2m)	N/A
Adjusted EBIT [3]	**(£0.3m)**	(£1.9m)	-84%
Loss before tax	**(£0.6m)**	(£2.6m)	-77%
Adjusted basic EPS[4]	**(0.33p)**	(8.55p)	+8.22p
Basic EPS	**(3.10p)**	(12.88p)	+9.78p

1. Net income is total revenue less pass through cost directly related to provision of services to customers.
2. Adjusted EBITDA is calculated as earnings before interest, tax, depreciation, amortisation of intangible assets, share based payments and non-recurring items.
3. Adjusted EBIT is calculated as operating profit (loss) less non-recurring costs.
4. Adjusted EPS is loss attributable to shareholders add back non-recurring items, amortisation of intangible assets acquired via business combinations, net exchange difference and share based payment expenses.

**Details of the restatement are found on note 14 on page 22 under the header of "Condensed consolidated statement of financial position".*

Operational Highlights

- Continued investment in technology to drive growth, including new investment and commercial agreements with DataWorks and the development of a new Political Intelligence technology platform which is progressing well and on track to launch in H2;
- Completion of strengthened new management team with David Beck confirmed as CEO and joined the Board in September 2021, and the arrival of a new CFO, Philip Machray, in October and joining the Board today;
- Strong overall recovery with further anticipated in the second half as some parts of the business were still being impacted by Covid-19 restrictions in H1;
- Good progress towards targeted significant reduction in UK property overhead.

Mark Smith, Chairman of Merit Group plc, said;

"The recovery in trading we saw in the second half of the last financial year has continued into FY22. We are confident Merit is trading in line with market expectations for EBITDA in the full year. The newly strengthened management team are making good progress in addressing the key drivers that will improve the Group's prospects and returns to shareholders."

For further information, please contact:

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This announcement is released by Merit Group plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 ("MAR"), and is disclosed in accordance with the Group's obligations under Article 17 of MAR.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Group by David Beck, Chief Executive Officer.

BUSINESS AND OPERATIONAL REVIEW

The interim results are in line with market expectations, despite some residual impact from the ongoing global pandemic. Adjusted EBITDA of £1.3m in the first half compared to a first half EBITDA loss of £0.2m in the prior year, driven by both higher revenue and improvements in gross margin.

Strategy

The Group's strategy is built around using technology to provide high quality data and intelligence to its customers. Through a combination of technology led data capture and delivery, tight cost controls and a focus on growth markets we are seeking to grow gross margins in both our operating divisions; Merit Data & Technology and Dods.

Merit Data & Technology

Merit Data & Technology uses its proprietary technology, including machine learning and Artificial Intelligence (AI) to enhance industry intelligence and marketing data. The business, which was acquired by the Group in 2019, has longstanding customers that provide the business with high levels of recurring revenue. We provide a range of data and intelligence products and services to largely UK based customers.

Merit Data & Technology reported an Adjusted EBITDA of £1.0m in the first half against £0.7m in the same period in the previous year.

The strength of customer relationships and the nature of the work undertaken allowed the Merit Data & Technology division to continue to trade well through the worst of the pandemic, with only its marketing data segment being significantly affected, as clients were restricted in their ability to hold face to face events.

The software and technology resourcing part of Merit Data & Technology operates in a particularly buoyant market for people with technology skills. Growth in this segment has been tempered by a significant shortage of supply of good people which has led to both recruitment issues and wage inflation.

The industry data segment has secured new 'big data' projects in the pharmaceutical and publishing spaces and developed new products. We are particularly pleased to have increased our footprint with large existing clients including Lexis Nexis, the biggest division of Relx and Informa Intelligence. Expansion of our work for existing clients is a strong vote of confidence in our delivery, we have further projects under consideration with both companies.

The investment in DataWorks announced earlier in the year is progressing with advanced user testing underway and a comprehensive marketing plan in place for launch later in the financial year.

Dods

The Dods business comprises a leading political intelligence offering that has approximately 1,400 customers; a media portfolio of influential political titles largely delivered online; an events business that supports our clients in their engagement with political audiences and a growing training business aimed at both the UK civil service and international NGOs.

In the first half Dods made an adjusted EBITDA of £0.2m, after central overheads of £0.5m, against a loss of £0.9m in the same period last year. All areas of the business grew revenues, with particularly strong recovery in the events and training businesses.

Political Intelligence is at the centre of the Dods business, we are an industry leader with an enviable reputation for the comprehensiveness of our service and the quality of analysis we provide customers. In the second half of the current financial year we will complete the upgrade of our online platform to enhance the user experience and allow our customers to derive even more value from the service we provide through tailored reports and consultancy.

Our media business earned a higher proportion of revenue from online advertising and growing user numbers for our websites, notably Politics Home www.politicshome.com, our political news website, which now averages 500,000 unique users per month. We have four other core media properties, three centred around the workings of parliaments; The House, Holyrood and The Parliament, and Civil Service World an essential source of news and analysis for those that work in the UK civil service.

The Dods events business has recovered from the most severe impacts of the pandemic however it has further to go to achieve a full recovery as customers still have concerns, and face some ongoing restrictions, on full scale face to face events. We ran a number of successful and high profile events during the half including the NHS awards in June. We saw the return of in person events at the political party conferences, and our prestigious annual Holyrood Garden Party returned in September.

Dods' Training business has also recovered quickly and recent strong sales activity gives us increasing confidence that there is further growth to come from this segment. In the first half we won a significant three year training contract with the Welsh Government.

London Premises

The Group has targeted to make significant overhead savings by reducing its real estate costs in London where we are halfway through a ten year lease in The Shard. Since the period end the Company has agreed its five year rent review with its Landlord at a net effective rent of £66.50 per sq ft (representing a 1% per annum increase). The Group and its property advisers believe this new rent and the certainty of having concluded our mid lease review will improve our ability to assign or sublet the space we currently occupy in The Shard.

Board Appointments

David Beck was confirmed as CEO and joined the Board in September. The Board are pleased to announce that Philip Machray, who joined the Company as CFO in October 2021, has today been appointed to the Board. The Company can confirm that save as disclosed in the announcement on 7 September 2021, there is no further information to be disclosed in relation to Philip Machray's appointments pursuant to AIM Rule 17 or paragraph (g) of Schedule Two of the AIM Rules for Companies.

Simon Bullock will be stepping down from the Board following release of today's interim results. Cornelius Conlon, was appointed CTO in September in recognition of the importance the Board places on the Group continuing to develop innovative and market leading technologies.

Outlook

The Group is confident of meeting market expectations for EBITDA in the full year. Our growth prospects beyond the current year are underpinned by investments we have been making in our businesses. Our market leading political intelligence service will benefit from a major platform upgrade. Our data business continues to win new clients in new sectors and is confident of entering the very large e-commerce sector, enabled by the Group's strategic investment in DataWorks made earlier this year.

David Beck
CEO
Merit Group plc

FINANCIAL REVIEW

Income Statement

The Group's revenue increased by 21% to £12.3m (H1 2021: £10.2m).

Revenues from Merit Data and Technology increased by £0.1m (2%). Dods revenue increased by 38% from £5.2m to £7.2m. The increase is largely attributable to Events (from £0.2m to £1.4m), Training (from £0.4m to £0.9m) and Media (from £1.1m to £1.6m).

During the period gross profit increased by 47% to £4.8m (H1 2021: £3.2m). Gross margin increased from 31% to 39% in the period.

Adjusted EBITDA increased by £1.5m to £1.3m (H1 2021: £0.2m EBITDA loss) Other operating income was £44k (H1 2021: £0.5m), as less staff were on furlough and supported the improvement in revenue. Operating loss fell by £1.8m to £0.5m (H1 2021: £2.3m loss), after a right-of-use assets charge of £0.7m (H1 2021: £0.7m), an amortisation on acquired intangibles under business combinations of £0.4m (H1 2021: £0.4m), a charge of £0.2m (H1 2021: £0.2m) for intangible assets amortisation, a charge of £0.3m (H1 2021: £0.3m) for depreciation of tangible assets and non-recurring costs of £0.2m (H1 2021: £0.5m).

Net finance costs have decreased for the period to £0.2m (H1 2021: £0.3m) reflecting favourable foreign exchange movements.

Adjusted earnings per share, basic and diluted, in the period were a loss of 0.33 pence and 0.33 pence respectively (H1 2021: loss of 8.55 pence) and were based on the adjusted loss for the period of £0.1m (H1 2021: £1.7m loss) with a weighted average number of shares in issue during the period of 20,788,375 (diluted 20,844,161).

Earnings per share, both basic and diluted, from continuing operations in the period were a loss of 3.10 pence (H1 2021: loss of 12.88 pence) and were based on the loss after tax for the period of £0.6m (H1 2021: loss of £2.6m).

Whilst the Company's focus remains on cash preservation and repositioning the business for future growth, the Board is not proposing a dividend (H1 2021: £nil).

Going Concern

The Directors assessed the Group's prospects, both as a going concern and its longer term viability, at the time of approval of the Group's 2021 Annual Report. Further information is set out on page 19 of the 2021 Annual Report. At the half year, the directors have reviewed the going concern assessment, including the ongoing impact of Covid-19 and the mitigating actions in place to manage cost and cash flow. Having regard to the financial position of the Group, it's cash, liquidity position and borrowing facilities as detailed further in the Statement of Financial Position, the Directors are satisfied that the Group is able to continue to meet its financial liabilities as they fall due for the foreseeable future. Accordingly, the Directors have adopted the going concern basis of accounting in the preparation of the Group's interim results report.

Statement of Financial Position

Assets

Non-current assets consisted of goodwill of £28.9m (FY 2021: £28.9m), intangible assets of £10.4m (FY 2021: £10.4m) and tangible fixed assets of £2.1m (FY 2021: £2.2m).

The Group holds a 40% stake in the issued share capital of Sans Frontières Associates (SFA) with a carrying amount of £0.2m (FY 2021: £0.2m) and has loaned SFA £0.4m (FY 2021: £0.6m) at the period end. The loan is unsecured and carries no interest charge. Additionally, the Group holds a 30% stake in Social 360 at cost of £0.5m (FY 2021: £0.5m). The Group acquired a 10.9% stake in DataWorks Ltd for £0.5m during the period.

The Group had a cash balance of £2.8m (FY 2021: £5.6m) and gross borrowings of £4.5m at the period end (FY 2021: £4.6m).

Total assets of the Group were £58.2m (FY 2021: £60.7m) with the main movements being a reduction in cash and cash equivalents of £2.8m and an increase in investments in associate of £0.5m for DataWorks Ltd investment.

Equity and Liabilities

The Group has a bank term loan of £2.6m (FY 2021: £2.6m). The current amount due is £0.5m (FY 2021: £0.3m) and non-current is £2.0m (FY 2021: £2.4m). The loan has a repayment schedule through to June 2024. The Group also has a RCF loan facility of £2.0m available through to December 2023. This RCF facility was fully drawn throughout the period and stood at £2.0m at the period end (FY 2021: £2.0m). Due to its revolving nature, this loan is all shown as due within one year.

Current liabilities fell by £1.1m to £16.3m (FY 2021: £17.4m). Excluding the term loan and RCF, the current liabilities decreased primarily because of payments of £0.5m of VAT, paid between April 2021 and September 2021, which was deferred from FY21 under an arrangement made available as part of the UK Government's support for businesses impacted by Covid-19. Deferred VAT at the period end was £0.9m (FY21 £1.4m).

Deferred tax liability was £0.2m (FY 2021: £0.2m).

Total equity reduced by £0.6m to £33.4m (FY 2021: £34.0m), reflecting the loss for the period.

Liquidity and capital resources

Net cashflow from operating activities amounted to a £0.3m outflow in the period (H1 2021 £0.7m outflow) as operating cashflows were utilised in the repayment of operating liabilities deferred from prior periods in response to Covid-19. The total net movement in working capital of £1.4m during the period , reflected a reversal of some of the working capital measures taken during FY21 in response to Covid-19, including £0.5m partial repayment of the deferred VAT liability. Operating liabilities of £1.0m in relation to these measures remain deferred at the period end.

Operating cash inflow, before repayment of deferred liabilities and exceptional items amounted to £0.6m; (H1 2021 £0.2m inflow).

The cash position at the period end was £2.8m (H2 2021: £4.1m). As at 30 September 2021 the Group had a net debt position of £1.8m (H1 2021: net cash £1.1m).

On 30 June 2021 the Group agreed revised facilities with Barclays Bank which included:

- Term Loan: reduced payments in the current year with offsetting increases in subsequent years although no increase in overall duration of the loan; a change in pricing from 3.25% above LIBOR to 3.75% above the Bank of England interest rate;
- RCF: a change in pricing, effective January 2022; from 3.50% above LIBOR to 4.00% above the Bank of England interest rate;
- Covenants: revised leverage and debt service covenants with effect from 1 April 2021 for the balance of the facility (June 2024);
- Cash: the requirement to maintain a minimum cash balance, across the Group, of £0.5m.

Simon Bullock
Chief Financial Officer

Condensed consolidated income statement
For the half year ended 30 September 2021

	Note	**Unaudited Half year ended 30 Sept 2021 £'000**	Restated Unaudited Half year ended 30 Sept 2020 £'000	Audited Year ended 31 Mar 2021 £'000
Revenue	2	**12,338**	10,227	24,690
Cost of sales		**(7,565)**	(7,051)	(16,402)
Gross profit		**4,773**	3,176	8,288
Administrative expenses*		**(3,566)**	(3,873)	(6,979)
Other operating income	3	**44**	500	688
Adjusted EBITDA		**1,251**	(197)	1,997
Depreciation of tangible fixed assets*		**(273)**	(297)	(612)
Depreciation of right-of-use assets*		**(660)**	(704)	(1,330)
Amortisation of intangible assets acquired through business combinations*		**(431)**	(426)	(862)
Amortisation of software intangible assets*		**(184)**	(228)	(488)
Total administrative expense(1)		**(5,114)**	(5,028)	(10,271)
Non-recurring items	4			
People-related costs		**(158)**	(415)	(995)
Other non-recurring items		**(20)**	(35)	(210)
Operating loss		**(475)**	(2,302)	(2,500)
Net finance costs		**(171)**	(300)	(669)
Share of profit of associate		**-**	-	56
Loss before tax		**(646)**	(2,602)	(3,113)
Income tax credit		**-**	3	389
Loss for the period		**(646)**	(2,599)	(2,724)
Loss per share (pence)				
Basic	5	**(3.10p)**	(12.88p)	(13.28p)
Diluted	5	**(3.10p)**	(12.88p)	(13.28p)

(1) Total of all line items marked (*)

The notes on pages 15 to 23 form part of these unaudited interim results.

Restatement:
- £500k of other operating income has been reclassed from "Administrative expenses" and shown separately in "Other operating income" to bring into conformity with the FY21 Annual report, the £500k relates to the UK Governments Coronavirus Job Retention scheme. This has no impact on the prior results and is only a reclassification. Previously "Administrative expenses" was stated as £3,373k and "other operating income" as £nil.
- £272k has been restated within Non-recurring items to "people related costs", previously was part of "Non-recurring acquisition costs and professional fees". This has no impact on the prior results and is only a reclassification. Previously "Non-recurring acquisition costs and professional fees" was £272k and "people related costs" was £143k.

Condensed consolidated statement of comprehensive income
For the half year ended 30 September 2021

	Unaudited Half year ended 30 Sept 2021 £'000	Unaudited Half year ended 30 Sept 2020 £'000	Audited Year ended 31 Mar 2021 £'000
Loss for the period	**(646)**	(2,599)	(2,724)
Items that may be subsequently reclassified to Profit and loss			
Exchange differences on translation of foreign operations	**28**	117	(19)
Remeasurement of defined benefits obligation	**20**	-	(45)
Other comprehensive income for the period	**48**	117	(64)
Total comprehensive loss for the period	**(598)**	(2,482)	(2,788)

The notes on pages 15 to 23 form part of these unaudited interim results.

Merit Group plc

Condensed consolidated statement of financial position
As at 30 September 2021

	Note	**Unaudited 30 Sept 2021 £'000**	Restated* Unaudited 30 Sept 2020 £'000	Audited 31 Mar 2021 £'000
Non-current assets				
Goodwill	6	**28,911**	28,845	28,911
Intangible assets	7	**10,358**	11,042	10,449
Property, plant and equipment	8	**2,082**	1,879	2,184
Right-of-use asset		**6,541**	7,412	6,688
Investment in associates		**1,167**	690	717
Long-term loan receivable		**-**	560	-
Total non-current assets		**49,059**	50,428	48,949
Current assets				
Work in progress and inventories		**119**	434	36
Trade and other receivables		**5,786**	5,544	5,584
Loan receivable		**420**	-	560
Cash and cash equivalents		**2,804**	4,100	5,565
Total current assets		**9,129**	10,078	11,745
Total assets		**58,188**	60,506	60,694
Capital and reserves				
Issued capital	10	**5,821**	19,501	19,501
Share premium		**-**	20,866	20,866
Merger reserves		**-**	415	409
Retained profit/(loss)		**13,958**	(6,473)	(6,671)
Redemption reserve		**13,680**	-	-
Share option reserve		**58**	85	58
Other reserves		**(25)**	-	(45)
Translation reserve		**(52)**	(72)	(80)
Total equity		**33,440**	34,322	34,038
Current liabilities				
Trade and other payables		**10,966**	12,495	12,582
Pension obligation		**78**	54	73
Deferred consideration		**1,046**	1,046	1,046
Bank loan & RCF		**2,541**	857	2,253
Lease liability		**1,680**	1,515	1,467
Total current liabilities		**16,311**	15,967	17,421
Non-current liabilities				
Deferred tax liability		**222**	862	222
Pension obligation		**146**	84	166
Bank loan		**2,024**	2,143	2,378
Lease liability		**6,045**	7,128	6,469
Total non-current liabilities		**8,437**	10,217	9,235
Total equity and liabilities		**58,188**	60,506	60,694

Notes to the condensed consolidated financial statements
For the half year ended 30 September 2021

The notes on pages 15 to 23 form part of these unaudited interim results.

*Restatements:

- “Trade and other payables” from £12,633k to £12,495k due to the separate disclosure of the “Pension obligation”, the difference of £138k is now shown as a separate line item “Pension obligation” of £54k in “Current liabilities” and £84k in “Non-current liabilities”. Previously “Pension obligation” was not separately disclosed.
- Upon the acquisition of Meritgroup Limited the Company became obligated, under certain conditions, to make payments to two employees, these were originally recorded in “Deferred consideration” and “Trade and other receivables” effectively grossing up the balance sheet assets and liabilities, however subsequently it was decided this is not the correct treatment as these are contingent liabilities. “Deferred consideration” of £272k has been removed from both “Current liabilities” and “Non-current Liabilities” restating the balance from £1,318k to £1,046k and £272k to £nil respectively. “Trade and other receivables” have also been reduced by £544k from £6,088k to £5,544k.

Due to the above restatements the balances of “Current assets” have changed from £6,088k to £5,544k, “Total assets” from £61,050k to £60,506k. “Current liabilities” has changed from £16,323k to £15,967k and “Non-current liabilities” from £10,405k to £10,217k, “Total equity and liabilities” has changed from £61,050k to £60,506k.

Condensed consolidated statement of changes in equity
For the half year ended 30 September 2021

	Issued capital £'000	Share premium reserve[1] £'000	Merger reserve[2] £'000	Retained earnings £'000	Redemption reserve £'000	Share option reserve[4] £'000	Other reserve £'000	Translation reserve[3] £'000	**Total shareholders' funds £'000**
Unaudited									
At 1 April 2020	**19,239**	**20,082**	**409**	**(3,991)**	**-**	**75**	**-**	**(61)**	**35,753**
Total comprehensive income									
Loss for the period	-	-	-	(2,482)	-	-	-	-	(2,482)
Transactions with owners									
Issue of ordinary shares	262	784	-	-	-	-	-	-	1,046
Other comprehensive loss									
Currency translation differences	-	-	6	-	-	-	-	(11)	(5)
Share-based payment	-	-	-	-	-	10	-	-	10
At 30 September 2020	**19,501**	**20,866**	**415**	**(6,473)**	**-**	**85**	**-**	**(72)**	**34,322**
At 1 April 2021	**19,501**	**20,866**	**409**	**(6,671)**	**-**	**58**	**(45)**	**(80)**	**34,038**
Total comprehensive income									
Loss for the period	-	-	-	(646)	-	-		-	(646)
Currency translation Differences	-	-	-	-	-	-	-	28	28
Remeasurement of defined benefits obligations	-	-	-	-	-	-	20	-	20
Total comprehensive income									**598**
Transactions with owners									
Issue of ordinary shares	-	-	-	-	-	-	-	-	-
Other comprehensive loss									
Share consolidation	(13,680)	(20,866)	(409)	21,275	13,680	-	-	-	-
Share-based payment	-	-	-	-	-	-	-	-	-
At 30 September 2021	**5,821**	**-**	**-**	**13,958**	**13,680**	**58**	**(25)**	**(52)**	**33,440**

1 The share premium reserve represents the amount paid to the Company by shareholders above the nominal value of shares issued.
2 The merger reserve represents accounting treatment in relation to historical business combinations.
3 The translation reserve comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign entities into sterling.
4 The share option reserve represents the cumulative expense recognised in relation to equity-settled share-based payments.

Merit Group plc

Notes to the condensed consolidated financial statements

For the half year ended 30 September 2021

The notes on pages 15 to 23 form part of these unaudited interim results.

Merit Group plc

Condensed consolidated statement of cash flows
For the half year ended 30 September 2021

	Unaudited Half year ended 30 Sept 2021 £'000	Restated* Unaudited Half year ended 30 Sept 2020 £'000	Audited Year ended 31 Mar 2021 £'000
Cash flows from operating activities			
Loss for the period	**(646)**	(2,599)	(2,724)
Depreciation of property, plant and equipment	**273**	297	612
Depreciation of right-of-use assets	**660**	704	1,330
Amortisation of intangible assets acquired through business combinations	**431**	426	862
Amortisation of other intangible assets	**184**	228	488
Share-based payments charge	**-**	10	27
Share of profit of associate	**-**	-	(56)
Lease interest expense	**195**	228	422
Net finance (income) / costs	**(24)**	62	247
Income tax credit	**-**	(3)	(389)
Operating cash flows before movement in working capital	**1,073**	(647)	819
Change in inventories	**(83)**	(161)	237
Change in trade and other receivables	**(202)**	1,720	852
Change in trade and other payables	**(1,137)**	388	670
Cash generated by operations	**(349)**	1,300	2,578
Taxation paid	**(85)**	3	-
Net cash from operating activities	**(434)**	1,303	2,578
Cash flows from investing activities			
Interest and similar income received	**7**	-	16
Additions to property, plant and equipment	**(127)**	(304)	(662)
Additions to intangible assets	**(568)**	(196)	(561)
Investment in associates	**(450)**	(29)	-
Repayment of loan by associate	**140**	-	-
Net cash used in investing activities	**(998)**	(529)	(1,207)
Cash flows from financing activities			
Interest and similar expenses paid	**(87)**	(300)	(262)
Payment of lease liabilities	**(913)**	(579)	(1,181)
Payment of lease interest	**(280)**	(177)	(362)
Net proceeds from bank loan	**-**	-	2,000
Repayment of bank loan	**(101)**	-	(369)
Net cash from / (used in) financing activities	**(1,381)**	(1,056)	(174)
Net decrease in cash and cash equivalents	**(2,813)**	(282)	1,197
Opening cash and cash equivalents	**5,565**	4,368	4,368
Effect of exchange rate fluctuations on cash held	**52**	14	-
Closing cash at bank	**2,804**	4,100	5,565
Comprised of:			
Cash and cash equivalents	**2,804**	4,100	5,565
Closing cash at bank	**2,804**	4,100	5,565

The notes on pages 15 to 23 form part of these unaudited interim results.

*Restatement of "Non-recurring acquisition costs and professional fees" from £450k to £nil in "Cash flows from operating activities", and from (£272k) to £nil in "Cash flows from Investment activities" as these should not have been included in the condensed consolidated statement of cashflows. Restatement of "Change in trade and other payables" from £210k to £388k. As a result of the restatements the line items of "Non-recurring acquisition costs and professional fees" have been removed from presentation.

Restatement of "Payment of lease liabilities" previously (£756k) and "Payment of lease Interest" previously £nil, the new presentation has the payment now split between the two lines, no impact in the overall "Cash flow from financing activities".

Due to the above: "Operating cashflows before movement in working capital" restated from (£197k) to (£647k). "Cash generated by operations" restated from £1,572k to £1,300k. "Net cash from operating activities" restated from £1,575k to £1,303k. "Net cash used in investing activities" restated from (£801k) to (£529k).

1. Basis of preparation

Merit Group plc is a Company incorporated in England and Wales.

This condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the UK. The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006. As required by AIM Rules, the condensed set of financial statements has been prepared, and applying accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 March 2021.

The comparative figures for the year ended 31 March 2021 have been extracted from the Group's statutory accounts for that financial period. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor 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. The comparative figures for the six months ended 30 September 2021 have been restated, see note 14 for details.

The taxation charge for the six months ended 30 September 2021 is based on the utilisation of accumulated tax losses.

Going concern

The Directors have considered the financial projections of the Group, including cash flow forecasts and the availability of committed bank facilities for the coming 12 months. They are satisfied that the Group has adequate resources for the foreseeable future and that it is appropriate to continue to adopt the going concern basis in preparing these interim financial statements.

Accounting estimates and judgements

The Group makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the actual results. The Directors considered the critical accounting estimates and judgements used in the interim financial statements and concluded that the main areas of judgement and estimates are:

Significant Financial Judgements

- Going concern
- Recognition of deferred tax assets
- Capitalisation of development costs
- Accounting for acquisitions

- Identification of cash generating units for goodwill impairment testing
- Non-recurring administrative expenses
- Contingent cash pay-out
- Investments

Significant Financial Estimates

- Carrying value of goodwill
- Bad debt allowance
- Pensions

The condensed set of interim financial statements have been prepared on a going concern basis and were approved by the Board on 16 November 2021.

2. Segmental information

Business segments

The Group considers that it has two operating business segments**,** Dods and Merit Data & Technology.

Dods business segment concentrates on the provision of key information and insights into the political and public policy environments around the UK and the European Union.

The Merit Data & Technology segment focuses on the fields of data engineering, machine learning, and artificial intelligence.

The following table provides an analysis of the Group's segment revenue by business segment.

	Unaudited Half year ended 30 Sept 2021 £'000	Unaudited Half year ended 30 Sept 2020 £'000	Audited Year ended 31 Mar 2021 £'000
Dods	**7,227**	5,210	14,394
Merit Data & Technology	**5,111**	5,017	10,296
	12,338	10,227	24,690

No client accounted for more than 10 percent of total revenue.

Group Revenue by stream	**Unaudited Half year ended 30 Sept 2021 £'000**	Unaudited Half year ended 30 Sept 2020 £'000	Audited year ended 31 Mar 2021 £'000
Political Intelligence	**3,431**	3,425	6,839
Events	**1,366**	207	2,952
Training	**864**	437	1,616
Media	**1,566**	1,141	2,987
Industry Intelligence	**1,597**	1,922	3,586
Marketing Data	**1,052**	1,031	2,239
Software & Technology Resourcing	**1,519**	1,416	2,875
BPO	**943**	648	1,596

	12,338	10,227	24,690

Dods business segment profit before tax	**Unaudited Half year ended 30 Sept 2021 £'000**	Restated Unaudited Half year ended 30 Sept 2020 £'000	Audited year ended 2021 £'000
Adjusted EBITDA	**209**	(893)	503
Depreciation of tangible fixed assets	**(205)**	(182)	(392)
Depreciation of right-of-use assets	**(396)**	(368)	(753)
Amortisation of intangible assets acquired through business combinations	**(176)**	(176)	(351)
Amortisation of software intangible assets	**(114)**	(228)	(488)
Non-recurring items			
People-related costs	**(158)**	(415)	(995)
Other non-recurring items	**(20)**	(35)	(168)
Operating loss	**(860)**	(2,297)	(2,644)
Net finance Cost	**(185)**	(191)	(424)
Share of profit of associate	**-**	-	56
Loss before tax	**(1,045)**	(2,488)	(3,012)

Restated: £272k has been restated within Non-recurring items to "people related costs", previously was part of "Non-recurring acquisition costs and professional fees". This has no impact on the prior results and is only a reclassification. Previously "Non-recurring acquisition costs and professional fees" was £272k and "people related costs" was £143k.

Merit business segment profit before tax	**Unaudited Half year ended 30 Sept 2021 £'000**	Unaudited Half year ended 30 Sept 2020 £'000	Audited year ended 2021 £'000
Adjusted EBITDA	**1,042**	696	**1,494**
Depreciation of tangible fixed assets	**(68)**	(115)	**(220)**
Depreciation of right-of-use assets	**(264)**	(336)	**(577)**
Amortisation of intangible assets acquired through business combinations	**(255)**	(250)	**(511)**
Amortisation of software intangible assets	**(70)**	-	-
Non-recurring items			
Non-recurring acquisition costs and professional fees	**-**	-	-
People-related costs	**-**	-	-
Other non-recurring items	**-**	-	**(42)**
Operating profit/(loss)	**385**	(5)	**144**
Net finance Cost	**14**	(109)	**(245)**
Share of profit of associate	**-**	-	**-**
Profit/(loss) before tax	**399**	(114)	**(101)**

Total loss from both segments for H1 2022 equal to £646k which is equal to the total Group's loss before tax as shown in the income statement.

Notes to the condensed consolidated financial statements

For the half year ended 30 September 2021

3. Other operating income

During the period the Group participated in the UK Government's Coronavirus Job Retention Scheme (CJRS) for its London and Edinburgh based employees.

The Group has accounted for this scheme using the accrual model; all amounts received are recognised as Other Income in the Condensed Consolidated Income Statement. There are no unfulfilled conditions and other contingencies attaching to the government assistance.

The number of employees who were put on the CJRS varied from month to month up to a maximum of 10. Total amount received during the period was £41,000 (H1 2021: 69 employees and £500,000).

In August 2021 the Group also received a grant from the Scottish Government. The grant was issued by the Pivotal Event Businesses Fund (the Issuer) and was for £2,500 (H1 2021: £nil).

Again, the Group has accounted for this scheme using the accrual model; all amounts received are recognised as Other Income in the Consolidated Income Statement.

4. Non-recurring items

	Unaudited Half year ended 30 Sept 2021 £'000	Restated Unaudited Half year ended 30 Sept 2020 £'000	Audited Year ended 31 Mar 2021 £'000
People-related costs	**158**	415	995
Other			
- Professional services and consultancy	**20**	-	85
- Other	**-**	35	125
	178	450	1,205

Restated: £272k has been restated within Non-recurring items to "people related costs", previously was part of "Non-recurring acquisition costs and professional fees" which is now £nil. Previously "Non-recurring acquisition costs and professional fees" was £272k and "people related costs" was £143k.

5. Earnings per share

	Unaudited Half year ended 30 Sept 2021 £'000	Unaudited Half year ended 30 Sept 2020 £'000	Audited Year ended 31 Mar 2021 £'000
Loss attributable to shareholders	**(646)**	(2,599)	(2,724)
Add: non-recurring items	**178**	450	1,205
Add: amortisation of intangible assets acquired through business combinations	**431**	426	862
Add: net exchange (gains) / losses [included within net finance costs]	**(32)**	(12)	68
Add: share-based payment expense	**-**	10	27
Adjusted post-tax profit / (loss) attributable to shareholders	**(69)**	(1,725)	(562)

	Unaudited Half year ended 30 Sept 2021	Restated Unaudited Half year ended	Restated Year ended 31 Mar 2021

Notes to the condensed consolidated financial statements

For the half year ended 30 September 2021

	Ordinary shares	30 Sept 2020 Ordinary shares	Ordinary shares
Weighted average number of shares			
In issue during the period – basic	**20,788,375**	**20,170,945**	**20,512,125**
Adjustment for share options	55,786	59,358	57,870
In issue during the period – diluted	**20,844,161**	**20,230,303**	**20,569,995**

	Unaudited Half year ended 30 Sept 2021 Pence per share	Restated Unaudited Half year ended 30 Sept 2020 Pence per share	Restated Year ended 31 Mar 2021 Pence per share
Earnings per share – continuing operations			
Basic	**(3.10)**	(12.88)	(13.28)
Diluted	**(3.10)**	(12.88)	(13.28)
Adjusted earnings per share – continuing operations			
Basic	**(0.33)**	(8.55)	(2.74)
Diluted	**(0.33)**	(8.55)	(2.74)

Prior periods have been restated per IAS 33 due to share consolidation and subdivision and ordinary shares of 1p were consolidated and subdivided reducing the number of shares by a factor of 28 and increasing the value of the shares to 28p

6. Goodwill

	Unaudited Half year ended 30 Sept 2021 £'000	Unaudited Half year ended 30 Sept 2020 £'000	Audited Year ended 31 Mar 2021 £'000
Cost and net book value			
Opening balance	**28,911**	28,911	28,911
Reclass to intangibles	**-**	(66)	-
Closing balance	**28,911**	28,845	28,911

7. Intangible assets

	Assets acquired through business combinations £'000	**Software £'000**	**Under Construction Capitalised Costs £'000**	**Total £'000**
Cost				
At 1 April 2020	28,042	3,715	1,304	33,061
Additions – internally generated	-	200	316	516
Additions - other	-	45	-	45
Reclass to Software	-	874	(874)	-
At 31 March 2021	28,042	4,834	746	33,622
Reclass to PPE	-	-	(44)	(44)

Notes to the condensed consolidated financial statements

For the half year ended 30 September 2021

Additions – internally generated	-	22	546	568
At 30 September 2021	**28,042**	**4,856**	**1,248**	**34,146**
Accumulated amortisation				
At 1 April 2020	18,421	3,402	-	21,823
Charge for the year	862	488	-	1,350
At 31 March 2021	19,283	3,890	-	23,173
Charge for the period	431	184	-	615
At 30 September 2021	**19,714**	**4,074**	**-**	**23,788**
Net book value				
At 31 March 2020 – audited	9,621	313	1,304	11,238
At 31 March 2021 – audited	8,759	944	746	10,449
At 30 September 2021 – unaudited	**8,328**	**782**	**1,248**	**10,358**

8. Property, plant and equipment

	Leasehold Improvements	Equipment and Fixtures and Fittings	Total
	£'000	£'000	£'000
Cost			
At 1 April 2020	2,025	1,714	3,739
Additions	12	650	662
Disposals	-	(109)	(109)
At 31 March 2021	2,037	2,255	4,292
Additions	-	127	127
Reclass from Intangible	-	44	44
At 30 September 2021	**2,037**	**2,426**	**4,463**
Accumulated depreciation			
At 1 April 2020	692	913	1,605
Charge for the year	226	386	612
Disposals	-	(109)	(109)
At 31 March 2021	918	1,190	2,108
Charge for the period	105	168	273
At 30 September 2021	**1,023**	**1,358**	**2,381**
Net book value			
At 31 March 2020 – audited	1,333	801	2,134
At 31 March 2021 – audited	1,119	1,065	2,184
At 30 September 2021 – unaudited	**1,014**	**1,068**	**2,082**

Notes to the condensed consolidated financial statements

For the half year ended 30 September 2021

9. Interest-bearing loans and borrowings

On the 30 June 2021 the Group agreed revised facilities with Barclays Bank which included:

- Term Loan: reduced payments in the current year with offsetting increases in subsequent years although no increase in overall duration of the loan; a change in pricing from 3.25% above LIBOR to 3.75% above the Bank of England interest rate;
- RCF: a change in pricing, effective January 2022; from 3.50% above LIBOR to 4.00% above the Bank of England interest rate;
- Covenants: revised leverage and debt service covenants with effect from 1 April 2021 for the balance of the facility (June 2024);
- Cash: the requirement to maintain a minimum cash balance, across the Group, of £0.5m.

In the 12 month period from the balance sheet date capital repayments of £2.5m is due be repaid to the bank with the remaining £2.0m due in subsequent periods.

During the period, the Group maintained a term loan of £3m (H1 2021: £3m), over a 5-year period carrying a rate of 3.75% over Bank of England interest rate. The balance outstanding on the term loan at 30 June 2021 is £2.6m.

In addition, the Group has accessed a credit facility (RCF) of £2.0m carrying a rate of 4.0% above the Bank of England rate. The current balance outstanding on the RCF is £2.0m.

In total the Group has a £2.0m RCF liability and £2.6m term loan liability at the balance sheet date.

10. Share Capital

	9p* deferred shares Number	28p* ordinary shares Number	**Total £'000**
Issued share capital as at 1 April 2021	151,998,453	582,071,380	19,501
Share consolidation & subdivision*	-	(561,283,005)	-
Cancellation of deferred shares	(151,998,453)	-	13,680
Issued share capital as at 30 Sept 2021	**-**	**20,788,375**	**5,821**

*Deferred shares of 9p were cancelled and ordinary shares of 1p were consolidated and subdivided reducing the number of shares by a factor of 28 and increasing the value of the shares to 28p.

11. Related party transactions

During the period, the Group received a repayment of £140,000 (H1 2021: £nil) on its interest free loan to its associate Sans Frontieres Associates (SFA). At 30 September 2021 the balance of this loan was £420,000 (H1 2021: £560,000).

During the period, an amount of £55,166 (H1 2021: £29,753) was payable to an associate, Social 360 Limited, in relation to profit-share for monitoring services provided. At 30 September 2021, £55,166 (H1 2021: £nil) was outstanding.

On acquisition of Merit, an arm's length non-repairing 7-year lease was entered into between a Merit subsidiary (Letrim Intelligence Services Private Limited) and Merit Software Services Private Limited. Con Conlon, a director of the Group, is the beneficial owner of Merit Software Services Private Limited. The lease relates to the Chennai office of Merit. During the period, payments of £305,000 (H1 2021: £339,000) were made to Merit Software Systems Private Limited in relation to the lease.

In addition, Con Conlon was paid £220,000 due to his continued employment, post-acquisition (see note 12).

12. Contingent Liabilities

Upon the acquisition of Meritgroup Limited the Company became obligated, under certain conditions, to make payments to two employees. In the period £272,000 was paid.

A further payment of £272,000 could become due in July 2022 contingent upon their continued employment.

13. Subsequent events

On 1 October 2021 the Company issued 1,675,749 ordinary shares related to the acquisition of Merit. The Company issued 854,732 ordinary shares of the 1,675,749, to Con Conlon, Managing Director of the Merit Data & Technology division.

On 1 October 2021 the Company issued 1,492,000 ordinary shares related to capital fundraising for the company raising £931,000.

The shares were issued on the 1 October 2021 at 62.4pence per share, bringing the total issued share capital of the Group to 23,956,124.

14. Restatements

The flowing restatements have been made to H1 2021 throughout the interim accounts and have been disclosed throughout, for ease of use all the restatement have been listed below:

Condensed consolidated income statement:

- £500k of other operating income has been reclassed from “Administrative expenses” and shown separately in “Other operating income” to bring into conformity with the FY21 Annual report, the £500k relates to the UK Governments Coronavirus Job Retention scheme. This had no impact on the prior results and is only a reclassification. Previously “Administrative expenses” was stated as £3,373k and “Other operating income” as £nil.
- £272k has been restated within Non-recurring items to “people related costs”, previously was part of “Non-recurring acquisition costs and professional fees”. This had no impact on the prior results and is only a reclassification. Previously “Non-recurring acquisition costs and professional fees” was £272k and “people related costs” was £143k.

Condensed consolidated statement of financial position:

- “Trade and other payables” from £12,633k to £12,495k due to the separate disclosure of the “Pension obligation”, the difference of £138k is now shown as a separate line item “Pension obligation” of £54k in “Current liabilities” and £84k in “Non-current liabilities”. Previously “Pension obligation” was not separately disclosed.
- Upon the acquisition of Meritgroup Limited the Company became obligated, under certain conditions, to make payments to two employees, these were originally recorded

Notes to the condensed consolidated financial statements

For the half year ended 30 September 2021

in “Deferred consideration” and “Trade and other receivables” effectively grossing up the balance sheet assets and liabilities, however subsequently it was decided this is not the correct treatment as these are contingent liabilities. “Deferred consideration” of £272k has been removed from both “Current liabilities” and “Non-current Liabilities” restating the balance from £1,318k to £1,046k and £272k to £nil respectively. “Trade and other receivables” have also been reduced by £544k from £6,088k to £5,544k.

Due to the above restatements the balances of “Current assets” have changed from £6,088k to £5,544k, “Total assets” from £61,050k to £60,506k. “Current liabilities” has changed from £16,323k to £15,967k and “Non-current liabilities” from £10,405k to £10,217k, Total equity and liabilities from £61,050k to £60,506k.

Condensed consolidated statement of cash flows:

- “Non-recurring acquisition costs and professional fees” from £450k to £nil in “Cash flows from operating activities”, and from (£272k) to £nil in “Cash flows from Investment activities” as these should not have been included in the condensed consolidated statement of cashflows. Restatement of “Change in trade and other payables” from £210k to £388k. As a result of the restatements the line items of “Non-recurring acquisition costs and professional fees” have been removed from presentation.
- Restatement of “Payment of lease liabilities” previously (£756k) and “Payment of lease Interest” previously £nil, the new presentation has the payment now split between the two lines, no impact in the overall “Cash flow from financing activities”.

Due to the above: “Operating cashflows before movement in working capital” restated from (£197k) to (£647k). “Cash generated by operations” restated from £1,572k to £1,300k. “Net cash from operating activities” restated from £1,575k to £1,303k. “Net cash used in investing activities” restated from (£801k) to (£529k).