Getech Group plc

Interim report for the six months ending 31 January 2017

Company number 02891368

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2017 H1 Highlights

- Revenue up 23% year-on-year, challenging service conditions offset by GIS growth
- Loss after tax £227,000, inclusive of one-off £451,000 redundancy costs
- Underlying group costs lowered by 33%
- Second consecutive half year of free cash generation
- Products and services repositioned. Progress being made to enhance and diversify profits

In the six months to 31 January 2017, Getech embarked on a programme of wide-ranging corporate change. Under the leadership of a new CEO, Dr Jonathan Copus, the senior management team has been reshaped and strengthened, the Group's reporting lines have been reorganised and underlying like-for-like costs have been significantly lowered.

Our goal is to build out from our core upstream oil and gas market to become a leading solutions provider to the wider natural resources industry.

We are targeting an expanded customer base that invests billions of dollars each year making decisions that are 'geographic' in nature and which require specialised analytical skills and tools, to solve problems that involve highly complex spatial data.

We believe that key to unlocking this potential is the use of our world-class expertise within geographic information systems (GIS) and our relationships in this sector. These skills and relationships were significantly enhanced through the acquisition of Exprodat in June 2016. Capturing this opportunity has transformational potential.

Operational Review

- New organisational structure, with the customer at the heart of our decision making
- Diversification and repeat revenues targeted through new sectors and improved offerings
- Collaboration with Esri[1] opens further potential

As we work to diversify Getech's profits, our earnings today originate largely from oil and gas and exploration. Within this market, we have observed that greater crude oil price stability and lower costs have opened a margin against which companies are becoming increasingly confident to invest. The first beneficiary of this trend is production and development. As such, although our customer conversations are positive, exploration budgets remain depressed. Industry redundancies have also made the geoscience consulting market more crowded, which places downward pressure on day-rates.

Against this backdrop, we have worked to significantly lower our cost base; management's internal focus being on operational efficiency and how we serve the practical day-to-day commercial needs of our clients.

We are also working to extend the application of our core technical skills further along the oil and gas asset value-chain, and we are actively targeting and exploring new areas within the wider natural resources industry; these areas include atomic energy, agriculture, forestry, mining, water and environmental management.

H1 operational review

With a full six-month contribution from Exprodat, H1 revenues rose 23% year-on-year to £4,053,000 (2016 H1: £3,288,000). Adding back the cost of redundancies (2017 H1: £451,000), this translated to a Profit After Tax of £224,000 (2016 H1: Loss After Tax £704,000).

Within the Group's newly defined Products division, we are on track to deliver Globe 'Phase 2' in July 2017. An additional supermajor joined the Globe Sponsor Group during the reported period, which has further strengthened our customer base. The strategic product development path for Globe has been set and the technical delivery plan for 2018 has been defined.

Software subscription renewals remained strong, our customer list now totals 39 companies. We believe that key to this success is the collaborative approach that we have established with our customers and our continued commitment to product enhancement.

Our 2017 Regional Reports are our most data-rich studies to date, and we continue to monetise our industry-leading Gravity and Magnetics database through sales to both the oil and gas and mining sectors.

Within the Services division, our Government Advisory work and ability to deliver complex integrated consultancy projects remain key differentiators for the Group. In the reported period we have worked for the

[1] Through the Exprodat acquisition Getech is an Esri Gold Partner. Esri is the global market leader in GIS software, its applications providing the backbone for the world's mapping and spatial analysis

governments of Lebanon, Mozambique, Namibia, Pakistan and Sierra Leone. Closer to home, we won a mandate to define and deliver a multi-faceted spatial data strategy for the UK Oil and Gas Authority (the OGA), which has also commissioned Getech to complete technical work over the SW Approaches area.

Revenues from the mining and nuclear sectors continue to diversify our earnings away from oil and gas, and in partnership with Esri UK, we are working with Transport for London and Scottish Water.

Across all of these activities, our vision is to use our software, spatial data and GIS expertise to not only leverage the Group's historic investment but also to build on our baseload of repeat revenues. We aim to do this by enhancing the usability of our products, providing easy access to data and developing solutions that generate new business insights for our customers. Our focus is on the skills required to solve complex spatial challenges.

Financial Review

- H1 revenues up 23% to £4.1 million.
- Operating loss of £377,000 (2016 H1: £697,000 loss) includes redundancy costs of £451,000
- Net cash inflow from operations totalling £809,000 (2016 H1: £431,000 outflow)
- Net increase in cash of £189,000 (2016 H1: net decrease in cash of £2,153,000)

Revenues and cost management
In comparison to the six months to 31 January 2016, group revenues grew 23% in the reported period. Within the reported period revenues and costs associated with Exprodat made their first full six-month contribution to profit. This contribution was in part offset by a very challenging services market.

In response, we took steps to cut our underlying cost base on a like-for-like basis by 33% versus 2016 H1, see note 5 to the interim report for a reconciliation of these costs. This was achieved through the reduced use of contractors and by lowering the staff head-count by 18%. Service activities bore the brunt of job losses. The full cash benefit of these steps will not be realised until the second half of the financial year. One-off costs associated with the job losses total £477,000; £451,000 of this figure was incurred during the reported period (2016 H1: zero; 2016 H2: £26,000).

Profit after tax pre-redundancies
Inclusive of these one-off redundancy costs, the Group reported a loss before tax of £382,000 (2016 H1: £704,000 loss) and a post-tax loss of £227,000 (2016 H1: £704,000 loss).

Adding back redundancy costs, Getech delivered a Profit Before Tax of £69,000 (2016 H1: £704,000 loss) and a Post-Tax Net Profit of £224,000 (2016 H1: £704,000 loss).

Operating cash flow
Getech generated an operating cash inflow before tax of £329,000 (2016 H1: £214,000 cash outflow).

Cash tax receipts totalled £480,000 (2016 H1: net cash tax payments of £217,000), and were the result of refunds received from tax overpaid in the US and research and development expenditure allowances.

Net of tax and the cash cost of job losses, the resulting operating cash flow inflow of £809,000 compares to a £431,000 outflow twelve months previously.

Investment and capital expenditure
Getech continues to invest in its Globe platform, with expenditure of £529,000 during the reported period (2016 H1: £459,000). The current phase of Globe investment is due to be completed before the end of the financial year, and sponsor discussions regarding a series of enhanced forward work-plans are underway.

At 31 January 2017, outstanding considerations relating to the acquisitions of ERCL and Exprodat totalled £400,000, all of which fall due before 31 July 2017.

Liquidity
At the end of the six-month period under review, Getech held £2,977,000 in cash and cash equivalents, and a gross debt of £900,000 (2016 H1: £2,703,000 in cash and cash equivalents, and gross debt of £900,000). This represents a net cash increase of £189,000 (2016 H1: net cash outflow of £2,153,000).

Dividends
Given the ongoing market conditions, the Directors do not consider it prudent to pay a dividend at this time.

Outlook

Any material recovery in discretionary exploration spending is likely to be a slow build. We do however take some cautious encouragement from recent trading.

Since 31 January 2017, our software and data sales have continued to grow. In March 2017, we signed an agreement with the OGA for them to license our UK MultiSat data across the North Sea. This is the third sale of our products and services to the OGA during FY 2017.

In parallel, the services market has shown signs of gradual improvement. Getech recently signed consultancy agreements with RAK GAS and Victoria Oil & Gas. We have also been engaged by the Government of Lebanon as a senior advisor to their offshore licencing activities.

Reflecting our plan to extend our activities further along the oil and gas value chain, we have shaped a new service to assist pipeline operators in their implementation of Esri's new ArcGIS Pipeline Referencing software.

Beyond oil and gas we are engaged in a broad range of discussions across the natural resources space; our latest win being a contract secured through our Esri partnership, to provide GIS content building and training to Scottish Water.

As we move through this exciting period of corporate change, I would like to thank Getech's staff and my fellow Directors for their professionalism, hard work and dedication.

Dr Stuart M. Paton
Non-executive Chairman

Consolidated Statement of Comprehensive Income

For the six months ended 31 January 2017

	Note	**Six months ended 31 January 2017 Unaudited £'000**	Six months ended 31 January 2016 Unaudited £'000	Year ended 31 July 2016 Audited £'000
Revenue		**4,053**	3,288	7,031
Cost of sales		**(2,205)**	(2,015)	(3,503)
Gross profit		**1,848**	1,273	3,528
Administrative costs		**(2,225)**	(1,970)	(2,835)
Operating (loss)/profit		**(377)**	(697)	693
Finance income		**8**	5	8
Finance costs		**(13)**	(12)	(30)
(Loss)/profit before tax		**(382)**	(704)	671
Income tax credit		**155**	—	418
(Loss)/profit for the period attributable to owners of the Parent Company		**(227)**	(704)	1,089
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Currency translation differences on translation of foreign operations		**42**	43	110
Total comprehensive income for the period attributable to owners of the Parent Company		**(185)**	(661)	1,199
Earnings per share	4			
Basic earnings per share		**(0.60)p**	(2.14)p	3.25p
Diluted earnings per share		**(0.60)p**	(2.10)p	3.17p

Consolidated Statement of Financial Position

As at 31 January 2017

Company registration number: 02891368

	31 January 2017 Unaudited £'000	31 January 2016 Unaudited £'000	31 July 2016 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment	**2,594**	2,750	2,691
Goodwill	**3,428**	3,131	3,428
Intangible assets	**3,191**	2,334	2,948
Deferred tax assets	**401**	161	283
	9,614	8,376	9,350
Current assets			
Inventories	**904**	457	1,067
Trade and other receivables	**2,438**	2,660	3,372
Current tax assets	**156**	168	434
Cash and cash equivalents	**2,977**	2,703	2,788
	6,475	5,988	7,661
Total assets	**16,089**	14,364	17,011
Liabilities			
Current liabilities			
Borrowings	**266**	266	133
Trade and other payables	**2,729**	2,916	3,549
Current tax liabilities	**5**	229	13
	3,000	3,411	3,695
Non-current liabilities			
Borrowings	**634**	634	767
Trade and other payables	**—**	980	—
Deferred tax liabilities	**450**	321	387
	1,084	1,935	1,154
Total liabilities	**4,084**	5,346	4,849
Net assets	**12,005**	9,018	12,162
Equity			
Equity attributable to owners of the Parent Company			
Share capital	**94**	82	94
Share premium account	**3,053**	3,053	3,053
Merger relief reserve	**2,407**	1,159	2,407
Share option reserve	**125**	157	173
Currency translation reserve	**41**	(68)	(1)
Retained earnings	**6,285**	4,635	6,436
Total equity	**12,005**	9,018	12,162

Consolidated Statement of Cash Flows

For the six months ended 31 January 2017

	Six months ended 31 January 2017 Unaudited £'000	Six months ended 31 January 2016 Unaudited £'000	Year ended 31 July 2016 Audited £'000
Cash flows from operating activities			
(Loss)/profit before tax	**(382)**	(704)	671
Share-based payment charge	**28**	28	52
Depreciation and amortisation charges	**406**	307	671
Profit on disposal of fixed assets	**—**	—	(4)
Fair value adjustments	**—**	—	(845)
Finance income	**(8)**	(5)	(8)
Finance costs	**13**	12	30
Exchange adjustments	**5**	(126)	(77)
Decrease/(increase) in inventories	**163**	(165)	(775)
Decrease in trade and other receivables	**824**	1,574	1,491
(Decrease) in trade and other payables	**(720)**	(1,135)	(1,164)
Cash generated from/(used in) operations	**329**	(214)	41
Income taxes refunded/(paid)	**480**	(217)	(326)
Net cash generated from/(used in) operating activities	**809**	(431)	(285)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(4)**	(19)	(32)
Proceeds from sale of fixed assets	**—**	27	27
Development costs capitalised	**(529)**	(459)	(824)
Acquisition costs, net of cash received	**(100)**	(576)	(240)
Interest received	**8**	5	8
Net cash used in investing activities	**(625)**	(1,022)	(1,061)
Cash flows from financing activities			
Proceeds from issue of share capital	**—**	16	16
Repayment of long-term borrowings	**—**	(132)	(132)
Equity dividends paid	**—**	(572)	(572)
Interest paid	**(13)**	(12)	(30)
Net cash used in financing activities	**(13)**	(700)	(718)
Net increase/(decrease) in cash and cash equivalents	**171**	(2,153)	(2,064)
Cash and cash equivalents at beginning of year	**2,788**	4,727	4,727
Exchange adjustments to cash and cash equivalents at beginning of year	**18**	129	125
Cash and cash equivalents at end of year	**2,977**	2,703	2,788

Consolidated Statement of Changes in Equity

For the six months ended 31 January 2017

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Share option reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2016	**94**	**3,053**	**2,407**	**173**	**(1)**	**6,436**	**12,162**
Transfer of reserves	**—**	**—**	**—**	**(76)**	**—**	**76**	**—**
Share-based payment charge	**—**	**—**	**—**	**28**	**—**	**—**	**28**
Transactions with owners	**—**	**—**	**—**	**(48)**	**—**	**76**	**28**
Loss for the period	**—**	**—**	**—**	**—**	**—**	**(227)**	**(227)**
Other comprehensive income							
Currency translation differences	**—**	**—**	**—**	**—**	**42**	**—**	**42**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**42**	**(227)**	**(185)**
At 31 January 2017 - unaudited	**94**	**3,053**	**2,407**	**125**	**41**	**6,285**	**12,005**

For the six months ended 31 January 2016

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Share option reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2015	82	3,037	1,159	155	(111)	5,885	10,207
Dividends	—	—	—	—	—	(572)	(572)
Issue of capital under share-based payment options	—	16	—	(26)	—	26	16
Share-based payment charge	—	—	—	28	—	—	28
Transactions with owners	—	16	—	2	—	(546)	(528)
Loss for the period	—	—	—	—	—	(704)	(704)
Other comprehensive income							
Currency translation differences	—	—	—	—	43	—	43
Total comprehensive income for the period	—	—	—	—	43	(704)	(661)
At 31 January 2016 - unaudited	82	3,053	1,159	157	(68)	4,635	9,018

Consolidated Statement of Changes in Equity

For the year ended 31 July 2016

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Share option reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 August 2015	82	3,037	1,159	155	(111)	5,885	10,207
Dividends	—	—	—	—	—	(572)	(572)
Issue of capital under share-based payment options	—	16	—	(34)	—	34	16
Share-based payment charge	—	—	—	52	—	—	52
Issue of share capital	12	—	1,248	—	—	—	1,260
Transactions with owners	12	16	1,248	18	—	(538)	756
Profit for the period	—	—	—	—	—	1,089	1,089
Other comprehensive income							
Currency translation differences	—	—	—	—	110	—	110
Total comprehensive income for the year	—	—	—	—	110	1,089	1,199
At 31 July 2016 - audited	94	3,053	2,407	173	(1)	6,436	12,162

Notes to the Interim Report

For the six months ended 31 January 2016

1. Corporate Information

Getech Group plc (the 'Company' and ultimate Parent of the Group) is a public limited company domiciled and incorporated in England and Wales. The Company's registered office and principal place of business is Kitson House, Elmete Hall, Elmete Lane, Leeds, LS8 2LJ.

The principal activity of the Group is the provision of geological services, reports and data to the petroleum and mining industries to assist in their exploration activities.

2. Basis of Preparation

The interim results are for the six months ended 31 January 2017. They have been prepared using the recognition and measurement principals of IFRS. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 'Interim Financial Reporting'.

This interim report does not constitute full statutory financial statements within the meaning of section 434(5) of the Companies Act 2006 and the financial statements are unaudited. The unaudited interim financial statements were approved for issue by the board on 6 April 2017.

The financial statements are prepared on a going concern basis under the historical cost convention with the exception of certain items measured at fair value and are presented to the nearest thousand pounds (£'000) except as otherwise stated. They have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 July 2016. A copy of the audited financial statements for that year has been delivered to the Registrar of Companies. The Auditors' opinion on those financial statements was unqualified, did not draw attention to any matters by way of an emphasis of matter paragraph, and it contained no statement under section 498(2) or section 498(3) of the Companies Act 2006.

The Directors have instituted regular reviews of trading and cash flow forecasts and have considered the sensitivity of these forecasts with regards to different assumptions about future income and costs. With continued prospects for profitable trading, the Directors are fully satisfied that the Group is a going concern and will be able to continue trading for the foreseeable future.

3. Dividends

	Six months ended 31 January 2017 Unaudited £'000	Six months ended 31 January 2016 Unaudited £'000	Year ended 31 July 2016 Audited £'000
Paid during the year			
No final dividend in respect of the year ended 31 July 2016 (six months ended 31 January 2016 and year ended 31 July 2016: 1.74p per share)	—	572	572

There is no interim dividend proposed.

4. Earnings Per Share

Basic Earnings Per Share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of the Ordinary Shares in issue in the period.

	Six months ended 31 January 2017 Unaudited £'000	Six months ended 31 January 2016 Unaudited £'000	Year ended 31 July 2016 Audited £'000
Profit attributable to equity holders of the Group	**£(227,000)**	£(704,000)	£1,089,000
Weighted average number of Ordinary Shares in issue	**37,562,415**	32,886,729	33,490,032
Basic earnings per share	**(0.60)p**	(2.14)p	3.25p
Diluted earnings per share	**(0.60)p**	(2.10)p	3.17p

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of the Ordinary Shares which would be in issue if all the options granted, other than those which are anti-dilutive, were exercised. The addition to the weighted number of the Ordinary Shares used in the calculation of diluted earnings per share for the six months ended 31 January 2017 is 475,540 (six months ended 31 January 2016: 650,725; year ended 31 July 2016: 884,259).

5. Reconciliation of cost base

	Percent variance from prior six months	**Six months ended 31 January 2017 Unaudited £'000**	Six months ended 31 January 2016 Unaudited £'000	Year ended 31 July 2016 Audited £'000
Cost of sales		**2,205**	2,015	3,503
Administrative costs		**2,225**	1,970	2,835
Development costs capitalised		**529**	459	824
Depreciation and amortisation charges		**(406)**	(307)	(671)
(Decrease)/increase in inventories		**(163)**	165	775
Exchange adjustments		**(5)**	126	77
Fair value adjustments		**—**	—	845
Cost base	(1.0) %	**4,385**	4,428	8,188
Exprodat cost base for 2016 H1 (and additional 10.5mths in full year figures)		**—**	1,480	2,873
Like-for-like cost base	(25.8) %	**4,385**	5,908	11,061
Redundancy costs		**(451)**	—	(26)
Like-for-like cost base, excluding one-off redundancy costs	(33.4) %	**3,934**	5,908	11,035

Cost base is measured as: cost of sales, administrative costs and development costs capitalised, less depreciation and amortisation, and adjusted for movement in work in progress, foreign exchange (as this predominantly relates to income for the group) and fair value adjustments.

To allow like-for-like analysis, the cost base of Exprodat, that was not consolidated into the group financial statements before its acquisition on 14 June 2016, has been added to the group cost base.

Directors, Officers and Advisors

Directors and officers

Dr Stuart M. Paton
Non-executive Chairman

Peter F.H. Stephens
Non-executive Director

Dr Alison M. Fielding
Non-executive Director

Chris Flavell
Non-executive Director

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Chief Executive Officer

Huw Edwards
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