04 April 2024

# Cirata plc

## ("Cirata" or the "Company")

### Preliminary results for the year ended 31 December 2023

Cirata plc (LSE: CRTA), announces preliminary results for the year ended 31 December 2023.

### Financial headlines

- Bookings for the year $7.2m (FY22: $11.5m)
- Revenue for the year $6.7m (FY22: $9.7m)
- Cash overheads[1] of $30.3m (FY22: $39.7m)
- Adjusted EBITDA[2] loss of $24.2m (FY22: loss of $30.7m)
- Statutory loss from operations of $36.5m (FY22: loss of $29.6m)
- Cash at 31 December 2023 of $18.2m (FY22: $19.1m)

### *Bookings*

Bookings in FY23 were $7.2m (FY22: $11.5m), with the business mix driven by DevOps/Application Lifecycle management ("DevOps") software, comprising 64% of bookings, and Data Integration ("DI") software comprising 36% of bookings. Within DevOps, renewals included BMW AG Group. There were seven new DI contracts in FY23 including General Motors as a new customer win.  The expansion of the scale of the NatWest contract is early validation of the "land and expand" strategy. Contract renewals included HCSC and Tesco, with both implementations part of their business continuity solution. Also of note was implementation of a DI contract through our partner Accenture for a large Australian Bank.

### Current trading

The foundations for growth were rolled out across the Company in January 2024 – sales kick-off meetings and training, incentives, Company kick-offs, FY24 plan details; changes in the sales team, establishing a DevOps business unit, and reshaping the Go-To-Market ("GTM"). The engagement we are seeing with both customers and partners following the disruptions to FY23 trading is encouraging with the pipeline and sales activity gradually building.

Some of the orders that slipped from FY23 Q4 closed in early FY24. However, deal slippage is again a feature of Q1 FY24. We will provide a Q1 trading update during the week commencing 8 April 2024.

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1. Operating expenses adjusted for: depreciation, amortisation, equity-settled share-based payment and other one-off non recurring items disclosed separately. See Note 4 for a reconciliation.
2. Operating loss adjusted for: impairment loss, depreciation, amortisation, equity-settled share-based payment, other (expense)/income and other one-off non recurring items disclosed separately. See Note 4 for a reconciliation.

Management is expecting that bookings will be H2 weighted in FY24 as the pipeline builds and the sales team become more proven. The growth trajectory is likely to be non-linear and establishing sales cycle predictability remains a key priority for management.

**FY24 Guidance**

Management expects to deliver FY24 bookings performance within the range of:

- $13m to $15m

Relative to prior periods this would represent:

- Sequential progression on FY23, with 81% bookings growth at the low end and 108% at the high end

FY24 cash cost base to be circa $23m

Management maintains its aspiration to exit FY24 at cashflow breakeven.

**Stephen Kelly, Chief Executive Officer, commented:**

*"As I reflect on the past year, it is clear that we have navigated through the most challenging period in our Company's history. Our collective efforts have yielded good progress, particularly in the rescue and initial phases of recovery. However, it is important to acknowledge that there is still much work ahead of us and the speed of the recovery is slower than we anticipated.*

*Cirata is currently undergoing a comprehensive rebuild from the ground up. The Company faced challenges in terms of governance, a GTM strategy that failed to deliver sustainable growth, and a prevailing corporate culture at odds with the Company's commercial reality. FY24 needs to evidence a transition to growth. The guidance provided by management indicates improving pipeline and visibility. We thank shareholders, customers and colleagues for their patience and support".*

**This announcement contains information that qualifies or may qualify as inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.**

**The person responsible for arranging the release of this announcement on behalf of Cirata plc is Larry Webster, Company Secretary.**

**For further information, please contact:**

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**About Cirata**

Cirata, accelerates data-driven revenue growth by automating data transfer and integration to modern cloud analytics and Artificial Intelligence ("AI") platforms without downtime or disruption. With Cirata, data leaders can leverage the power of AI and analytics across their entire enterprise data estate to freely choose analytics technologies, avoid vendor, platform, or cloud lock-in while making AI and analytics faster, cheaper, and more flexible. Cirata's portfolio of products and technology solutions make strategic adoption of modern data analytics efficient and automated. For more information about Cirata, visit www.cirata.com.

**Business review**

Adapting Dickens's famous prose from "A Tale of Two Cities" to encapsulate the Company crisis in FY23.

"It was the worst of times, it could be the best of times, it was the season of light after the season of darkness, it had been the winter of despair, it could be the spring of hope."

Following the release of the 9 March 2023 RNS, the Company transitioned almost instantly from being celebrated as a "Tech Darling" to, hitting rock bottom. The trust in the Company evaporated. The new management team operates now to a guiding commitment of re-establishing and rebuilding that trust with all stakeholders, through focused delivery, transparent communication, and tangible results.

Within a couple of weeks of that first announcement, Ken Lever joined the Board as Interim Chair and led both the internal investigation and the search for a new executive team. Ijoma Maluza, Chief Financial Officer joined shortly thereafter on an interim basis, and I joined the rescue team on 10 May 2023 also on an interim basis.

**A challenging year**

As I will turn to highlight later in this section, we are in a stronger and more stable position today than those days of March 2023.

FY23 delivered bookings for the year of \$7.2m (FY22: \$11.5m), revenue of \$6.7m (FY22: \$9.7m) and an adjusted EBITDA loss of \$24.2m (FY22: loss of \$30.7m). The first half of FY23 revealed a business at a standstill. A necessary cost realignment, a

capital raise and a" root & branch" restructuring and refocussing of the Company sees the business exiting 2023 with its customers and partners re-engaging.
FY24 needs to evidence a transition to growth. The platform and team that we have in place now has been set the challenge of delivering on that transition. Arriving to this point has not been easy and there is a lot more work to do. If only to express gratitude to everyone on the Cirata team who has worked tirelessly to put us on this better trajectory, I want to give some sense of the work that FY23 required.

Internally, the post 9 March 2023 announcement (the "Irregularities") discovery period extending into late 2023 resembled the laborious task of Sisyphus. Reactive surprises, rear-guard activities and unexpected challenges occupied late nights and weekends. The situation demanded continuous firefighting. We were experiencing a seemingly endless series of "whack-a-mole" challenges.

Soon after 9 March 2023, some customers and partners placed the Company on their "watchlist", leading to a pause in activities and the then embryonic sales pipeline coming to a standstill. For a period, the only substantial executive interaction with certain customers and partners involved reassuring their compliance teams. It wasn't until post-October 2023 that any semblance of normality returned, with Q4 2023 providing an opportunity for management to proactively plan for FY24.

Despite good technology, talented colleagues, and marquee customers, the Company struggled to grow sustainably. The reality is that, since its IPO in 2012, the Company has raised $270m but without delivering consistent sales momentum.

Several fundamental elements of a scalable growth company seemed to be lacking:

- GTM: Operationally within sales and marketing, many fundamental components crucial for a growth scale-up tech company were absent. As examples, by mid Q2 FY23, there were no sales compensation plans, territory plans, or account reviews, which are key for a professional sales organisation. In March 2023 upon Ken Lever's appointment as Interim Chair, initial projections provided by the Company at that time suggested a significant 12-month pipeline. However, upon closer scrutiny the reality emerged. The reassessed pipeline was around 20% of the original figure and some of the "deal values" overestimated. This reality within the GTM presented a scenario akin to starting from scratch.
- Sadly, over the preceding 12 months, a significant portion of the engineering schedule and product roadmap was anchored in customer requirements that did not exist.
- Company-wide, essential elements of governance, training and certification were missing. Good corporate governance would favour a separation of roles between the Board and Executive, where in fact, there was a combined role of Chair and CEO.
- The working culture mainly characterised by a 4-day week, unlimited vacation, and working-from-home, failed to align with the operational reality of a loss-making business.

**Actions taken to move forwards**

The rescue plan, initiated by Ken Lever, encompassed workstreams focused on; the investigation, restructuring (reducing the cost base from $41m to $25m per annum), implementing new governance policies and controls, conducting a $30.3m equity fundraise, completing the FY22 audit, renewing the Board, and ultimately readmitting the Company’s suspended shares to trading on AIM.

The $30.3m equity fundraising was accomplished after extensive investor engagement, marking a crucial step in securing the necessary financial support for the Company. The execution of the plan culminated in the Company’s re-admission to AIM at the end of July 2023.

In H2 FY23, when the first 90-day plan was largely completed, management was able to launch a more forward-focused “Turnaround Plan” – a comprehensive set of eight workstreams covering; Branding and Value Proposition, transition to a more Sustainable Business with higher recurring revenues, Winning with Partners, Organisation Alignment, Customer Orientation, Revitalising DevOps, Retention of Colleagues, and Aligning for Success. The “Turnaround Plan” was completed in FY23 and is embedded in “Business as Usual”.

The new management team faced additional challenges as they began their tenure, discovering that some customers and strategic partners had legacy contracts featuring uncapped licencing and partner agreements with unconsumed “pre-paids”.

Further restructuring efforts were undertaken in August 2023, establishing the FY24 cost base at around $23m.  Simultaneously, management actively worked on re-engaging with customers and partners to stabilise relationships in the aftermath of the crisis.

During FY23, notable enhancements were made in governance, through the launch of a “Code of Business Conduct and Ethics”, involving the introduction of nine new policies, and the initiation of training and certification for all colleagues. Management, aiming for a standard comparable to the Sarbanes-Oxley 404 environment, implemented rigorous measures to ensure transparency.

The persistence of legacy issues continued to be a distraction for management, taking the focus away from ongoing business priorities. As an example, and partly in response to shareholder concerns, the new management requested that former executives return the bonuses that were paid on the misplaced assumption of FY22 performance.  The FY22 bonuses were approved and paid in January 2023 ahead of the annual FY22 audit completion.  To date no monies have been returned.

Another example occurred in the third quarter of 2023, where advisors had submitted fees totalling c.$8m for the crisis management and fundraising efforts. The decision to raise c.$30m only to see it diminished to $22m due to external fees compounded our problems. In response, management appealed to the advisory companies to share the responsibility and reduce their fees charged to the Company. Some of the advisory firms demonstrated support for the Company by voluntarily reducing their fees. This gesture underscored the importance of collaborative efforts in overcoming challenges.

## A focused reshaping of Cirata

Starting in September 2023, the management team convened and planned FY24. This planning process encompassed vision, values and culture, strategies for growth, measurable metrics and anticipated challenges. The planning process was thorough, creating the content for FY24 plans and processes on a scalable foundation, including quarterly business reviews, territory plans/reviews, account reviews and planning, sales training & role plays of customer scenarios, sales methodology (MEDPICC), and win/loss reviews, with a renewed focus on DevOps. Some of the key achievements against this methodology are outlined below:

*GTM – streamlined and focused*

The reality within the GTM presented a scenario akin to starting from scratch. To streamline operations, a new GTM organisation was devised to reduce management layers and intensify engagement with prospective customers and partners. The GTM organisation, established in January 2024, in addition to the core DI product, placed a renewed emphasis on DevOps and a dedicated team was formed to concentrate on growing this business. This marked the first concerted effort in some time towards new customer acquisition in DevOps. Justin Holtzinger took charge of this DevOps team. For DI solutions, Chris Cochran was appointed to lead North America and Rich Baker to lead International.

*Brand and team – revitalised*

As of 1 October 2023, the new brand was adopted with Cirata selected as the Company name. It was only at this point, could marketing restart against the new branding. The management team was strengthened with Helen Carroll in Marketing (interim), Hayley Fisher leading People, Dan Hayes in Investor Relations and Frank van Baar responsible for Strategy and Operations.

*Financial and operational discipline*

The FY23 results, marked by declines in bookings and revenue, were anticipated by the Company. Despite this, the Company did meet its H2 guidance for bookings and cash. However, the bookings, were at the lower end of the guidance range. The cash outcome surpassed expectations. Preservation of cash is one of the top priorities of management as we progress through FY24.

*Winning trust, winning business*

Amid the challenges, there were notable successes, including wins at General Motors and validation of the “land and expand” strategy through repeat business from NatWest. The Company experienced minimal customer losses, a testament to the resilience of its technology and products. We are proud to report that our blue-chip clients include Allianz, Apple, BMW, Continental, Huawei, Manulife and Tesco across our DI and DevOps products. We also continue to support strong working relationships with our partners including AWS, IBM, Oracle and Microsoft.

*Accountability and alignment on FY24 goals*

Management has laid the groundwork for future growth with the implementation of FY24 plans, extensively communicated to all colleagues through sales and companywide “Kick-Off” sessions. These sessions included the clarification of team objectives, with expected outcomes clearly explained. Comprehensive sales training

took place during sales “Kick-Offs,” accompanied by the signing of all sales FY24 compensation plans in January 2024. Territory plans and compliance training, including certification, were also integral components of this rollout.
Despite these efforts, there's recognition that more work is needed to refine sales cycles, especially in understanding the expectations of close cycles. Notably, although it is fair to represent that DI customers remain in the pipeline, the predictability of customer deal closure has been challenging, with a tendency for slippage from quarter to quarter. DI solutions are sold into large, complex enterprises and the sales cycle can be longer and unpredictable. A key focus of the new management team is to enhance the pipeline, improve predictability, and elevate overall sales performance.

**Stepping forward into our transition to growth**

A significant portion of the commentary in the FY23 Annual Report and Accounts has been dedicated to explaining the many structural issues that needed to be addressed and the internal building blocks put in place to rectify them. Challenges and uncertainty remain. FY24 represents a transition year to growth and our path to cash-flow positive in FY25.

There has been a deliberate shift towards external focus, actively engaging with customers and partners. Efforts are underway to objectively examine the market opportunity and assess optimal growth prospects within a data-driven framework. Cirata technology holds an important position in the market, offering solutions for providing and maneuvering large datasets to support ambitions in analytics and AI.

Further work is continuing on the market needs, product positioning and differentiation to validate the attractiveness and competitive positioning of the offering. As we accelerate our growth and win new customers, other growth pains including product scaling may need careful management. However, by proactively addressing these growth pains, we can effectively manage and resolve them, ultimately enhancing our overall performance and success. As we have said, there is more work to do, and the forward projection is likely to be non-linear. The management team, is actively engaged in Cirata’s day-to-day execution, adopting a hands-on approach to reboot the Company, setting the trajectory for recovery and growth in FY24. As we moved into FY24, we are focusing externally on prospective and existing customers, strategic partners and colleagues to execute on the strategy. Proactive customer dialogue is directly shaping Cirata’s ongoing strategy, and an inaugural Customer Innovation Board is planned for early summer 2024.

Rebuilding trust and fulfilling the potential for shareholders remain our top priorities. The management team would like to express gratitude to shareholders and colleagues, especially for their unwavering support, patience, and commitment.

**Stephen Kelly**

**Chief Executive Officer**

**Financial review**

Revenue for the year ended 31 December 2023 was $6.7m (FY22: $9.7m).

Deferred revenue from sales booked during 2023 and in previous years, and not yet recognised as revenue, is $2.7m at 31 December 2023. At 31 December FY22 this stood at $2.3m. Our deferred revenue represents future revenue from new and renewed contracts, many of them spanning multiple years.

Adjusted EBITDA loss[2] was $24.2m excluding advisor costs relating to the Irregularities of $4.2m (FY22 EBITDA loss: $30.7m).

**Revenue**

Revenue was $6.7m (FY22: $9.7m). Revenue from deals closed in the current year was $4.4m (FY22: $8.3m) and revenue from deals closed in the prior years (deferred income unwinding) was $2.3m (FY22: $1.4m). The revenue from deals closed in the year was primarily driven by contract renewals in our DevOps business. The DevOps business contributed $3.7m (FY22: $5.4m) to the full year revenues with the DI business contributing $3.0m (FY22: $4.3m). Services revenues for both DevOps and DI business were $0.2m (FY22: $0.2m) and continue to contribute a modest amount of revenue. We believe that this is an area that should provide opportunity for incremental contribution to revenues going forward.

From a geographical perspective, we saw an increased contribution to revenues from North America which accounted for $4.6m (FY22: $5.5m). The contribution from Europe and the Rest of the world segments were $1.4m and $0.7m respectively, against $2.1m and $2.1m, respectively, in the prior year.

Overall, during 2023, contract wins continued to be lumpy with the sales execution challenges outlined in the Business review a major challenge for the business and its ability to deliver consistent and predictable sales bookings.

**Operating costs**

Cash overheads[1] decreased by $9.4m to $30.3m (excluding advisor costs relating to the Irregularities of $4.2m) from $39.7m in FY22. The decline was driven by a reduction in employee costs primarily from a restructuring of headcount following the discovery of the Irregularities in March 2023. Our headcount was 112 as at 31 December 2023 from a high in February 2023 of 193 (31 December 2022: 177). Management continues to focus on ensuring that the cost base is appropriate for the current size and prospects of the business with an expected annual overhead cost of c.$23m for the 2024 financial year.

**Profit and loss**

Adjusted EBITDA[2] loss for the year was $24.2m (excluding advisor costs relating to the Irregularities of $4.2m). (FY22: $30.7m loss). The loss after tax for the year increased to $36.5m (FY22: $29.6m), due to exchange loss of $4.2m (FY22: gain $11.3m), advisor costs relating to the Irregularities of $4.2m (FY22: $0.9m) offset by a lower impairment charge of $0.8m (FY22: $2.2m).

The foreign exchange loss of $4.2m (FY22: $11.3m gain), reported within finance (costs)/income, arose from the retranslation of Intercompany balances at 31 December 2023, reflecting the appreciation of sterling against the US dollar.

A translation gain of $4.5m (FY22: $10.8m loss) arising on the net assets of overseas subsidiaries reported in reserves results in a minimal net impact on the Group net assets.

**Consolidated statement of financial position**

Property, plant and equipment at 31 December 2023 reduced to $0.2m (31 December 2022: $0.7m) due to an impairment charge on the right of use assets.

Trade and other receivables at 31 December 2023 were $4.4m (31 December 2022: $4.9m). This includes $1.8m of trade receivables (31 December 2022: $1.0m) and $2.6m related to non-trade receivables (31 December 2022: $3.9m). Trade receivables increased at 31 December 2023 due to the higher amount of bookings invoiced in the fourth quarter of FY23 compared to FY22. Other receivables reduced mainly due to a lower corporation tax receivable from R&D tax credit claims and reduced prepayments and other receivables.

Trade and other payables reduced to $3.0m (31 December 2022: $6.2m). The reduction mainly related to a reduction in bonus and audit fee accruals in FY23 compared to FY22.

Deferred income from sales booked during FY23 and in previous years, and not yet recognised as revenue, is $2.7m at 31 December 2023. At 31 December 2022 this stood at $2.3m. Deferred income increased due to a number of licence renewals on which the revenue is recognised in FY24.

Share capital and share premium increased to $271.9m at 31 December 2023 (31 December 2022: $242.4m) due to the proceeds from the fundraise in the year of $28.4m and proceeds from share options exercised of $1.1m.

**Cash flow**

Net consumption of cash was $30.6m before financing (FY22: $27.7m), of which $6.8m related to exceptional costs associated with the Irregularities and the cost of equity raising. The net consumption was partly offset by the contribution of $29.5m from the issue of share capital, net of exchange rate movements of $0.7m and payment of lease liabilities of $0.4m resulting in a closing cash balance of $18.2m at 31 December 2023 (31 December 2022: $19.1m).

For FY24, the key to a sustainable cash generation is our ability to create and convert pipeline opportunities into contracted bookings with a high level of predictability and regularity. Historically, the Company has not managed to achieve this enduring predictability which creates a degree of uncertainty in forecasting future cash generation. Further details are included in Note 2(b) of the financial statements.

**Subsequent events**

There are no subsequent events to report.

**Ijoma Maluza**

**Chief Financial Officer**

1. Operating expenses adjusted for: depreciation, amortisation, equity-settled share-based payment and other one-off non recurring items disclosed separately. See Note 4 for a reconciliation.

2. Operating loss adjusted for: impairment loss, depreciation, amortisation, equity-settled share-based payment, other (expense)/income and other one-off non recurring items disclosed separately. See Note 4 for a reconciliation.

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

| | Note | Year ended 31 December 2023 (Audited) $'000 | Year ended 31 December 2022 (Audited) $'000 |
|---|---|---|---|
| **Revenue** | 3 | **6,695** | 9,685 |
| Cost of sales | | **(633)** | (695) |
| **Gross profit** | | **6,062** | 8,990 |
| Operating expenses | 4 | **(37,625)** | (47,926) |
| Other (expense)/income | | **(46)** | 166 |
| Impairment loss | | **(815)** | (2,151) |
| **Operating loss** | 4 | **(32,424)** | (40,921) |
| Finance income | | **164** | 11,423 |
| Finance costs | | **(4,227)** | (110) |
| **Net finance (costs)/income** | | **(4,063)** | 11,313 |
| **Loss before tax** | | **(36,487)** | (29,608) |
| Income tax credit | | **8** | 3 |
| **Loss for the year** | | **(36,479)** | (29,605) |
| | | | |
| **Other comprehensive income/(loss)** | | | |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Foreign operations – foreign currency translation differences | | **4,489** | (10,821) |
| **Other comprehensive income/(loss) for the year, net of tax** | | **4,489** | (10,821) |
| **Total comprehensive loss for the year attributable to owners of the parent** | | **(31,990)** | (40,426) |
| | | | |
| **Loss per share** | | | |
| Basic and diluted loss per share (cent) | 5 | **(41)** | (47) |

The notes form an integral part of these condensed consolidated financial statements.

# Consolidated statement of financial position

At 31 December 2023

| | Note | **31 December 2023 (Audited) $'000** | 31 December 2022 (Audited) $'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | **151** | 727 |
| Other non-current assets | 6 | **278** | 864 |
| **Non-current assets** | | **429** | 1,591 |
| Trade and other receivables | 7 | **4,439** | 4,900 |
| Cash and cash equivalents | | **18,246** | 19,108 |
| **Current assets** | | **22,685** | 24,008 |
| **Total assets** | | **23,114** | 25,599 |
| **Equity** | | | |
| Share capital | | **15,634** | 9,524 |
| Share premium | | **256,278** | 232,861 |
| Translation reserve | | **(9,084)** | (13,573) |
| Merger reserve | | **1,247** | 1,247 |
| Retained earnings | | **(247,461)** | (213,496) |
| **Total equity** | | **16,614** | 16,563 |
| **Liabilities** | | | |
| Loans and borrowings | 8 | **359** | 119 |
| Deferred income | 9 | **129** | 220 |
| Deferred tax liabilities | | **3** | 3 |
| **Non-current liabilities** | | **491** | 342 |
| Current tax liabilities | | **-** | 11 |
| Loans and borrowings | 8 | **436** | 420 |
| Trade and other payables | | **2,986** | 6,225 |
| Deferred income | 9 | **2,587** | 2,038 |
| **Current liabilities** | | **6,009** | 8,694 |
| **Total liabilities** | | **6,500** | 9,036 |
| **Total equity and liabilities** | | **23,114** | 25,599 |

The notes form an integral part of these condensed consolidated financial statements.

# Consolidated statement of changes in equity

## For the year ended 31 December 2023

| | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|
| **Audited** | Share capital $'000 | Share premium $'000 | Translation reserve $'000 | Merger reserve $'000 | Retained earnings $'000 | Total equity $'000 |
| **Balance at 31 December 2021** | 8,608 | 213,762 | (2,752) | 1,247 | (186,442) | 34,423 |
| **Total comprehensive loss for the year** | | | | | | |
| Loss for the year | - | - | - | - | (29,605) | (29,605) |
| Other comprehensive loss for the year | - | - | (10,821) | - | - | (10,821) |
| **Total comprehensive loss for the year** | - | - | (10,821) | - | (29,605) | (40,426) |
| **Transactions with owners of the Company** | | | | | | |
| **Contributions and distributions** | | | | | | |
| Equity-settled share-based payment | - | - | - | - | 2,551 | 2,551 |
| Proceeds from share placing | 728 | 18,627 | - | - | - | 19,355 |
| Share options exercised | 188 | 472 | - | - | - | 660 |
| **Total transactions with owners of the Company** | 916 | 19,099 | - | - | 2,551 | 22,566 |
| **Balance at 31 December 2022** | 9,524 | 232,861 | (13,573) | 1,247 | (213,496) | 16,563 |
| **Audited** | | | | | | |
| **Total comprehensive income/(loss) for the year** | | | | | | |
| Loss for the year | **-** | **-** | **-** | **-** | **(36,479)** | **(36,479)** |
| Other comprehensive income for the year | **-** | **-** | **4,489** | **-** | **-** | **4,489** |
| **Total comprehensive income/(loss) for the year** | **-** | **-** | **4,489** | **-** | **(36,479)** | **(31,990)** |
| **Transactions with owners of the Company** | | | | | | |
| **Contributions and distributions** | | | | | | |
| Equity-settled share-based payment | **-** | **-** | **-** | **-** | **2,514** | **2,514** |
| Proceeds from share placing | **6,059** | **22,400** | **-** | **-** | **-** | **28,459** |
| Share options exercised | **51** | **1,017** | **-** | **-** | **-** | **1,068** |
| **Total transactions with owners of the Company** | **6,110** | **23,417** | **-** | **-** | **2,514** | **32,041** |
| **Balance at 31 December 2023** | **15,634** | **256,278** | **(9,084)** | **1,247** | **(247,461)** | **16,614** |

The notes form an integral part of these condensed consolidated financial statements.

# Consolidated statement of cash flows

For the year ended 31 December 2023

| | Note | Year ended 31 December 2023 (Audited) $'000 | Year ended 31 December 2022 (Audited) $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | **(36,479)** | (29,605) |
| Adjustments for: | | | |
| – Depreciation of property, plant and equipment | | **629** | 870 |
| – Amortisation of intangible assets | | **-** | 3,903 |
| – Loss on disposal of property, plant and equipment | | **125** | - |
| – Release of lease liability | | **(216)** | - |
| – Impairment of right of use asset | | **815** | 69 |
| – Impairment of intangible assets | | **-** | 1,349 |
| – Net finance income (excluding foreign exchange) | | **(137)** | (20) |
| – Income tax charge/(credit) and other expense/(Income) | | **38** | (169) |
| – Unrealised foreign exchange loss/(gain) | | **3,952** | (10,383) |
| – Equity-settled share-based payment | 10 | **2,514** | 2,551 |
| | | **(28,759)** | (31,435) |
| Changes in: | | | |
| – Trade and other receivables | | **540** | 43 |
| – Trade and other payables | | **(3,451)** | 2,288 |
| – Deferred income | | **447** | 503 |
| **Net working capital change** | | **(2,464)** | 2,834 |
| **Cash used in operating activities** | | **(31,223)** | (28,601) |
| Interest paid | | **(27)** | (110) |
| Income tax received | | **652** | 1,216 |
| **Net cash used in operating activities** | | **(30,598)** | (27,495) |
| **Cash flows from investing activities** | | | |
| Interest received | | **33** | 48 |
| Acquisition of property, plant and equipment | | **(76)** | (206) |
| **Net cash used in investing activities** | | **(43)** | (158) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | | **31,362** | 20,307 |
| Share issue costs | | **(1,835)** | (292) |
| Payment of lease liabilities | | **(430)** | (532) |
| **Net cash generated from financing activities** | | **29,097** | 19,483 |
| **Net decrease in cash and cash equivalents** | | **(1,544)** | (8,170) |
| Cash and cash equivalents at 1 January | | **19,108** | 27,759 |
| Effect of movements in exchange rates on cash held | | **682** | (481) |
| **Cash and cash equivalents at 31 December** | | **18,246** | 19,108 |

The notes form an integral part of these condensed consolidated financial statements.

# Notes to the condensed consolidated financial statements

**For the year ended 31 December 2023**

## 1. Reporting entity

Cirata plc (the "Company") is a public limited company incorporated and domiciled in Jersey. The Company's ordinary shares are traded on AIM. These condensed consolidated financial statements ("Financial statements") as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the development and provision of global collaboration software.

## 2. Basis of preparation

**a Basis of accounting**

Whilst the financial information included in this audited preliminary announcement has been prepared on the basis of the requirements of UK adopted International Financial Reporting Standards ("IFRSs") in issue and effective at 31 December 2023, this announcement does not itself contain sufficient information to comply with IFRS.

The financial information set out in this preliminary announcement does not constitute the Group's Consolidated financial statements for the years ended 31 December 2023 or 31 December 2022.

The financial information for 2022 is derived from the consolidated accounts for the year ended 31 December 2022 which have been audited and delivered to the registrar of companies with the Jersey Financial Services Commission ("JFSC"). The auditor has reported on those accounts; the audit report was (i) unqualified, (ii) included a material uncertainty related to going concern due to the requirement to obtain shareholder approval for an increase in the authorised share capital to enable shares to be issued in settlement of the $30.3m fundraise and (iii) did not contain a statement under section 113B (3) or (6) of the Companies (Jersey) Law 1991. The financial information for 2023 is derived from the consolidated accounts for the year ended 31 December 2023.

The Consolidated financial statements have been prepared in accordance with IFRSs as adopted for use in the UK.

The preliminary announcement has been prepared using the accounting policies published in the Group's accounts for the year ended 31 December 2022, which are available on the Company's website. From 1 January 2023 the new standards set out below were adopted by the Group.

*(i) New and amended standards adopted by the Group*

The following new standards and amendments to standards that are effective for the first time for the financial year beginning 1 January 2023 have been adopted:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12); and
- Definition of Accounting Estimates (Amendments to IAS 8).

These amendments to standards have not had a material impact on these financial statements.

*(ii) New and amended standards and interpretations issued but not effective for the financial year beginning 1 January 2024 and not early adopted*

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

**b Going concern basis of accounting**

To assess whether it is appropriate to prepare the financial statements on a going concern basis the Directors have prepared forecasts and budgets. These forecasts and budgets take into consideration the results of a robust assessment of the principal risks facing the Group, including those risks that would threaten the Group's business model, future performance and liquidity. As has been well documented the Group continues to execute its turnaround plan with the expectation of reaching a cash flow break-even position by the end of the calendar year before achieving positive cash generation in FY25. In the year ended 31 December 2023, the Group incurred a loss before tax of $36.5m (2022: $29.6m) and experienced a net cash outflow before financing of $30.6m (2022: $27.7m). During 2023, the performance of the Group declined, with revenue decreasing by 31% to $6.7m (2022: $9.7m) and operating losses of $32.4m (2022: $40.9m) were incurred. As at 31 December 2023 the Group had net assets of $16.6m (2022: $16.6m), including cash of $18.2m (2022: $19.1m). As at 31 December 2023 the Group had no debt facilities (2022: none).

## 2. Basis of preparation (continued)

**b Going concern basis of accounting (continued)**

In performing its going concern assessment, the Directors are required to consider a minimum period of 12 months from the date of approving the financial statements. Scenario modelling has been undertaken over the period to 31 August 2025. The assessment involved the preparation of a 'Base' case and a severe but plausible 'Downside' case.

The Base case scenario included assumptions for quarterly sales targets, anticipated changes to Group's current contracting model, timeframes for new sales personnel to convert sales pipelines, and cost assumptions reflecting an overhead annualised cost base of c.$23m. Under the Base case the Group is forecasting the ability to meet all financial obligations as and when they fall due during the period forecast.

The Downside case sensitised the Base case and modelled materially lower sales bookings during the period without any cost reduction, which would be taken in such a scenario. Under the Downside case the Group is forecasting a reduction in cash resources to effectively nil by end of June 2025. The Downside scenario does not consider any readily available mitigating actions that management could take. By their very nature forecasts and projections are inherently uncertain. The biggest driver of the uncertainty continues to be around the ability of the business to successfully close sales in a predictable and sustainable way. Consequently, the loss-making position of the Group and the low forecast cash balance sheet position heightens the uncertainty such that circumstances could arise under which the downside scenario may occur that would render the preparation of accounts based on the assumption of a going concern inappropriate.

In the past the Group has managed to address such downside scenarios through a combination of raising funds from shareholders and cost cutting measures. The Directors believe both fund raising and cost cutting options remain available to them for the current going concern period being assessed. Whilst trading for the current year has started slower than expected, the Directors believe the current sales pipeline is healthy, are confident that new revenue contracts will be secured in line with those forecast, that appropriate mitigating actions to the Group's cost base could be undertaken should the need arise, and that these actions would be sufficient for the Group to meet its financial obligations as and when they fall due over the forecast period.

If however the downside scenario were to occur and (a) the Company were unable to anticipate and cut costs sufficiently to preserve the cash runway to a cash break-even position and (b) the Company were unable to raise funds from shareholders or other sources, this would indicate the existence of a material uncertainty which would cast significant doubt over the Group's ability to continue as a going concern.

Accepting the material uncertainty, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing these financial statements. No adjustments have been made to the financial statements that would result if the Group were unable to continue as a going concern.

**c Functional and presentational currency**

The consolidated financial statements are presented in US dollars, as the revenue for the Group is predominately derived in this currency. Billings to the Group's customers during the year by Cirata, Inc. were all in US dollars with certain costs being incurred by Cirata Ltd in sterling and Cirata, Pty Ltd in Australian dollars. All financial information has been rounded to the nearest thousand US dollars unless otherwise stated.

**d Alternative performance measures**

The Group uses a number of alternative performance measures ("APMs") which are non-IFRS measures to monitor the performance of its operations. The Group believes these APMs provide useful information to help investors and other stakeholders evaluate the performance of the business and are measures commonly used by certain investors for evaluating the performance of the Group. In particular, the Group uses APMs which reflect the underlying performance on the basis that this provides a more relevant focus on the core business performance of the Group and aligns with our KPIs. Adjusted results exclude certain items because if included, these items could distort the understanding of our performance for the year and the comparability between periods. The Group has been using the following APMs on a consistent basis and they are defined and reconciled as follows:

- Cash overheads: Operating expenses adjusted for: depreciation, amortisation, equity-settled share-based payment and other one-off non recurring items disclosed separately. See Note 4 for a reconciliation.
- Adjusted EBITDA: Operating loss adjusted for: impairment loss, depreciation, amortisation, equity-settled share-based payment, other (expense)/income and other one-off non recurring items disclosed separately. See Note 4 for a reconciliation.

**e Use of judgements and estimates**

In preparing these financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

## 3. Revenue and segmental analysis

**a Operating segments**

The Directors consider there to be one operating segment, being that of development and sale of licences for software, related maintenance and support and professional services.

**b Geographical segments**

The Group recognises revenue in three geographical regions based on the location of customers, as set out in the following table:

| Revenue | **Year ended 31 December 2023 (Audited) $'000** | Year ended 31 December 2022 (Audited) $'000 |
|---|---|---|
| North America | **4,603** | 5,504 |
| Europe - Germany | **896** | 733 |
| Europe - Other | **479** | 1,355 |
| Rest of the world - China | **478** | 1,894 |
| Rest of the world - Other | **239** | 199 |
| | **6,695** | 9,685 |

Management makes no allocation of costs, assets or liabilities between these segments since all trading activities are operated as a single business unit.

**c Major products**

The Group's core patented technology, Distributed Coordinated Engine "DConE", enables the replication of data. This core technology is contained in the vast majority of the Group's products.

**d Major customers**

| | **Year ended 31 December 2023 (Audited) % of revenue** | **Year ended 31 December 2023 (Audited) Revenue $'000** | **Year ended 31 December 2022 (Audited) % of revenue** | Year ended 31 December 2022 (Audited) Revenue $'000 |
|---|---|---|---|---|
| Customer 1 | **15%** | **984** | 9% | 828 |
| Customer 2 | **12%** | **832** | 0% | 3 |
| Customer 3 | **11%** | **716** | 5% | 505 |
| Customer 4 | **3%** | **174** | 10% | 926 |

No other single customers contributed 10% or more to the Group's revenue (2022: nil).

**e Split of revenue by timing of revenue recognition**

| Revenue | **Year ended 31 December 2023 (Audited) $'000** | Year ended 31 December 2022 (Audited) $'000 |
|---|---|---|
| Licences and services transferred at a point in time | **4,222** | 7,466 |
| Maintenance and support services transferred over time | **2,473** | 2,219 |
| | **6,695** | 9,685 |

**f Contract balances**

The following table provides information about contract assets and liabilities from contracts with customers.

| | **31 December 2023 (Audited) $'000** | **31 December 2022 (Audited) $'000** |
|---|---|---|
| Contract assets, which are included in "Other non-current assets - accrued income" | **265** | 843 |
| Contract assets, which are included in "Trade and other receivables – accrued | **800** | 843 |
| **Total contract assets** | **1,065** | 1,686 |
| | | |
| Contract liabilities, which are included in "Deferred income - non-current" | **(129)** | (220) |
| Contract liabilities, which are included in "Deferred income – current" | **(2,587)** | (2,038) |
| **Total contract liabilities** | **(2,716)** | (2,258) |

## 4. Cash overheads and Adjusted EBITDA loss

| a Reconciliation of operating expenses to "Cash overheads": | Note | Year ended 31 December 2023 (Audited) $'000 | Year ended 31 December 2022 (Audited) $'000 |
|---|---|---|---|
| Operating expenses | | **(37,625)** | (47,926) |
| **Adjusted for:** | | | |
| Advisor costs relating to the Irregularities | | **4,175** | 924 |
| Amortisation and depreciation | | **629** | 4,773 |
| Equity-settled share-based payment | 10 | **2,514** | 2,551 |
| **Cash overheads** | | **(30,307)** | (39,678) |

| b Reconciliation of operating loss to "Adjusted EBITDA loss": | Note | Year ended 31 December 2023 (Audited) $'000 | Year ended 31 December 2022 (Audited) $'000 |
|---|---|---|---|
| Operating loss | | **(32,424)** | (40,921) |
| **Adjusted for:** | | | |
| Other expense/(income) | | **46** | (166) |
| Advisor costs relating to the Irregularities | | **4,175** | 924 |
| Impairment loss | | **815** | 2,151 |
| Amortisation and depreciation | | **629** | 4,773 |
| Equity-settled share-based payment | 10 | **2,514** | 2,551 |
| **Adjusted EBITDA loss** | | **(24,245)** | (30,688) |

## 5. Loss per share

**a Basic loss per share**

The calculation of basic loss per share has been based on the following loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

| | Year ended 31 December 2023 (Audited) $'000 | Year ended 31 December 2022 (Audited) $'000 |
|---|---|---|
| **Loss for the year attributable to ordinary shareholders** | **36,479** | 29,605 |

| **Weighted average number of ordinary shares** | 2023 Number of shares '000 | 2022 Number of shares '000 |
|---|---|---|
| Issued ordinary shares at 1 January | **67,015** | 59,612 |
| Effect of shares issued in the year | **20,934** | 3,850 |
| **Weighted average number of ordinary shares at 31 December** | **87,949** | 63,462 |

| | **2023** | **2022** |
|---|---|---|
| **Basic loss per share (cent)** | **41** | **47** |

### 5. Loss per share (continued)

**b Adjusted loss per share**

Adjusted loss per share is calculated based on the loss attributable to ordinary shareholders before one-off advisors costs relating to the Irregularities, net foreign exchange loss/(gain), impairment loss and the cost of equity-settled share-based payment, and the weighted average number of ordinary shares outstanding:

| Adjusted loss for the year: | Note | Year ended 31 December 2023 (Audited) $'000 | Year ended 31 December 2022 (Audited) $'000 |
|---|---|---|---|
| Loss for the year attributable to ordinary shareholders | | **36,479** | 29,605 |
| **Adjusted for:** | | | |
| Advisor costs relating to the Irregularities | | **(4,175)** | (924) |
| Impairment loss | | **(815)** | (2,151) |
| Net foreign exchange (loss)/gain | | **(4,200)** | 11,293 |
| Equity-settled share-based payment | 10 | **(2,514)** | (2,551) |
| **Adjusted loss for the year** | | **24,775** | 35,272 |

| | 2023 | 2022 |
|---|---|---|
| **Adjusted loss per share (cent)** | **28** | 56 |

**c Diluted loss per share**

Due to the Group having losses in all years presented, the fully diluted loss per share for disclosure purposes, as shown in the Consolidated statement of profit or loss and other comprehensive income, is the same as for the basic loss per share.

### 6. Other non-current assets

| Due in more than a year: | 31 December 2023 (Audited) $'000 | 31 December 2022 (Audited) $'000 |
|---|---|---|
| Other receivables | **13** | 21 |
| Accrued income | **265** | 843 |
| **Total other non-current assets** | **278** | 864 |

### 7. Trade and other receivables

| Due within a year: | 31 December 2023 (Audited) $'000 | 31 December 2022 (Audited) $'000 |
|---|---|---|
| Trade receivables | **1,775** | 1,038 |
| Other receivables | **515** | 689 |
| Accrued income | **800** | 843 |
| Corporation tax | **691** | 1,371 |
| Prepayments | **658** | 959 |
| **Total trade and other receivables** | **4,439** | 4,900 |

## 8. Loans and borrowings

| | 31 December 2023 (Audited) $'000 | 31 December 2022 (Audited) $'000 |
|---|---|---|
| **Non-current liabilities** | | |
| Lease liabilities | **359** | 119 |
| | **359** | 119 |
| **Current liabilities** | | |
| Current portion of lease liabilities | **436** | 420 |
| | **436** | 420 |
| **Total loans and borrowings** | **795** | 539 |

At 31 December 2023 and 2022 there was no bank loan debt.

## 9. Deferred income

Deferred income represents contracted sales for which services to customers will be provided in future years.

| **Deferred income which falls due:** | 31 December 2023 (Audited) $'000 | 31 December 2022 (Audited) $'000 |
|---|---|---|
| Within a year | **2,587** | 2,038 |
| In more than a year | **129** | 220 |
| **Total deferred income** | **2,716** | 2,258 |

## 10. Share-based payment

The Group operates share option plans for employees of the Group. Options in the plans are settled in equity in the Company and are normally subject to a vesting schedule but not conditional on any performance criteria being achieved.

The terms and conditions of the share option grants are detailed in the Group Annual Report and Accounts for the year ended 31 December 2023.

**a Expense recognised in profit or loss**

| | Year ended 31 December 2023 (Audited) $'000 | Year ended 31 December 2022 (Audited) $'000 |
|---|---|---|
| **Total equity-settled share-based payment charge** | **2,514** | 2,551 |

**b Summary of share options outstanding**

| **Number of share options outstanding:** | 2023 Number of options (Audited) | 2022 Number of options (Audited) |
|---|---|---|
| Outstanding at 1 January | **5,449,095** | 3,834,400 |
| Forfeited during the year | **(4,062,030)** | (344,852) |
| Exercised during the year | **(419,116)** | (1,544,523) |
| Cancelled during the year | **(435,286)** | - |
| Granted during the year | **4,451,702** | 3,504,070 |
| **Outstanding at 31 December** | **4,984,365** | 5,449,095 |
| **Exercisable at 31 December** | **421,944** | 2,269,063 |
| **Vested at 31 December** | **421,944** | 2,269,063 |

## 11. Commitments and contingencies

The Group has a contingent liability at 31 December 2023 relating to a sponsorship agreement whereby an additional $127,303 is to be paid under certain conditions that were subject to post year end outcomes. This is a related party transaction.

At 31 December 2023 the Group had no capital commitments (31 December 2022: $nil) and the Group had no other contingent liabilities at 31 December 2023 (31 December 2022: none).

## 12. Subsequent events

There are no subsequent events to report.