

21 May 2014

Broca plc

Half year results

Broca plc (AIM: BRC, "Broca" or "the Company") has published its half year results for the six months ended 28 February 2014.

Key points

- Post period end disposal of 2ergo Limited for £4.5 million - £2.5 million received in cash and £2 million in Eagle Eye shares
- Change of name to Broca plc
- Operating loss from continuing operations of £0.3 million (H1 2013: loss £0.4 million)
- Broca now focused on acquisitions and/or investments within the technology sector with cash immediately post disposal of £3.1 million and an investment in Eagle Eye worth £2.13 million.

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On 16 April 2014, the Company finalised the disposal of its subsidiary 2ergo Limited to Eagle Eye Solutions Group plc ("Eagle Eye") and changed its name from 2ergo Group plc to Broca plc.

The consideration payable by Eagle Eye was £4.5 million, of which £2.5 million was payable in cash at completion of the sale, with the balance satisfied by the allotment and issue to the Company of new ordinary shares in the capital of Eagle Eye, an AIM quoted company, which the Board currently intends to retain on behalf of Shareholders. Further details of the disposal can be found in the Circular to Shareholders posted on 25 March 2014, available at www.brocaplc.com/investornews.

The effect of the sale was to dispose of materially all of the Group's business and intellectual property; consequently the Company is now an Investing Company under AIM Rule 15. The Company is focused on opportunities within the technology sector with a view to continuing the trade of the Group.

Investing Policy

The Board has determined that the Company's Investing Policy is to seek opportunities in the technology sector. The Company's objective is to generate an attractive rate of return for shareholders by taking advantage of opportunities to invest in the technology, media & telecommunications (TMT) sector.

There will be no limit on the number of projects into which the Company may invest and the Company's financial resources may be invested in a number of propositions, or in just one investment, which is likely to be deemed to be a reverse takeover pursuant to Rule 14 of the AIM Rules.

The Company will seek investment opportunities in the TMT sector that offer good value and the potential for capital growth and/or income. The Company will seek to achieve this through acquisitions, partnerships or joint venture arrangements and such investments may result in the Company acquiring the whole or part of a company.

The strategy of the Company will be to leverage the expertise and the contacts of the Board to investigate opportunities available to it. Ian Smith, Executive Chairman of the Company, is also joint managing partner of MXC Capital Limited, a specialist investment and advisory group focused on opportunities in the TMT sector.

In particular the Board will seek to identify target investments with some or all of the following characteristics:

- a clear market opportunity;
- significant growth prospects;
- likely to benefit from access to additional equity funding; and
- the likelihood of benefits accruing from being part of a group with publicly traded shares.

The Company's Investing Policy is intended to be long-term but if circumstances arise whereby an acquired business or company may be floated in its own right, or disposed of at a suitable premium, such opportunities will be considered by the Board.

Financial Performance

As a consequence of the disposal of Zergo Limited these interim statements focus on Broca's continuing operations with the results of Zergo Limited included within discontinued operations.

Broca had no revenue during period (H1 2013: nil) and therefore its costs of £0.3 million (H1 2013: £0.4 million) generated a loss of £0.3 million in the half year (H1 2013: £0.4 million). Of the £0.3 million costs in the period, £0.1 million (H1 2013: £0.1 million) relates to the non-cash IFRS2 share option charge, with the balance relating to salaries and regulatory expenses.

The loss for the period from discontinued operations was £0.9 million (H1 2013: £1.8 million), whilst the loss per share from continuing operations was 0.09p (H1 2013: 0.69p).

In accordance with IFRS5, the assets and liabilities attributable to Zergo Limited are disclosed in the Group balance sheet as at 28 February 2014 as "held for sale" and comprise assets of £4.4 million and liabilities of £0.9 million.

Cash balances at the period end amounted to £0.4 million (H1 2013: £0.5 million). As part of the terms of the disposal of Zergo Limited, Broca retained the cash balances on completion. Immediately following completion, the Company had £3.1 million cash, before payment of sale expenses of approximately £0.2 million and creditors of £0.2 million. In addition, the Company holds shares in Eagle Eye which are currently valued at £2.13 million. The Board continues to review costs to ensure they are appropriate for the current activities of the Group.

Outlook

The focus of the Board, following the disposal of Zergo Limited, is on utilising its experience to maximise the opportunity provided by the proceeds of the disposal to generate higher returns for investors, which will include pursuing strategic acquisitions within the technology, media & telecommunications sector.

Consolidated unaudited interim income statement for the six months ended 28 February 2014

	Note	Unaudited 6 months to 28 February 2014 £000	Unaudited 6 months to 28 February 2013 £000	Audited Year to 31 August 2013 £000
Continuing operations				
Revenue		-	-	-
Cost of sales		-	-	-
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Gross profit		-	-	-
Administrative costs		(342)	(403)	(1,138)
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Operating loss		(342)	(403)	(1,138)
Finance income		-	-	2
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Loss before taxation		(342)	(403)	(1,136)
Taxation		-	-	-
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Loss for the period from continuing operations		(342)	(403)	(1,136)
Discontinued operations				
Loss for the period from discontinued operations	2	(856)	(1,819)	(3,502)
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Loss for the period		(1,198)	(2,222)	(4,638)
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Loss per share				
From continuing operations				
Basic and diluted	3	(0.09)p	(0.69)p	(0.99)p
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From continuing and discontinued operations				
Basic and diluted	3	(0.30)p	(3.80)p	(4.04)p
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**Consolidated unaudited interim statement of comprehensive income
for the six months ended 28 February 2014**

	Unaudited 6 months to 28 February 2014 £000	Unaudited 6 months to 28 February 2013 £000	Audited Year to 31 August 2013 £000
Loss for the period	(1,198)	(2,222)	(4,638)
Other comprehensive profit			
Tax on item taken directly to equity	-	-	80
Other comprehensive profit for the period, net of tax	-	-	80
Total comprehensive loss for the period	(1,198)	(2,222)	(4,558)

**Consolidated unaudited interim statement of financial position
as at 28 February 2014**

	Note	Unaudited 28 February 2014 £000	Unaudited 28 February 2013 £000	Audited 31 August 2013 £000
Non-current assets				
Intangible assets		-	3,546	3,592
Property, plant and equipment		-	426	283
		-	3,972	3,875
Current assets				
Trade and other receivables		16	1,051	640
Current tax receivable		-	118	282
Cash and cash equivalents		422	547	1,461
Assets classified as held for sale	2	4,428	-	-
		4,866	1,716	2,383
Total assets		4,866	5,688	6,258
Current liabilities				
Trade and other payables		(284)	(1,694)	(1,282)
Liabilities directly associated with assets classified as held for sale	2	(858)	-	-
		(1,142)	(1,694)	(1,282)
Non-current liabilities				
Deferred income tax liability		-	(362)	(147)
Total liabilities		(1,142)	(2,056)	(1,429)
Net assets		3,724	3,632	4,829
Capital and reserves attributable to equity holders of the parent				
Share capital		3,979	648	3,979
Share premium		12,645	13,004	12,645
Investment in own shares		(1,225)	(1,225)	(1,225)
Merger relief reserve		496	414	496
Merger reserve		1,512	1,512	1,512
Other reserves		(304)	(304)	(304)
Share option reserve		1,380	944	1,287
Retained losses		(14,759)	(11,361)	(13,561)
Total equity		3,724	3,632	4,829

**Consolidated unaudited interim statement of changes in equity
for the six months ended 28 February 2014**

	Share capital £000	Share premium £000	Investment in own shares £000	Merger relief reserve £000	Merger reserve £000	Other reserve £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 September 2012	364	10,598	(1,225)	414	1,512	(304)	873	(9,139)	3,093
Loss for the period	-	-	-	-	-	-	-	(2,222)	(2,222)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(2,222)	(2,222)
Transactions with owners									
Issue of share capital	284	2,406	-	-	-	-	-	-	2,690
IFRS 2 share based payment charge	-	-	-	-	-	-	71	-	71
Balance at 28 February 2013	648	13,004	(1,225)	414	1,512	(304)	944	(11,361)	3,632
	Share capital £000	Share premium £000	Investment in own shares £000	Merger relief reserve £000	Merger reserve £000	Other reserves £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 September 2013	3,979	12,645	(1,225)	496	1,512	(304)	1,287	(13,561)	4,829
Loss for the period	-	-	-	-	-	-	-	(1,198)	(1,198)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(1,198)	(1,198)
Transactions with owners									
IFRS 2 share based payment charge	-	-	-	-	-	-	93	-	93
Balance at 28 February 2014	3,979	12,645	(1,225)	496	1,512	(304)	1,380	(14,759)	3,724

**Consolidated unaudited interim statement of cash flows
for the six months ended 28 February 2014**

	Unaudited 6 months to 28 February 2014 £000	Unaudited 6 months to 28 February 2013 £000	Audited Year to 31 August 2013 £000
Cash flows from operating activities			
Loss before taxation	(342)	(403)	(1,136)
Adjustments for:			
Share based payment expense	93	71	550
Net finance income	-	-	(2)
(Increase)/decrease in trade and other receivables	(8)	(42)	3
Increase/(decrease) in trade and other payables	88	2	(8)
Net cash flows from operating activities- continuing operations	(169)	(372)	(593)
Net cash flows from operating activities- discontinued operations	(716)	(1,733)	(3,069)
Cash flows from investing activities			
Interest received	-	-	2
Net cash flows from investing activities- continuing operations	-	-	2
Net cash flows from investing activities- discontinued operations	(154)	(575)	(1,072)
Cash flows from financing activities			
Net proceeds from issue of equity	-	2,690	5,656
Net cash flows from financing activities	-	2,690	5,656
Net (decrease)/increase in cash and cash equivalents in the period	(1,039)	10	924
Cash and cash equivalents at beginning of period	1,461	537	537
Cash and cash equivalents at end of period	422	547	1,461

Notes to the consolidated unaudited interim financial statements

1. Basis of preparation

The interim financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union as described in the accounting policies set out in the financial statements for the year ended 31 August 2013 and AIM rules.

The comparative financial information for the period ended 28 February 2013 and the year ended 31 August 2013 has been extracted from the interim and annual financial statements of Broca plc (formerly 2ergo Group plc). These interim results for the period ended 28 February 2014, which are not audited, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

Full audited accounts of the Group in respect of the year ended 31 August 2013, which received an unqualified audit opinion and did not contain a statement under section 498(2) of the Companies Act 2006, have been delivered to the Registrar of Companies.

2. Discontinued operations

On 16 April 2014 the Group disposed of 2ergo Limited which entailed the sale of the mobile coupon and loyalty business carried on by the Group. At 28 February 2014 a draft share purchase agreement had been circulated between Eagle Eye and the Company and Board of the Company, supported by shareholders, were committed to effecting a sale of 2ergo Limited. Therefore, in accordance with IFRS 5 the results of this unit, or disposal group, are classified as discontinued operations in this interim financial information and the assets and liabilities of the unit are classified as 'Held for sale' at the period end.

The results of the discontinued operations up until the period end, which have been disclosed separately in the consolidated income statement, as required by IFRS 5, are as follows:

	Unaudited 6 months to 28 February 2014 £000	Unaudited 6 months to 28 February 2013 £000	Unaudited Year to 31 August 2013 £000
Revenue	1,149	2,258	3,521
Expenses	(2,067)	(4,211)	(7,455)
Loss before tax	(918)	(1,953)	(3,934)
Taxation on loss before tax	62	134	432
Net loss attributable to discontinued operations	(856)	(1,819)	(3,502)

The net assets and liabilities of the disposal group at the period end were as follows:

	2014 £000
Intangible assets	2,795
Property, plant and equipment	123
Goodwill	511
Trade and other receivables	715
Corporation tax	284
	4,428
Trade and other payables	771
Deferred tax liability	87
	858

No adjustments have been required to reduce the carrying value of net assets to determine their fair value.

3. Loss per share

The calculation of basic and diluted loss per share from continuing operations is based on the result attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive.

	2014 Loss per share pence	2014 Loss £000	2014 Weighted average number of ordinary shares	2013 Loss per share pence	2013 Loss £000	2013 Weighted average number of ordinary shares
Basic and diluted loss per share	(0.09)	(342)	396,278,924	(0.69)	(403)	58,507,096

Basic and diluted loss per share from continuing and discontinued operations is calculated as follows:

	2014 Loss per share pence	2014 Loss £000	2014 Weighted average number of ordinary shares	2013 Loss per share pence	2013 Loss £000	2013 Weighted average number of ordinary shares
Basic and diluted loss per share	(0.30)	(1,198)	396,278,924	(3.80)	(2,222)	58,507,096