NCC Group plc

Interim Results for the six months to 30 November 2018

First half results show solid revenue growth and gross margin improvement at a time of operational transformation.

NCC Group plc (LSE: NCC, "NCC Group" or "the Group"), the leading independent global cyber security and risk mitigation expert, has reported its half year results for the six months to 30 November 2018 ('the Half', 'H1', 'the Period').

Operational and financial highlights

Continuing operations[1]	**H1 2019**	**H1 2018***	***Change***
Revenue (£m)	126.0	116.8	*8%*
Gross profit (£m)	50.6	46.2	*10%*
Gross margin (%)	40.2%	39.6%	*0.6% pts*
Adjusted[2] operating profit (£m)	14.8	13.8	*7%*
Operating profit (£m)	9.5	6.3	*51%*
Basic EPS (p)	2.4	1.4	*71%*
Net debt[3] (£m)	(45.1)	(44.4)	*-2%*

*Restated for the impact of IFRS 15 and prior year discontinued activities

- Group revenue from continuing operations grew by 8%:
    - Assurance revenues grew by around 10% with:
        - US growth particularly strong at 20%
        - UK performance held back by softer demand in our Risk Management and Governance ("RMG") business coupled with resource shortages in our Technical Security Consulting business and planned reduction of third party reselling sales
        - Europe & RoW reflects encouraging consulting growth in FortConsult and APAC, although Fox-IT growth was lower. A new multi-year strategic partnership contract with the Dutch MoD has been signed post half-year end.
    - Escrow revenues were slightly down (-2%) but with encouraging US growth (+11%) as we invest to expand in that market.
- Gross margin % was slightly ahead of last year, with Escrow margins falling (-3%), reflecting investment in international growth, while Assurance margins were ahead (+2%), reflecting higher utilisation and improved mix.
- Adjusted operating profit from continuing operations of £14.8m (12% margin) is ahead of last year's £13.8m (12% margin):
    - the comparative period included onerous contract costs of £1.1m which are not replicated in this year's figure
    - investment in Securing Growth Together
    - full impact of planned overhead increases from increased headcount and our new Manchester head office.

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[1] References to the Group's results, unless stated to the contrary, are to continuing operations only and exclude the performance of businesses sold or discontinued in the prior year (principally Web Performance and Software Testing).

[2] Adjusted operating profit excludes individually significant items, share based payments, unwinding of discounts on deferred consideration and amortisation of acquired intangible assets. This is an Alternative Performance Measure (APM) for which a reconciliation to the equivalent GAAP measure can be found in Note 2.

[3] Net debt is defined as total borrowings less cash and cash equivalents. As an APM, it is detailed in Note 2

- Operating profit increased to £9.5m from £6.3m as a result of lower levels of adjusting items, with Individually Significant Items this half year of net £nil (H1 2018: £2.6m).
- Adjusted basic earnings per share 3.9p (H1 2018: 3.7p), Basic earnings per share 2.4p (H1 2018: 1.4p).
- Net cash flow from operations of £6.6m (H1 2018: £14.7m) with the decline largely resulting from working capital impact of short term increase in trade receivables, together with a reduction in trade payables, which is expected to reverse by the year end.
- Interim dividend maintained at 1.5p per share (H1 2018: 1.5p).

Strategy progress update

- Acceleration and expansion of the investment programme to rationalise and replace our global systems infrastructure. Programme now expected to cost an incremental £4m over the next four years, the majority of which is non-cash as a result of legacy system write offs in H2 2019.
- Management team strengthened with new CFO, Managing Director of UK Assurance & RoW and Interim Chief People Officer.
- Expenses and Credit Control systems recently implemented in UK and in process of being rolled out across other geographies.
- Good progress on wider SGT transformation programme and 'One Firm One Way' approach to support future scalability and growth.

Outlook

- Demand in our core Assurance markets remains strong, although we saw a slower start to H2 in Assurance. We are focusing on retention and recruitment to address this.
- Growth in Escrow from US market supported by stability in the UK.
- Adjusted EBIT margin growth by 2%pts in aggregate by the end of FY 2021.
- We now expect to deliver full year adjusted EBIT of around £34m.

Adam Palser, CEO comments:

"This is an important year of change for NCC Group as we implement our 'Securing Growth Together' strategy and transform the business into a world-leading cyber security and risk mitigation specialist. We are pleased with the progress we have made, with continued growth in our core Assurance division and a particularly strong performance in the US, the world's largest cyber market. While profits from our Escrow division fell slightly, our experience in the US has given us confidence that we can re-energise the growth of this business.

We have assembled an excellent management team and are now installing the systems and processes that will enable us to operate as a unified global business, helping us to win more major contracts and focus on recurring, higher margin work.

The new team is now focused on accessing the resources to enable the group to fully capitalise on its growth potential, with retention and recruitment a key priority. We expect to deliver full year Adjusted EBIT of around £34m, while our longer term growth prospects remain excellent."

The Group expects to report its full year results, for the year ended 31 May 2019, on Thursday, 25 July 2019.

A briefing for analysts will be held today at 9am at the offices of Maitland, 3 Pancras Square, London N1C 4AG. The briefing will also be webcast live and can be accessed via the Group's website.

24 January 2019

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Business Review

Overview
NCC Group holds leading positions in growing cyber security and risk markets around the world, in a sector which is becoming ever larger and more relevant to organisations large and small. We have a highly experienced and skilled workforce and are able to serve our customers with a diverse range of services.

Strategy update
During the first half of the financial year, the global leadership team of NCC Group came together to re-define the mission, vision and values of the business and we are now in the process of embedding these across the organisation.

Our transformation programme, Securing Growth Together, is our vehicle for change and has made strong progress since its launch in May 2018. Securing Growth Together has five workstreams:

- Lead the Market
- Win Business
- Deliver Excellence
- Support Growth
- Develop our People

Each workstream is led by a member of the Executive Team. The scope of Securing Growth Together has grown to include the replacement of our finance processes and systems. The overall cost of the programme is projected to be around £18m over the next three years, which is a net incremental cost of £4.3m beyond the previously expected position, most of which is non-cash from legacy systems' write off. As a result of the programme, we will instill one way of operating across the firm, improve the way we work with clients and reduce the number of systems in use as part of our global platform from forty-eight to ten.

The increased scope of the programme will unify management systems across the business, transforming our ability to manage NCC Group efficiently and to compete on a global basis. As a result, our target of improving Adjusted EBIT margin by 2%pts has been extended by a year to 2021.

Notable areas of good progress to date include:

- the rollout of Expenses and Credit Control systems
- the scoping and commitment to an HR, Finance and Professional Service Administration system (Workday) and a CRM system (Salesforce)

The executive team has been further strengthened by:

- our new CFO (Tim Kowalski) from July 2018
- a new MD for UK Assurance (Ian Thomas) from December 2018
- an interim Chief People Officer (Colin Watt) from December 2018

The extensive rebuilding of our corporate teams (including our finance, communications, marketing and HR teams) is largely complete.

Group Revenue
Group revenue from continuing operations increased by 8% to £126.0m (H1 2018: £116.8m). The main driver of this growth was our US Assurance business, reflecting growth of 20% versus the prior year.

There were no discontinued activities in the current period, while in the prior year, the Web Performance and Software Testing businesses were to be sold and hence were treated as discontinued operations. A related element of this business was also discontinued at the time of the disposal in Spring 2018 and the results of all these businesses are therefore shown as discontinued activities in the comparative period.

With the higher growth rates being achieved in the Assurance division, its share of Group revenue has now risen to 85% (H1 2018: 84%). The Group continued to have minimal reliance on any one customer or sector. Within Assurance the largest customer represents approximately 4% of total Assurance revenue while the largest customer in Escrow is around 1% of total Escrow revenue.

Revenue performance is discussed further in each Operating Segment's Business Performance review below.

Group margins and profitability
The Board and Executive management use a number of non-GAAP measures (also known as Alternative Performance Measures or 'APM's') in the day-to-day management of the business. Further details are provided in Note 2.

The Group delivered a Gross Margin of 40.2% in the period (H1 2018: 39.6%), with the overall improvement driven by improved Assurance gross margin offset by a slight deterioration in Escrow.

Gross profit increased as a result of the revenue growth and overall margin improvement to deliver a £4.4m improvement to £50.6m.

Group Administration Expenses on a continuing adjusted activities basis increased by £3.4m to £35.8m, which was principally as a result of the following factors:

- Investments in training and process improvements through the Securing Growth Together programme;
- Increased senior management and back office support to match our scale and complexity;
- Annualisation of occupancy costs resulting from the move to the Group's Head office and other territorial expansion in the prior year.

As a result, overall Group adjusted operating profit from continuing operations of £14.8m was broadly in line with the prior year (H1 2018: £13.8m) as the prior year included £1.1m in respect of a loss making contract which was subsequently provided for at year end May 2018 as an Individually Significant Item within a contract provision. Current year costs in respect of the contract have been allocated against that provision.

The Group's profit after tax for the period of £6.8m (H1 2018: £3.8m) includes £nil from discontinued operations (H1 2018: profit after tax £0.8m).

Individually significant items
Individually significant costs incurred during the Period and in the prior year are set out in the table below:

	H1 2019 £m	H1 2018 £m
Individually significant items		
Revisions to deferred and contingent consideration	-	0.6
Restructuring costs	-	1.1
Acquisition / market related costs	-	0.2
Property related costs	-	0.7
Total individually significant items	-	2.6

Further detail in respect of the above items is provided in Note 5 within the financial section of this report.

In the second half, we expect a write off of around £4m in relation to legacy systems as a result of Securing Growth Together.

Taxation
The Group's adjusted effective tax rate for the period to 30 November 2018 is 22.9% (H1 2018 28.8%).

The decrease in the estimated effective tax rate from H1 2018 to H1 2019 is a result of the lower US Federal corporate tax rate (35% to 21%) that came into force for profits arising from 1 January 2018. As the relevant legislation was not enacted in the US until 22 December 2017, this was not applied to the calculation of the H1 2018 estimated effective tax rate.

The tax charge and effective tax rate for the 6 months to 30 November 2018 is based on the application of tax rates enacted as of 30 November 2018 to full year forecast profits.

Earnings per share
Adjusted fully diluted earnings per share from continuing operations was 3.8p (H1 2018: 3.6p) while basic earnings per share was 2.4p (H1 2018: 1.4p). The calculation of adjusted EPS is set out in Note 7.

Dividends
The Board is recommending an unchanged interim dividend of 1.5p per ordinary share (H1 2018: 1.5p). The interim dividend is expected to be paid on 28 February 2019 to shareholders on the register at the close of business on 8 February 2019. The ex-dividend date is 7 February 2019.

Cash

	H1 2019	H1 2018
	£m	£m
Cash flow before changes in working capital	**20.3**	18.5
Changes in working capital	**(8.7)**	(0.7)
Interest paid	**(0.9)**	(0.7)
Income taxes paid	**(4.1)**	(2.4)
Net cash from operating activities	**6.6**	14.7
Net capital expenditure	**(3.3)**	(7.1)
Capitalised development costs	**(0.9)**	(1.4)
Free cash flow	**2.4**	6.2
Acquisitions	**(9.9)**	(1.0)
Disposals	**0.1**	-
Dividends	**(8.7)**	(8.7)
Share issues	**0.2**	1.1
Net cash flow before financing	**(15.9)**	(2.4)
Opening net debt	**(27.8)**	(43.7)
Foreign exchange impacts	**(1.4)**	1.7
Closing net debt	**(45.1)**	(44.4)

While overall net debt increased from 31 May 2018, May was a seasonal low point as this half year included the Fox-IT deferred consideration of £9.9m and the final dividend of £8.7m.

The Group generated £6.6m of net cash from operating activities (H1 2018 £14.7m). Working capital deteriorated during the period, owing to a reduction in trade payables, mainly arising from the normalisation of payment terms, together with an increase in trade receivables caused by the temporary impact of credit control team turnover as a consequence of senior management change. We expect this position to reverse in the second half as a result of sales and finance team strengthening and the implementation of a new credit control system.

Interest cash costs were in line with prior year. Cash tax paid increased as the Group expects higher cash tax liabilities for the full year in the US, with a reduction in availability of tax losses and R&D tax credits from prior years, offset to some extent by the lower US Federal tax rate effective 1 January 2018. Accordingly, the US business now has corporate tax cash outflows that are more representative of its current tax profile (rather than affected by historic tax assets and more closely aligned to its estimated effective tax rate).

Net capital expenditure was £3.3m (H1 2018: £7.1m), with the prior year spend being predominantly due to the move of the Group's head office to the Manchester XYZ building which incurred £3.9m of costs in the prior period.

Financing facilities

The Group's facilities and covenants are summarised below:

- Maximum facility of £100.6m (£20.6m amortising term loan and £80m revolving credit facility) with a further additional accordion facility of £50.0m; net debt is £45.1m (2018: £44.4m).
- Liabilities for non-contingent, deferred acquisition consideration are included in net debt for covenant purposes giving banking net debt as at 30 November 2018 of £45.1m (H1 2018: £54.3m), having paid £9.9m in respect of Fox-IT during the period.
- Leverage limit of 2.5 times Adjusted EBITDA; current leverage is 1.1 times.
- Net interest (Adjusted EBITDA/Net interest) cover minimum 3.5 times; current ratio is 28 times.

The Group is operating within its banking facilities and covenants. The terms and ratios above are specifically defined in the Group's banking documents (in line with normal commercial practice) and are materially similar to GAAP or the Group's Alternative Performance Measures of the same name. The exception is net debt which as described above includes unpaid deferred consideration. These are commercially confidential documents and hence further details of any immaterial differences are not disclosed.

Principal risks and uncertainties

Risks are evaluated at a number of levels of the organisation, commencing with those which link to the Group achieving its strategic objectives. These risks are considered largely unchanged from those outlined in the 2018 financial statements which were business strategy and strategic change, availability of critical information systems, staff capacity and capability, cyber risk and quality of systems and processes.

The full detail of these risks, our approach to risk management, associated mitigating controls and their potential impact is set out in full in the Annual Report and Accounts for the year ended 31 May 2018.

Brexit

We continue our work to assess and, where possible, mitigate the likely impact of the United Kingdom's exit from the European Union ("EU"). In light of recent political developments, the outcome remains unclear, and therefore while it continues to take shape, we are monitoring developments and developing contingency plans based on potential outcomes.

To date, in overall terms while there could be global foreign exchange and interest rate volatility, we have not determined that Brexit will have a significant impact on our operations due to our geographical spread, although we have recently seen some softening of demand in the UK RMG business as companies adopt a "wait and see" approach with their spending.

Assurance Division – Business Performance Review

Revenue performance

The global Assurance business, which now accounts for 85% (H1 2018 84%) of group revenues, delivered 10% organic growth. We are presenting the business across three segments (UK, USA and Europe & ROW) to simplify the understanding of performance. We continue to retain the Fox IT and FortConsult brands in the Benelux and Scandinavian markets respectively.

Assurance revenue analysis – by originating country	**H1 2019**	H1 2018*	*Change*
	£m	£m	*%*
UK	**44.8**	44.3	*1.1%*
USA	**37.7**	31.3	*20.4%*
Europe & RoW	**24.6**	22.0	*11.8%*
Total Assurance revenue	**107.1**	97.6	*9.7%*

*Restated for the impact of IFRS 15 and prior year discontinued activities

US Assurance continues to deliver strong double-digit revenue growth as the business builds on the blue chip customer base. We continue to grow our market share and scale in this region. The earn-out periods for the PSC and VSR businesses have been completed post half-year and this will allow for better integration into the core USA business.

The UK Assurance result moved forward despite softer demand in the Risk Management and Governance ("RMG") group in the latter part of Q2, a £2.5m reduction in third party sales, as well as resource shortages in Technical Security Consulting. The UK division supported growth in other territories with net contributions of £2.2m (H1 2018: £1.2m) which pegged back UK growth but reflects the growing global delivery capacity of our services. The Group has a renewed focus on the significant sales opportunities available in the market and is prioritising technical consultant headcount growth through active management of retention and recruitment.

Europe and RoW have performed well compared with prior year as a result of strong growth from FortConsult and APAC. Subsequent to the half year end, Fox-IT and the Dutch Ministry of Defence have become strategic partners, with the purpose being to ensure the longer term availability of specialist skills and engineering capacity for cryptologic applications that are of strategic importance to the Dutch Armed Forces. With this partnership the MoD committed to invest €4.1m annually.

We continue to develop market leading expertise in sectors including Transport, Hardware and Financial Services through recruitment of high quality sector specialists and are focused on continuing to develop our leading market position as cyber risk advisor. The Risk Management and Governance service line which focuses on Board or Strategic level cyber risk has shown good growth in USA and we remain focused on leveraging this capability in Europe and RoW.

Profitability analysis

Gross Profit	**H1 2019**	H1 2018*	Change
	£m	£m	%
UK	**14.3**	13.4	*6.7%*
USA	**13.9**	10.6	*31.1%*
Europe & RoW	**8.5**	7.4	*14.9%*
Assurance GP	**36.7**	31.4	*16.9%*

*Restated for the impact of IFRS 15 and prior year discontinued activities

Our Gross Margin % increased in all geographies across the division by 2.1% to 34.3%. This was the result of improved utilisation rates, geography and average order value with the move away from lower margin reselling of 3rd party products.

Escrow Division - Business Performance Review

Revenue performance
The Escrow division accounts for 15% of continuing Group revenues (H1 2018: 16%). Escrow revenue for the half year fell slightly by £0.3m to £18.9m (H1 2018: £19.2m), as strong growth in the USA was offset by declines in the UK and Europe/RoW.

Escrow revenue analysis – by originating country	**H1 2019**	H1 2018*	*Change*
	£m	£m	*%*
UK	**12.9**	13.5	*(4.4%)*
USA	**4.2**	3.8	*10.5%*
Europe & RoW	**1.8**	1.9	*(5.3%)*
Total Escrow revenue	**18.9**	19.2	*(1.6%)*

*Restated for the impact of IFRS 15

Escrow revenues and growth can be further analysed as follows:

Escrow services revenue	**H1 2019**	H1 2018*	*Change*
	£m	£m	*%*
Escrow contracts	**12.8**	13.4	*(4.5%)*
Verification testing	**5.6**	5.2	*7.7%*
Other services	**0.5**	0.6	*(16.7%)*
Total Escrow revenue	**18.9**	19.2	*(1.6%)*

*Restated for the impact of IFRS 15

The UK revenue decline is partly due to continued net attrition of on-premise agreements in a mature market and partly due to operational challenges relating to turnover of sales staff, offset by an increase in verification testing work.

The US has demonstrated strong growth fueled by our recent investments and the changes in the US senior management team.

The decline in Europe and RoW is a consequence of previous under investment which is being addressed by increased sales capacity and a focused management structure.

Profitability analysis

Gross Profit	**H1 2019**	H1 2018	Change
	£m	£m	%
UK	**9.7**	10.7	*(9.3%)*
USA	**2.8**	2.7	*3.7%*
Europe and RoW	**1.5**	1.4	*7.1%*
Escrow GP	**14.0**	14.8	(5.4%)

Gross margin % has reduced to 74.1% (H12018: 77.1%) with US margins lower at 66.7% as we seek to expand in that market.

On behalf of the Board

Adam Palser
Chief Executive Officer

Tim Kowalski
Chief Financial Officer

23 January 2019

Independent Review Report to NCC Group plc

Conclusion
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2018 which comprises consolidated income statement, consolidated statement of comprehensive income, consolidated condensed statement of financial position, consolidated condensed statement of cash flows, consolidated condensed statement of changes in equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 November 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Mick Davies
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square, Manchester, M2 3AE
23 January 2019

Condensed Consolidated Income Statement
for the six months ended 30 November 2018

	Note	H1 2019 Total £m	H1 2019 Adjustments £m	**H1 2019 Continuing Adjusted £m**	H1 2018* Total £m	H1 2018* Adjustments £m	H1 2018* Continuing Adjusted £m
Revenue	[3]	126.0	-	**126.0**	116.8	-	116.8
Cost of Sales		(75.4)	-	**(75.4)**	(70.6)	-	(70.6)
Gross profit		50.6	-	**50.6**	46.2	-	46.2
Administration expenses		(41.1)	5.3	**(35.8)**	(39.9)	7.5	(32.4)
Analysed as:							
General & admin costs		(35.8)	-	**(35.8)**	(32.4)	-	(32.4)
Profit on sale of subsidiaries		0.1	(0.1)	**-**	-	-	-
Amortisation acquired intangibles	[9]	(4.5)	4.5	**-**	(4.9)	4.9	-
Individually significant items	[5]	-	-	**-**	(2.6)	2.6	-
Share based payments		(0.9)	0.9	**-**	-	-	-
Operating profit	[2]	9.5	5.3	**14.8**	6.3	7.5	13.8
Interest expense		(0.8)	-	**(0.8)**	(0.6)	-	(0.6)
Discount on acquisition consideration		-	-	**-**	(0.2)	0.2	-
Net financing costs		(0.8)	-	**(0.8)**	(0.8)	0.2	(0.6)
Profit before taxation		8.7	5.3	**14.0**	5.5	7.7	13.2
Taxation	[6]	(1.9)	(1.3)	**(3.2)**	(2.5)	(1.3)	(3.8)
Profit from continuing operations		6.8	4.0	**10.8**	3.0	6.4	9.4
Profit from discontinued operation, net of tax	[4]	-	-	**-**	0.8	(0.8)	-
Profit for the period		6.8	4.0	**10.8**	3.8	5.6	9.4
Attributable to equity holders of the parent company		6.8	4.0	**10.8**	3.8	5.6	9.4
Continuing operations EPS	[7]						
Basic EPS		2.4p	-	**-**	1.4p	-	-
Diluted Adjusted EPS		3.8p	-	**-**	3.6p	-	-

*Restated for the impact of IFRS 15 and prior year discontinued activities

Condensed Consolidated Statement of Comprehensive Income
for the six months ended 30 November 2018

	H1 2019 £m	H1 2018* £m
Profit for the period	**6.8**	3.8
Items that may be reclassified subsequently to profit or loss (net of tax)		
Foreign exchange translation differences	**2.7**	(0.1)
Total comprehensive income for the period, net of tax	**9.5**	3.7
Attributable to:		
Equity holders of the parent	**9.5**	3.7

*Restated for the impact of IFRS 15 and prior year discontinued activities

Condensed Consolidated Balance Sheet
at 30 November 2018

	Notes	**H1 2019 £m**	H1 2018* £m	FY 2018* £m
Non-current assets				
Plant and equipment	[10]	**18.1**	20.3	19.4
Intangible assets	[9]	**239.3**	247.8	240.0
Investments		**0.3**	0.4	0.4
Deferred tax assets		**1.5**	4.1	4.5
Total non-current assets		**259.2**	272.6	264.3
Current assets				
Trade and other receivables		**73.8**	63.0	67.5
Inventories		**0.8**	0.7	0.8
Cash and cash equivalents		**15.5**	13.4	21.2
Current tax receivable		**0.3**	-	-
Assets held for sale		**-**	17.8	-
Total current assets		**90.4**	94.9	89.5
Total assets		**349.6**	367.5	353.8
Current Liabilities				
Trade and other payables		**33.5**	28.2	35.7
Provisions		**1.2**	0.8	2.6
Consideration payable on acquisitions	[12]	**1.7**	12.0	11.9
Deferred revenue		**31.0**	30.9	30.6
Interest bearing loans	[11]	**5.0**	5.0	-
Current tax payable		**-**	3.7	1.3
Liabilities held for sale		**-**	7.1	-
Total current liabilities		**72.4**	87.7	82.1
Non-current liabilities				
Deferred tax liability		**6.0**	13.2	9.8
Provisions		**7.1**	5.4	6.3
Consideration payable on acquisitions	[12]	**-**	1.9	-
Interest bearing loans	[11]	**55.6**	52.8	49.0
Total non-current liabilities		**68.7**	73.3	65.1
Net Assets		**208.5**	206.5	206.6
Equity				
Issued capital		**2.8**	2.8	2.8
Share premium		**149.7**	148.9	149.5
Merger reserve		**42.3**	42.3	42.3
Retained earnings		**(15.4)**	(13.5)	(14.4)
Currency translation reserve		**29.1**	26.0	26.4
Total equity attributable to equity holders of the parent		**208.5**	206.5	206.6

*Restated for the impact of IFRS 15 and prior year discontinued activities

These financial statements were approved by the Board of Directors on 23 January 2019 and were signed on its behalf by:

Adam Palser
Chief Executive Officer

Tim Kowalski
Chief Financial Officer

Condensed Consolidated Cash Flow Statement

for the six months ended 30 November 2018

	H1 2019	H1 2018*
	£m	£m
Profit for the period	**6.8**	3.8
Adjustments for:		
Depreciation	**3.0**	3.2
Share based charges	**0.9**	(0.1)
Amortisation of intangible assets	**6.7**	8.0
Net financing costs	**0.8**	0.9
Exchange rate loss	**0.1**	0.2
Profit on disposal of subsidiaries	**0.1**	-
Income tax expense	**1.9**	2.5
Operating cash flows before movements in working capital	**20.3**	18.5
Increase in trade and other receivables	**(4.1)**	(1.1)
Decrease in trade and other payables	**(4.6)**	0.4
Cash generated from operating activities	**11.6**	17.8
Interest paid	**(0.9)**	(0.7)
Income taxes paid	**(4.1)**	(2.4)
Net cash generated from operating activities	**6.6**	14.7
Investing activities		
Purchase of plant and equipment	(1.8)	(6.0)
Capitalised development costs	(0.9)	(1.4)
Software expenditure	(1.5)	(1.1)
Deferred consideration paid	(9.9)	(1.0)
Proceeds from sale of subsidiaries	0.1	-
Net cash used in investing activities	**(14.0)**	(9.5)
Financing activities		
Proceeds from the issue of ordinary share capital	**0.2**	1.1
Draw down of borrowings	**10.0**	3.9
Equity dividends paid	**(8.7)**	(8.7)
Net cash generated / (used) in financing activities	**1.5**	(3.7)
Net (decrease) / increase in cash and cash equivalents	**(5.9)**	1.5
Cash and cash equivalents at beginning of the period	**21.2**	12.3
Effect of foreign currency exchange rate changes	**0.2**	(0.4)
Cash and cash equivalents at end of period	**15.5**	13.4

*Restated for the impact of IFRS 15

Reconciliation of net change in cash and cash equivalents to movement in net debt

	H1 2019 £m	H1 2018* £m
(Decrease)/ increase in cash and cash equivalents	**(5.9)**	1.5
Change in net debt resulting from cashflows	**(10.0)**	(3.9)
Foreign currency translation differences on cash and cash equivalents	**0.2**	(0.4)
Foreign currency translation differences on borrowings	**(1.6)**	2.1
Change in net debt during the period	**(17.3)**	(0.7)
Net debt at start of period	**(27.8)**	(43.7)
Net debt at end of period	**(45.1)**	(44.4)

Net debt comprises	**H1 2019 £m**	H1 2018* £m
Cash and cash equivalents	**15.5**	13.4
Total borrowings (Note 11)	**(60.6)**	(57.8)
Net debt	**(45.1)**	(44.4)

*Restated for the impact of IFRS 15 and prior year discontinued activities

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 November 2018

	Share Capital	Share Premium	Merger Reserve	Currency Translation Reserve	Reserve for own shares	Retained Earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 June 2017	2.8	148.0	42.3	26.1	-	(7.1)	212.1
Adjustment on application of IFRS 15	-	-	-	-	-	(1.4)	(1.4)
Restated balance	2.8	148.0	42.3	26.1	-	(8.5)	210.7
Profit for the period*	-	-	-	-	-	3.8	3.8
Foreign currency translation differences	-	-	-	(0.1)	-	-	(0.1)
Total comprehensive income for the period	-	-	-	(0.1)	-	3.8	3.7
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	-	-	-	-	-	(8.7)	(8.7)
Share based payment transactions	-	-	-	-	-	(0.1)	(0.1)
Shares issued	-	0.9	-	-	-	-	0.9
Purchase of own shares	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	0.9	-	-	-	(8.8)	(7.9)
Balance at 30 November 2017	**2.8**	**148.9**	**42.3**	**26.0**	**-**	**(13.5)**	**206.5**

	Share Capital	Share Premium	Merger Reserve	Currency Translation Reserve	Reserve for own shares	Retained Earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 June 2017	2.8	148.0	42.3	26.1	-	(7.1)	212.1
Adjustment on application of IFRS 15	-	-	-	-	-	(1.4)	(1.4)
Restated balance	2.8	148.0	42.3	26.1	-	(8.5)	210.7
Profit for the year*	-	-	-	-	-	6.7	6.7
Foreign currency translation differences	-	-	-	0.3	-	-	0.3
Total comprehensive income for the year	**-**	**-**	**-**	**0.3**	**-**	**6.7**	**7.0**
Transactions with owners recorded directly in equity							
Dividends to equity shareholders	-	-	-	-	-	(12.8)	(12.8)
Current and deferred tax on share based payments	-	-	-	-	-	0.2	0.2
Shares issued	-	1.5	-	-	-	-	1.5
Total contributions by and distributions to owners	**-**	**1.5**	**-**	**-**	**-**	**(12.6)**	**(11.1)**
Balance at 31 May 2018	**2.8**	**149.5**	**42.3**	**26.4**	**-**	**(14.4)**	**206.6**

*Restated for the impact of IFRS 15

Condensed Consolidated Statement of Changes in Equity
for the six months ended 30 November 2018

	Share Capital	Share Premium	Merger Reserve	Currency Translation Reserve	Reserve for own shares	Retained Earnings	Total
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 June 2018	2.8	149.5	42.3	26.4	-	(14.4)	206.6
Profit for the period	-	-	-	-	-	6.8	6.8
Foreign currency translation differences	-	-	-	2.7	-	-	2.7
Total comprehensive income for the period	**-**	**-**	**-**	**2.7**	**-**	**6.8**	**9.5**
Transactions with owners recorded directly in equity							
Dividends to equity Shareholders	-	-	-	-	-	(8.7)	(8.7)
Share based payment Transactions	-	-	-	-	-	0.9	0.9
Shares issued	-	0.2	-	-	-	-	0.2
Total contributions by and distributions to owners	**-**	**0.2**	**-**	**-**	**-**	**(7.8)**	**(7.6)**
Balance at 30 November 2018	**2.8**	**149.7**	**42.3**	**29.1**	**-**	**(15.4)**	**208.5**

Notes

1. Accounting policies – basis of preparation

NCC Group plc ("the Company") is a company incorporated in the UK.

The Group condensed half-year financial statements for the six months ended 30 November 2018 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU.

As required by the Disclosure Guidance and Transparency Rules of the Financial Services Authority the financial information contained in this report has been prepared using the accounting policies and presentation that were applied in the company's published consolidated financial statements for the year ended 31 May 2018, with the exception of those impacted by the adoption of IFRS 9 and IFRS 15, which the Group has adopted with effect from 1 June 2018. They do not contain all the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 May 2018.

The financial statements of the Group for the year ended 31 May 2018 are available from the Company's registered office, or from the website www.nccgroup.com.

The comparative figures for the financial year ended 31 May 2018 are not the Company's statutory accounts for that financial year. Those accounts, which were prepared under IFRS as adopted by the EU ("adopted IFRS"), have been reported on by the company's auditors and delivered to the registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors 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.

Presentation of figures
Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.

Significant accounting policies
New Standards
IFRS 9 has been applied since 1 June 2018 and there has been no significant impact on adoption of this standard.

IFRS 15

IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised. It replaced IAS18 Revenue, and IAS 11 Construction contracts, as well as their related interpretations.

The Group has adopted IFRS 15 using the full retrospective method (without practical expedients), with resulting adjustments to the November 2017 and May 2018 financial statements. The following table summarises the impact of the transition to IFRS 15.

Profit and loss

Segmental analysis H1 2018	Escrow £m	Assurance £m	Central & Head Office £m	Group £m
Revenue	19.0	97.9	-	116.9
Adjustment on application of IFRS 15	0.2	(0.3)	-	(0.1)
Restated balance	**19.2**	**97.6**	**-**	**116.8**

Balance Sheet H1 2018	Nov 17 (as reported) £m	Adjustment on application of IFRS 15 £m	Restated balance £m
Deferred income	(29.5)	(1.4)	(30.9)
Retained earnings	12.1	1.4	13.5

Balance Sheet FY 2018	May 18 (as reported) £m	Adjustment on application of IFRS 15 £m	Restated balance £m
Deferred income	(29.0)	(1.6)	(30.6)
Retained earnings	12.8	1.6	14.4

Following the application of IFRS 15 with effect from 1 June 2018 the group's revenue streams are impacted as follows:

- For Escrow the initial set up exercise is not considered to be a distinct service and as a result this is now recognised with the rest of the contract with revenue being recognised over time.
- In respect of Managed Services set-up fees charged in respect of initial work and configuration of equipment to allow customers to benefit from a monitoring contract are not considered to be a distinct service and as a result this revenue is now recognised over time with the fee for the monitoring activity.

In both cases performance obligations are considered to be satisfied over time as the performance does not create an asset with an alternative use to the group and the group has an enforceable right to payment for performance completed to date.

IFRS 16 Leases

IFRS 16 Leases will be effective for the year ending 31 May 2020 onwards and the impact on the financial statements will be significant to NCC Group plc, particularly from a balance sheet perspective. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for all lease contracts. Therefore, the substantial majority of the Group's operating lease commitments, principally building leases, would be brought on to the balance sheet and amortised and depreciated separately. There will be no impact on cash flows although the presentation of the cash flow statement will change significantly. Management is still quantifying the impact of this new standard.

Going concern

The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the business and divisional reviews.

The directors have reviewed the trading and cash flow forecasts as part of their going concern assessment, together with the current facilities (see Note 11), including reasonable downside sensitivities which take into account the uncertainties in the current operating environment.

Taking into account the above uncertainties and circumstances, the directors formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's condensed half-year financial statements for the period ended 30 November 2018. The principal risks and uncertainties facing the Group are set out on page 7.

Use of estimates and judgements

The preparation of the consolidated half-year financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the consolidated half-year financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimated uncertainty were the same as those applied to the consolidated financial statements for year ended 31 May 2018.

2. Alternative performance measures

The Board and Executive management use a number of alternative performance measures (APMs) in their day-to-day management of the business and in setting employee targets. The Group's primary financial profitability measure used in guiding external stakeholders and in internal management reviews is Adjusted operating profit. It is management's view that Adjusted operating profit is more closely aligned to the underlying performance of the business. Adjusted EBITDA is also disclosed as this is used by some stakeholders and in some other KPIs used in the business (such as the Cash conversion ratio).

These APMs are not defined measures in IFRS and therefore these measures may not be comparable with similar APMs in other businesses. These APMs are not intended to be a replacement for, or be superior to, IFRS measures.

The "Adjusted" alternative performance measures are arrived at by excluding the impact of a number of Adjusting Items that the Directors consider are not part of underlying business performance for the reasons referred to below. The various adjusting items are set out in the table below:

Adjustments	**H1 2019 £m**	H1 2018 £m
Amortisation of acquired intangible assets (Note 9)	**4.5**	4.9
Individually Significant Items (see Note 5)	**-**	2.6
Discount unwind on acquisition consideration	**-**	0.2
Share-based payments	**0.9**	-
Profit on disposal of subsidiaries	**(0.1)**	-
Adjustments to profit/(loss) before taxation	**5.3**	7.7

Rationale for adjusting items

At all times the Group aims to ensure that the Annual Report and Accounts are fully compliant with International Financial Reporting Standards and that they give a Fair Balanced and Understandable view of the Group's performance, cash flows and financial position. IAS 1, Presentation of Financial Statements, requires the separate presentation of items that are material in nature or scale in order to allow the user of the accounts to understand underlying business performance. In management's opinion, the adjusting items below are material items that require separate disclosure and adjustment to allow the user of the accounts to understand the underlying business performance. Adjusting items are reviewed by both the Audit and the Remuneration Committees, each time they arise, to ensure that they are appropriately categorised and disclosed and to understand their impact on executive and senior management incentive schemes which use Alternative Performance Measures when setting and evaluating targets.

Amortisation of acquired intangibles is a non-cash accounting charge driven by acquisition-based growth. An alternative view could be that the charge should be included in underlying results to reflect the "cost" of an acquisition in the Income Statement. All things considered, including the similar treatment by comparator companies, the Directors have concluded that this item is validly disclosed as an adjusting item. The same logic applies to the non-cash unwinding of discounts on deferred and contingent acquisition consideration.

The Directors consider share-based payments to be a valid adjusting item on the basis that fair values are volatile due to movements in share price, which may not be reflective of the underlying performance of the Group.

Individually Significant Items are considered separately in Note 5.

The reconciliation of Adjusted operating profit and Adjusted EBITDA to reported profit or loss before tax is shown below:

	H1 2019	H1 2018*
	£m	£m
Continuing operations adjusted EBITDA	**20.0**	19.6
Depreciation of property plant and equipment	**(3.0)**	(3.0)
Amortisation internally developed intangible assets	**(2.2)**	(2.8)
Continuing operations adjusted operating profit (EBIT)	**14.8**	13.8
Individually significant items	**-**	(2.6)
Amortisation acquired intangible assets	**(4.5)**	(4.9)
Profit on sale of subsidiaries	**0.1**	-
Share based payments	**(0.9)**	-
Continuing operations operating profit (EBIT)	**9.5**	6.3

*Restated for the impact of IFRS 15 and prior year discontinued activities

The calculation of Adjusted EPS follows the same logic shown above in respect of Adjusted EBITDA and Adjusted operating profit but also includes the impact of taxation and any one-off taxation items.

Cash conversion ratio

The cash conversion ratio is a measure of how effectively Adjusted operating profit (as detailed above) is converted into cash and effectively highlights both non-cash accounting items within operating profit and also movements in working capital. It is calculated as Net cash flow from operating activities before interest and tax (which is disclosed on the face of the cash flow statement) divided by Adjusted EBITDA (which is one of the Group's APM described above). The cash conversion ratio is used by many comparable companies in our sector and hence is disclosed to show the quality of cash generation and also to allow comparison to other similar companies.

	H1 2019	H1 2018*
Net cash generated from operating activities (A)	**6.6**	14.7
Adjusted EBITDA (B) – continuing & discontinued operations	**20.0**	20.3
Cash conversion ratio (A/B)	**33%**	72%

*The adjusted EBITDA figure presented includes £0.7m from discontinued operations. Refer to Note 4 for more detail.

Net debt

Net debt is defined as total borrowings less cash and cash equivalents. Both of these amounts are shown in the Statement of Financial Position. This APM is used to convey the overall net indebtedness of the Group and to assess the Group's overall gearing.

	H1 2019	H1 2018	FY 2018
	£m	£m	£m
Cash and cash equivalents	**15.5**	13.4	21.2
Interest bearing loans	**(60.6)**	(57.8)	(49.0)
Net Debt	**(45.1)**	(44.4)	(27.8)

Net debt, when compared to available borrowing facilities, also gives an indication of available financial resources to fund potential future investments.

3. Segmental information

The Group is organised into the following two (H1 2018: two) reportable segments, Escrow and Assurance. The two reporting segments provide distinct types of service while within each of the reporting segments, the operating segments provide a homogeneous group of services. The operating segments are grouped into the reporting segments on the basis of how they are reported to the Chief Operating Decision Maker (CODM) for the purposes of IFRS 8: "Operating Segments", who is considered to be the Board of Directors of NCC Group. Operating segments are aggregated into the two reportable segments based on the types and delivery methods of services they provide, common management structures, and their relatively homogenous commercial and strategic market environments. Performance is measured based on reporting segment profit, which comprises reporting segment operating profit excluding amortisation

of acquired intangible assets, share-based payment charges and Individually Significant Items. Interest and tax are not allocated to business segments and there are no intra-segment sales.

Segmental analysis H1 2019	**Escrow £m**	**Assurance £m**	**Central & Head Office £m**	**Group £m**
Revenue	18.9	107.1	-	126.0
Cost of sales	(5.0)	(70.4)	-	(75.4)
Gross profit	13.9	36.7	-	50.6
Gross profit %	*74%*	*34%*	-	*40%*
G&A before adjusting items	(2.0)	(16.5)	(17.3)	(35.8)
Central cost reallocation	(3.1)	(9.5)	12.6	-
Adjusted operating profit	**8.8**	**10.7**	**(4.7)**	**14.8**
Adjusting items (Note 2)	-	-	(5.3)	(5.3)
Operating profit	**8.8**	**10.7**	**(10.0)**	**9.5**

Segmental analysis H1 2018*	Escrow £m	Assurance £m	Central & Head Office £m	Group £m
Revenue	19.2	97.6	-	116.8
Cost of sales	(4.4)	(66.2)	-	(70.6)
Gross profit	14.8	31.4	-	46.2
Gross profit %	*77%*	*32%*	-	*40%*
G&A before adjusting items	(2.1)	(17.4)	(12.9)	(32.4)
Central cost reallocation	(2.4)	(7.6)	10.0	-
Adjusted operating profit**	**10.3**	**6.4**	**(2.9)**	**13.8**
Adjusting items (Note 2)	-	(0.5)	(7.0)	(7.5)
Operating profit**	**10.3**	**5.9**	**(9.9)**	**6.3**

*Restated for the impact of IFRS 15 and prior year discontinued activities
** The segmental figures above for central cost allocations have been restated to be on the same basis as the current year allocation to give a more accurate picture of the underlying result and movement between years. The reallocation rationale was explained in our Annual Report on page 29.

There are no customer contracts which account for more than 10% of segment revenue.

Revenue by geographical destination	**H1 2019 £m**	H1 2018* £m
UK	**45.5**	49.6
US	**46.1**	37.1
Europe and RoW	**34.4**	30.1
Total revenue from continuing operations	**126.0**	116.8
Revenue from discontinued operations	**-**	13.2
Total revenue	**126.0**	130.0

The detail provided above is on a destination basis whereas the information provided in the Performance Reviews is on an originating seller basis.

Revenue by category	**H1 2019 £m**	H1 2018* £m
Sale of goods	**4.1**	5.8
Revenue from services	**121.9**	111.0
Total revenue	**126.0**	116.8

*Restated for the impact of IFRS 15 and prior year discontinued activities

Operating profit and adjusted operating profit is considered further in Note 2.

4. Discontinued operations

The tables below provide an analysis of discontinued operations' revenue, EBITDA and profit before tax as these are considered to be the most relevant to understanding underlying business performance.

Profit of discontinued operations	H1 2019 £m	H1 2018 £m
Revenue	-	13.2
Cost of sales	-	(10.6)
Gross profit	-	2.6
General administrative expenses	-	(1.8)
Share-based payments	-	0.1
Operating profit	-	0.9
(Loss)/gain on sale of discontinued operations before tax	-	-
Profit on discontinued operations before tax	-	0.9
Taxation	-	(0.1)
Profit on discontinued operations after tax	-	0.8

Effect of discontinued operations on assets and liabilities*	H1 2019 £m	H1 2018 £m
Intangible assets	-	16.0
Plant and equipment	-	0.2
Trade and other receivables	-	5.0
Deferred tax	-	(0.4)
Trade and other payables	-	(4.3)
Deferred Revenue	-	(2.7)
Net assets	-	**13.8**

Cash flows from (used in) discontinued operations*	H1 2019 £m	H1 2018 £m
Net cash from/(used) in operating activities	-	1.0
Net cash from/(used) in investing activities	-	(0.4)
Net cash flows for the year	-	**0.6**

* Comprising Web Performance, Software Testing and a related element which was also discontinued at the time of the disposal in H2 2018 with net assets of £3.1m.

5. Individually significant items

The Group separately identifies those items which in management's judgement, need to be disclosed by virtue of their nature, size or incidence in order for the user to obtain a proper understanding of the underlying performance of the business.

	H1 2019 £m	H1 2018 £m
Acquisition / market related costs	-	0.2
Revisions to deferred and contingent consideration	-	0.6
Property relocation costs	-	0.7
Restructuring costs	-	1.1
Total	-	2.6

Current period

Revisions to deferred and contingent consideration were in respect of FX movements and legal fees of £0.4m offset by a reduction in the estimate of contingent consideration payable of £0.4m, resulting in £nil.

Prior period

Market related costs were in respect of the shareholder circular and exercise to remediate a number of invalid dividends. This exercise completed successfully at the September 2017 EGM. Revisions to deferred and contingent consideration were in respect of FX movements as no adjustments to expected

payments were made in the period. Property relocation costs were a continuation of dual running costs that started in the prior year and finished during H1 2018. Restructuring costs included a number of items related to the Strategic Review and some subsequent implementation steps: completion of the Strategic Review itself; designing the new Target Operating Model (TOM); Implementing the associated change program; and senior management re-organisation costs resulting from the TOM.

6. Taxation

The Group tax charge is based on the estimated annual effective rate and for the half year is calculated at 22.9% (attributable to adjusted profits and continuing operations) (H1 2018 28.8%) and applied to the profit before tax for the period. The decrease in the estimated effective tax rate from H1 2018 to H1 2019 is a result of the lower US Federal corporate tax rate (35% to 21%) that came into force for profits arising from 1 January 2018. As the relevant legislation was not enacted in the US until 22 December 2017, this was not applied to the calculation of the H1 2018 estimated effective tax rate.

The estimated effective tax rate applicable to the adjustments to profit (£1.3m (23.5%); H1 2018 £1.3m (22.0%)) is a result of adjustments for a) the impact of acquisition-related costs in the US for FY2018 and b) the expected impact of previously unrecognised prior year R&D tax credits that are likely to be utilised in the US in FY2019.

7. Earnings per share

The calculation of continuing earnings per share is based on the following:

Profit used in the EPS calculation	**H1 2019 £m**	H1 2018 £m
Profit after tax for the period used for earnings per share	**6.8**	3.8
Amortisation of acquired intangible assets	**4.5**	4.9
Individually significant items (Note 5)	**-**	2.6
Unwinding of discount on acquisition consideration	**-**	0.2
Share based payments	**0.9**	-
Profit on sale of subsidiary	**(0.1)**	-
Tax arising on the above items	**(1.3)**	(1.3)
Adjusted profit used for adjusted earnings per share	**10.8**	10.2
Results of discontinued operations	**-**	(0.8)
Adjusted profit used for adjusted earnings per share for continuing operations	**10.8**	9.4

Number of shares used in the EPS calculation	**H1 2019 m**	H1 2018 m
Basic weighted average number of shares in issue	**277.8**	277.2
Dilutive effect of share options	**3.2**	2.8
Diluted weighted average number of shares in issue	**281.0**	280.0

Earnings per share (EPS)	**H1 2019 pence**	H1 2018 pence
Basic EPS from continuing operations	**2.4**	1.1
Basic EPS	**2.4**	1.4
Adjusted Basic EPS	**3.9**	3.7
Diluted Basic	**2.4**	1.4
Diluted Adjusted EPS	**3.8**	3.6

8. Dividends

	H1 2019 pence	H1 2018 pence
Dividends per share paid and recognised in the period	3.15	3.15
Dividends per share proposed but not recognised in the period	1.50	1.50

	£m	£m
Dividends paid and recognised in the period	**8.7**	8.7
Dividends proposed but not recognised in the period	**4.1**	4.1

9. Intangible assets

Additions to internally developed intangible assets and software during the period amounted to £2.4m (H1 2018 £2.1m). The associated amortisation charge for the period was £2.2m (H1 2018 £2.8m) for the Group's continuing operations.

There were no additions to acquired customer contracts and relationships or goodwill during the period (H1 2018 £nil). The associated amortisation charge for the period was £4.5m (H1 2018 £4.9m) for the Group's continuing operations.

10. Plant and equipment

Additions to plant and equipment during the period amounted to £1.8m (H1 2018: £6.0m) and the depreciation charged in the period amounted to £3.0m (H1 2018: £3.1m) for the Group's continuing operations.

11. Interest bearing loans

	H1 2019 £m	H1 2018 £m	FY 2018 £m
Secured bank loan	**60.6**	57.8	49.0
Analysed as:			
Current	**5.0**	5.0	5.0
Non-current	**55.6**	52.8	44.0
Total	**60.6**	57.8	49.0

As of 30 November 2018, the Group has a multi-currency revolving credit facility of £80m (H1 2018: £80m) and a £20.6m multi-currency term loan (H1 2018: £25.3m).

12. Deferred and contingent consideration

	H1 2019 £m	H1 2018 £m	FY 2018 £m
Deferred consideration – Fox-IT	-	9.9	9.9
Contingent consideration – PSC & VSR	1.7	4.0	2.0
Total	1.7	13.9	11.9

The deferred consideration in respect of Fox-IT was paid during the period. Contingent consideration in respect of PSC and VSR is payable in H2 after completion of the earnout period.

Responsibility statement of the Directors in respect of the half year report

We confirm that to the best of our knowledge:

– The condensed set of consolidated financial statements has been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the EU;

– The half-year management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of the important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period and any changes in the related party transactions described in the last annual report that could do so.

Adam Palser
Chief Executive Officer

Tim Kowalski
Chief Financial Officer

On behalf of the Board 23 January 2019