Wilmington plc

2018

Wilmington plc
Interim Report
for the six months ended 31 December 2018

Financial Highlights

- Revenues for the period £58.3m (2017: £58.3m[1]) unchanged on an organic[2] basis
    - represents an improvement from 3% reduction in the first half of last year and full year to June 2018
- Adjusted EBITA[3] £7.8m (2017: £10.1m[1])
    - reduction reflects anticipated increased costs including impact of prior year infrastructure investments
- Adjusted profit before tax[4] £6.7m (2017: 9.1m[1])
- Statutory profit before tax £5.8m (2017: £2.2m[1])
    - Benefits from £1.9m gain on sale of ICP business on 18 July 2018
    - Comparative period impacted by one-off costs for new office and upgraded IT
- Adjusted basic earnings per share[5] 6.16p (2017: 8.08p[1])
- Statutory basic earnings per share of 5.70p (2017: 1.54p[1])
- Interim dividend increased 3% to 4.1p (2017: 4.0p)
- Cash conversion[6] at 91% (2017: 77%[1])
- Group net debt at 31 December 2018 was £43.8m (31 December 2017: £45.9m; 30 June 2018 £39.6m).

Operational Highlights

- 8% organic revenue growth in Risk & Compliance driven by good demand within the main Compliance business
- Increased demand for in-house and online learning. Growth in ICA membership by 2,000 in the period to over 14,000
- Other Risk & Compliance businesses trading in line with last year. ICP business sold at start of period

- Healthcare business recovering from challenging prior year. 5% organic revenue reduction year on year but decline slowing
- Strong new sales bookings in UK Healthcare materially up on weak prior year comparatives
- US Healthcare business continues to be impacted by previously implemented rationalisation of events programme

- Professional division continuing revenues flat year on year
- Accountancy market impacted by Brexit related softness
- Legal benefitting from strong demand for witness training

- Business review completed within the period concluded that the Group overall holds strong positions in healthy markets offering opportunities for growth

Outlook and Current Trading

- Overall on track to achieve full year expectations
- Traditional second half weighting of trading once again anticipated
- Expectation that continued UK Healthcare new sales bookings growth will lead to improved second half revenues
- Professional division prepared for second half Brexit related opportunities once the outcome is known

Martin Morgan, Interim Executive Chairman, commented:

“The first six months of the current year have seen initial progress in our stated goal of returning Wilmington to organic revenue growth. With all three divisions demonstrating positive trading momentum, overall the Group remains on track to achieve its full year expectations.”

[1] Restated to reflect adoption of IFRS 15
[2] Organic – eliminating the effects of exchange rate fluctuations and the impact of acquisitions and disposals
[3] Adjusted EBITA – see note 5
[4] Adjusted profit before tax – see note 5
[5] Adjusted earnings per share – see note 11
[6] Cash conversion – see note 17

Chairman's Statement

Introduction
The first six months of the current year have seen initial progress in our stated goal of returning Wilmington to organic revenue growth. Overall the Group has recorded underlying revenue which is flat on the same period twelve months ago which represents a reversal of the declining trend of last year.

Across our businesses we have seen good organic revenue growth in Risk & Compliance, improved sales and a slower revenue decline in Healthcare compared to last year and a flat performance in Professional.

Demand for compliance solutions continues to grow significantly, and as a result our main Compliance business has benefitted, delivering double digit organic growth.

In Healthcare, as we discussed in the latest Annual Report, we faced challenges last year as we took actions to combine our various UK healthcare assets. We are starting to see the benefits of those actions this year, with new sales bookings in UK Healthcare up significantly over the same period last year. The timing of revenue recognition on these sales meant they were not fully recognised as revenue in the first half. However we see the positive sales trend as an important lead indicator for future growth prospects.

In Professional, performance has been good although masked by the natural slowing in the pace of regulatory change in the UK accountancy market due to Brexit uncertainties impacting demand for both training and marketing products. This is likely to persist until the Brexit position becomes clear, although once it does we anticipate a potential positive impact as our accountant and lawyer clients seek to understand its implications.

Results and dividend
Revenue of £58.3m was unchanged on last year. On an organic basis, i.e. at constant currency and adjusting for the impact of acquisitions and disposals, revenue was also flat year on year, which compares to an organic reduction of 3% last year in both the first half and in the full year.

Adjusted profit before tax decreased to £6.7m (2017: £9.1m). The reduction was as anticipated and represented the impact of previously explained cost increases, including the investments in infrastructure made last year as well as general cost inflation. Statutory profit before tax increased to £5.8m (2017: £2.2m) but benefitted this year from the £1.9m gain made on the sale of our specialist credit reporting business, ICP, on 18 July 2018. The year on year comparison is also affected by the £3.0m one-off costs which were incurred last year for the London head office move and associated IT upgrade.

Cash generation in the first half was as expected, with the traditional seasonal first half cash outflow for items such as the full year dividend resulting in net debt of £43.8m, up from £39.6m at 30 June 2018 but lower than the £45.9m at 31 December 2017. Cash conversion of 91% (2017: 77%) reflected strong working capital management.

In recognition of the progress made in the first half and the confidence it has in the future prospects of the Group, the Board is maintaining the previous progressive dividend policy that has been in place since 2013/14. The interim dividend will be increased 3% to 4.1p (2017: 4.0p) and will be paid on 8 April 2019 to shareholders on the share register as at 8 March 2019, with an associated ex-dividend date of 7 March 2019.

Business Review
Following the trading update in July 2018, and as mentioned in the last Annual Report, in conjunction with the rest of the Board I initiated a review of the business. In order to obtain an independent assessment we engaged a firm of consultants to support us. Working with senior management their remit was to analyse our key markets and competitors, and to assess our relative positions in them. The work included an extensive programme of customer referencing, plus understanding the underlying growth rates and trends within our key markets. These external findings were supplemented by some detailed analysis of our internal commercial performance.

The review found that Wilmington is in the main operating in healthy but competitive markets, that we have strong market shares with number one or two positions, that brand recognition and respect for what we offer is high and is coupled with good rates of repeat purchasing. Of course it also found that our markets are changing, for example in the way information is being consumed and in the switch to digital learning propositions. It appears that we are not facing imminent disruptive change but it is my observation that there has been insufficient investment in new products and services over the last few years as the Group focussed on expanding its markets through acquisition. So we need to improve in this area to ensure we capture our fair share of the growth opportunities these changes are bringing about.

We generated ideas about how our core businesses might develop their product offerings, and management are now working on their three year strategy plans, through a new pre-budget process introduced this year to take these to a more detailed level. We decided to move our focus away from building a pan-European healthcare information business, in favour of concentrating on the UK and France where we already occupy good positions. We will be able to build on the investments already made in a digital learning platform, new marketing software and a CRM system, all of which are well down the track of being implemented.

The consultants agreed that the efforts already underway to share expertise across the Group were important and need to be sustained.

The review also supports the Board's decision made last summer to focus on improving organic growth for the time being in preference to prioritising acquisitions. This needs to be complemented by a heightened emphasis on sales and marketing execution and on streamlining the organisation to enable it to move at a faster pace. These will be top priorities for the new CEO. However we have already launched a new process to encourage product development. While it is early days we have a number of initiatives underway or in the proof of concept stage.

I would conclude by saying that we firmly believe that Wilmington has the opportunity to return to being a growth business, through operationally executing to a high standard.

People

As announced on 16 January 2019, Pedro Ros stepped down as CEO on 13 February 2019, and I became Interim Executive Chairman. I will continue in that post until a replacement CEO is appointed at which point I will revert to my previous position as Non-Executive Chairman. On behalf of the Board I would like to place on record our thanks to Pedro for his contribution to Wilmington over the nearly five years that he was in charge. We have appointed a search firm to find Pedro's replacement. In the meantime, I am actively leading the Group and implementing the strategy set out above.

The period just undergone has been one of significant change and challenge for our staff. Their reaction has been excellent and I thank them on behalf of the Board for the professional way they have dealt with the challenges and worked to overcome them. The successes recorded in this report are entirely due to their efforts and I have enjoyed meeting them and working with them as we strive to take Wilmington to the next level.

Acquisitions and disposals

On 18 July 2018, Wilmington sold ICP, its specialist credit reporting business, to the business's existing management team for £3.0m. The consideration will be received over the next five years. The disposal, effective from 1 July 2018, allows Wilmington to focus its resources on its core client communities and secure for shareholders a good return from historic investments.

Acquisitions have been an important part of the Wilmington growth story over recent years. In the immediate future, as explained above, our primary focus will be on deploying capital to achieve organic growth from our existing businesses. In time, we will continue to use acquisitions where we see clear opportunities which support that strategy.

Current trading and outlook

The second half of the financial year is traditionally more profitable for Wilmington as revenue is positively impacted by a number of seasonal factors, including the timing of some key industry events and conferences, whilst the cost base remains largely fixed. The Board expects this second half weighting to continue.

Revenue growth in Risk & Compliance is expected to continue albeit at a slightly slower rate than in the first half because some of that period's growth was timing related. In the main Compliance business, a continued increase in registrations for online courses and demand for in-house programmes are expected to be the main drivers of growth. The second half of the year also includes the Compliance Week Annual Conference, another key element of second half performance.

In Healthcare, our expectation of a significant second half revenue improvement is predicated on the continuation of the strong first half new sales bookings' activity and the subsequent conversion of those sales into revenue. This expectation is supported by an encouraging current pipeline of new business opportunities. Overall in the Healthcare division we believe we are well positioned to deliver revenue growth in the second half consistent with achieving our original expectations for the full year.

The Professional division expects to build on a stable first half to deliver full year revenue growth consistent with previous expectations. This division is the one most closely impacted by Brexit with potential opportunities to provide training to its client communities once the Brexit outcome and its impact on regulations is known.

Costs in the second half are anticipated to be in line with previous expectations, other than an additional £0.5m cost that is anticipated in relation to the change of Chief Executive.

The second half of the year is expected to be an important period in the development of Wilmington. There is much to do, but with all three divisions demonstrating positive trading momentum, overall the Group remains on track to achieve its full year expectations.

Martin Morgan
Chairman

Segmental Review

Note that variances described below as 'organic' are after adjusting for acquisitions and disposals and at constant currency.

2017 comparative figures are restated to reflect the reclassification of revenue between segments as set out in the 2018 Annual Report and also to reflect the adoption of IFRS 15 – *Revenue from contracts with customers'* (IFRS 15). A reconciliation showing the impact of the adoption is set out in Note 21 to the accounts.

Risk & Compliance

	H1 2018	H1 2017*	Absolute Variance	Organic Variance
Revenue	£'m	£'m		
Compliance	13.8	12.1	+14%	+13%
Risk	6.3	7.5	-16%	-
Total	**20.1**	**19.6**	**+3%**	**+8%**
Operating profit	**5.9**	**5.4**	**+10%**	**+23%**
Margin	29%	27%		

* 2017 comparatives have been restated to reflect adoption of IFRS 15.

The overall Risk & Compliance division performed well, with revenue of £20.1m (2017: £19.6m) representing 3% absolute growth and 8% organic growth. The major difference between the two measures represents the disposal at the start of the half year of ICP, our specialist credit reporting business.

Revenue in the Compliance businesses overall grew 13% organically. This growth came primarily from the activities of the International Compliance Association ('ICA') and related training that comprise our main Compliance business and account for around 55% of Compliance revenues. These grew organically by around 20%, albeit with around a third of that growth coming from earlier timing this year of the award of certain diplomas. This timing impact is expected to reverse in the second half of the year. The business is benefitting from the re-positioning of the last 18 months which saw it move away from the large multi-attendee programmes that tier one banks previously required to more bespoke developments and 'train the trainer' events. The growth was driven in part by increasing demand for online compliance courses which grew around 45% compared to the same period last year, and in part from increased demand for in-house training. The latter was strong across all geographies including the Middle East and Asia, particularly in Malaysia. In Europe we won new business on the back of a number of regulatory enquiries into banks across the region which identified continued challenges with anti-money laundering procedures. Professional membership levels in the ICA also continued to rise, with paid memberships up 2,000 from the start of the year to over 14,000.

Other Compliance businesses were overall flat, with growth in training for wealth managers and from the Pendragon pensions regulation business offsetting some weakness at Compliance Week. The growth in the wealth manager business, although modest, was particularly pleasing as it followed a difficult year at that business which we have restructured with new management, a closer operational integration with the main Compliance business and a refresh of course materials. This included the development of more online learning which we believe will open up new markets in what is geographically a very diverse industry.

The Risk businesses reported flat overall organic revenue performance. Axco, our insurance information business delivered a 2% organic increase in revenue at constant currency under the leadership of a new management team who are seeking to widen the product portfolio and enhance the value generated from the unique database of global information that the business owns. In the period we launched a joint venture to serve the insurance industry with an innovative new information product that provides insight on the many InsurTech businesses that are seeking to disrupt the traditional insurance market. The new service has been well received by potential clients and is on track to break even within the next twelve months.

Against this, Inese, our Spanish insurance industry expert, had a slightly disappointing first half after a strong previous year. Revenue declined 8% on an organic basis, with demand for training courses subdued in the period. Part of the decline was as a result of phasing changes in the course programme which will benefit second half revenues.

Divisional operating profit was up 10% in absolute terms to £5.9m (2017: £5.4m). On an organic basis, and at constant currency, the operating profit increase was 23%. This division has been the least affected by the increased infrastructure costs across the Group although it has seen some natural cost inflation. Operating margin was up slightly to 29% (2017: 27%) due mainly to the gearing impact of the higher revenue.

Healthcare

Revenue	H1 2018 £'m	H1 2017* £'m	Absolute Variance	Organic Variance
European Healthcare	14.6	14.2	+3%	-2%
US Healthcare	2.5	3.1	-19%	-21%
Other Information Businesses	3.4	3.5	-4%	-4%
Total	**20.5**	**20.8**	**-1%**	**-5%**
Operating profit	**1.3**	**3.7**	**-66%**	**-57%**
Margin	6%	18%		

* 2017 comparatives have been restated to reflect adoption of IFRS 15 and to include business lines previously managed within Professional.

Overall revenue for the Healthcare division fell 1% to £20.5m (2017: £20.8m). This comparison is affected by minor currency movements and more significantly by the effect of the acquisition of Interactive Medica in February 2018 which delivered £0.7m of revenue in the period. Adjusting for these factors underlying revenue decreased on an organic basis by 5% which, while below our full year target, represents an improvement on the 8% reduction experienced last year. In particular, the UK Healthcare business, which was a major drag on performance last year, declined in the first half by 4% compared to the same period last year, with the shortfall decreasing progressively across the half as the business performance improved. The major reduction in the period was in the events based US Healthcare business which continues to be impacted by planned rationalisation of its programme to remove unprofitable events. This is starting to settle down and we expect to see positive progress in the second half of the year as set out below.

The European Healthcare businesses reported a 2% organic revenue reduction, with 7% growth in France offset by a 4% decline in the UK. The UK decline primarily reflected the reduction in brought forward deferred revenue at the start of the year from sales won in the prior year. As explained in last year's Annual Report, the poor prior year sales performance and a change in the revenue recognition policy for certain data products meant we entered the current year with £1.4m less pre-booked revenue than twelve months earlier. Most of that shortfall impacted the early months of the year. Encouragingly, sales performance in the UK Healthcare business in the first half of this year is materially improved on that poor comparative period last year. This has helped cover some of the brought forward revenue shortfall and has also meant that we enter the second half of this year with over £1m more revenue for UK Healthcare already booked for the second half than we had twelve months ago. Some of this improved sales performance is on the back of investment made in the prior year in customer relationship software that allows more effective sales opportunity management. But the business has also benefitted from the launch of updated versions of its Quantis and Investigator products that are at the core of its data product set. Additionally the business has made significant progress in the development of consulting solutions that sit alongside its data products and assist pharmaceutical companies in their interpretation and use of the data we provide.

Interactive Medica, which we acquired in February 2018, had a satisfactory six months although the timing of implementation revenue in the period meant that it was loss-making. It continued to win new external clients for its customer relationship software platform but more significantly has been integrated as the supporting platform for our other proprietary UK Healthcare data products, providing a more flexible and attractive customer interface for customers.

Growth in the French healthcare business came both from good renewals of its traditional news information services, and also from the initial sales of the APMi product that launched in July 2018. This product is based on the HSJi product that we sell in the UK and offers deep insight data on French hospitals to pharmaceutical companies and other suppliers of products and services into that market. The development of this product represented a significant investment for the Group in the year to 30 June 2018 and we are incurring £0.5m p.a. of incremental operating costs supporting the data collection and its publication. Sales of the product met our internal business plan in the first six months of the year, and we are on track to deliver our plan of a breakeven position in the second year of sales.

The first half of the year is traditionally a seasonally quiet period for the US Healthcare businesses and it had a difficult six month period with revenue declining 21% on an organic basis. Approximately two-thirds of the decline was as a result of the net impact of rationalising the portfolio to remove unprofitable events, an exercise undertaken in the first half last year. However the business also suffered from the underperformance of repeat events from the prior year, with a lack of sales resource after the cost base rationalisation last year identified as one of the primary root causes. This has been addressed towards the end of the half, and performance in the second half is expected to improve as a result. In particular sales for the flagship RISE Nashville event which is held in mid-March are running very strongly, with sponsorship income already up 20% on the prior year and early delegate bookings also ahead of the prior year.

The Other Information Businesses that provide a portfolio of products including data suppression and charity information had a slightly slow first half. However most of the 4% year on year revenue reduction related to the timing of an event that will run in H2 this year compared to H1 last year, and this should help improve second half revenues.

Operating profit in the Healthcare division declined significantly to £1.3m (2017: £3.7m). The significant reduction reflects a number of factors including that Healthcare is the division most significantly impacted by the increased investment in infrastructure across the Group. Additionally profitability in the division has been impacted by the incremental costs associated with the first year of APMi, the cost-base acquired with Interactive Medica, and general inflation. This has to some extent been offset by cost reduction actions such as those taken in FRA in the last year. The overall impact has been that the operating margin has dropped to 6% in the period (2017: 18%). The fixed nature of much of the cost base means that operating margin is expected to improve significantly in the second half due to the benefits of the improved sales performance and second half events such as RISE Nashville.

Richard Adams, former divisional director for Healthcare, will be leaving the business on 30 June 2019 to pursue other interests. In the meantime he will focus his attention on driving our US businesses. The existing Managing Directors of the European Healthcare business will report directly to Martin Morgan until a new Group CEO is appointed.

Professional

	H1 2018	H1 2017*	Absolute Variance	Organic Variance
Revenue	£'m	£'m		
Ongoing businesses	17.7	17.7	-	-
Ark business - closed	-	0.2	-	-
Total	**17.7**	**17.9**	**-1%**	**-2%**
Operating profit	**2.9**	**3.2**	**-9%**	**-8%**
Margin	17%	18%		

* 2017 comparatives have been restated to reflect adoption of IFRS 15 and to exclude business lines now managed within Healthcare.

Overall revenue for the Professional division was down 1% on an absolute and 2% on an organic basis at £17.7m (2017: £17.9m). All of this reduction can be attributed to the closure last year of the Ark business that served the UK legal services market. Adjusting for that, the underlying revenue performance of the continuing Professional businesses was flat, with growth in Legal offsetting smaller declines in Accountancy and Investment Banking.

Accountancy had a slightly challenging first half, with market conditions subdued and revenue consequently down 4% on a strong period twelve months ago. This was largely due to the current absence of significant changes in UK accountancy and tax regulation. As predicted by many commentators, the current political focus meant that HM Government's October Budget brought few substantive tax developments with the result that many of Accountancy's clients reduced their spend with them on promoting its impact to their clients. A Spring Statement is scheduled for next month, and we anticipate revenue from that in the second half year. Additionally the Accountancy business was impacted by the timing of the 2018 Finance Act, which pushes training for our clients into the second half of the year, adversely impacting year on year comparison. Importantly though, the business has made significant strides in integrating its three previous regional operations into one UK wide-business. This has involved the closure of the Bristol office, relocating the Leicester head office to new modern premises and the initiation of a major project to integrate Accountancy's customer management from the existing five systems onto a single CRM solution. This latter project is underway throughout the year and is expected to be live by 30 June 2019. It will complete a major simplification of the business and allow more efficient cross-selling and up-selling to clients.

The Legal businesses overall had a good six months, delivering 7% organic growth. The growth came from the Bond Solon law for non-lawyers business, with a small amount of growth in La Touche in Ireland offsetting a similar slight decline in the CLT law for lawyers business. Bond Solon had a very strong autumn particularly in the area of witness familiarisation training. It has had success winning a number of framework contracts to provide Government agencies with regulatory training and these are helping to provide a stable base of business. Further success in the period included in the area of employment law regulation training, and it expanded its portfolio of courses with the acquisition of the rights to a number of courses that cover intelligence and investigative skills training for public and private agencies. Meanwhile, the main focus in CLT in the period has been the development of a number of new online courses. These were launched at the end of the half and we anticipate initial revenues from them through the second half.

Investment Banking, through the AMT business, had a reasonable first half, with a 3% organic revenue decline entirely resulting from the non-repeat of one-off royalty revenue received in the comparative period. Excluding this, the business performed well in the peak summer season in what remains a very competitive market. Revenues in the US were up on the prior year although this was offset by a reduction in Asia against strong prior year comparatives. As in Legal, significant investment is being undertaken in Investment Banking on the development of our online presence, consistent with the overall group initiative on digital learning.

Overall across the Professional division operating profit was down £0.3m to £2.9m (2017: £3.2m). Operating margin dipped slightly to 17% (2017: 18%). The impact of increased costs from the additional infrastructure and from general inflation has been partially offset by cost reduction actions including those resulting from the integration of the Accountancy businesses.

Unallocated central overheads

Unallocated central overheads represent board costs, head office salaries as well as other centrally incurred costs not recharged to the businesses. These increased by £0.4m to £2.3m (2017: £1.9m). Most of the increase relates to the central share of increased infrastructure costs plus one-off professional fees incurred in the period including in relation to the business review referred to in the Chairman's statement.

Financial review

Change in accounting policies

From 1 July 2018 the Group has adopted IFRS 15. In accordance with the standard it has also restated the balance sheet at 1 July 2017, 31 December 2017 and 30 June 2018 and the results for the period from 1 July 2017 to 30 June 2018. Adoption of the standard has impacted revenue, deferred revenue, trade debtors and reserves, as well as associated tax items and the commentary below explains the impact on each of these items. A reconciliation of the adjustments is also included in note 21.

Adjusting items, measures and adjusted results

Reference is made in this financial review to adjusted results as well as the equivalent statutory measures. Adjusted results in the opinion of the Directors can provide additional relevant information on our future or past performance where equivalent information cannot be presented using financial measures under IFRS. Adjusted results exclude adjusting items, profit on disposal of investments, property, plant and equipment (to the extent it is material or significant in nature), impairment of goodwill and intangible assets and amortisation of intangible assets (excluding computer software).

	H1 2018	H1 2017 Restated	Absolute variance		Organic variance
	£'m	£'m	£'m	%	%
Revenue	58.3	58.3	-	-	-
Adjusted EBITA	7.8	10.1	-2.3	-23%	-13%
Margin %	*13.4%*	*17.3%*			

Revenue

For the six months ended 31 December 2018 revenue was unchanged at £58.3m. The Group's major non-Sterling revenues are in US Dollars and Euros and in aggregate there was a £0.1m positive impact of changes in rates between the periods. Reported revenue was also impacted by acquisitions and disposals, with a net £0.3m reduction coming from the combined impact of the disposal of ICP with effect from 1 July 2018 and the additional revenue from Interactive Medica that we acquired during the second half of last year. Adjusting for these currency and portfolio change impacts, the organic revenue performance was flat.

Adopting IFRS 15 had an immaterial impact on the income statement as anticipated in the last Annual Report, with current and prior year revenue both decreasing by £0.1m compared to accounting under the previous revenue standard. The changes were primarily within the Risk & Compliance division and related to timing of revenue recognition on certain public courses and online programmes.

Revenue from UK customers was essentially constant at 58% of the total revenue (2017: 59%). In overseas revenue there was a shift in revenue from US towards Europe that came from the acquisition of Interactive Medica combined with the planned rationalisation of the US events programme to remove unprofitable events.

Recurring revenue (i.e. subscription income and repeatable revenues) as a percentage of total revenue was 73% compared to 77% last year. The reduction is due to the disposal of ICP which had highly recurring revenue streams together with a change in the mix of revenues across the Group.

Across the entire business digital learning revenues as a proportion of total training revenues increased from just over 20% last year to around 30%.

Operating expenses before adjusting items, amortisation and impairment

Adjusted operating expenses, i.e. before adjusting items, amortisation of intangible assets (excluding computer software) and impairment, were £50.5m (2017: £48.2m) up 5% or £2.3m. The impact of acquisitions and disposals added a net £0.3m to the cost base, whilst changes in FX rates increased costs by £0.4m. The remaining £1.6m was in non-employee costs which went from £23.5m in the first half last year to £25.8m this year. Half of the increase was the previously explained impact of the new office and related IT expenditure. The remaining £0.8m represented a combination of non-employee cost inflation, one off costs associated with the review of businesses referred to in the Chairman's Statement and the impact of product mix changes within the portfolio.

Within adjusted operating expenses, employee costs (salaries and bonuses, social security and pension costs and share based payments), were flat overall at £24.7m (2017: £24.7m). Within this, share based payment costs reduced to £nil compared to £0.3m in H1 last year due to the impact of changes in expectations of vesting amounts, and underlying employee costs increased by £0.3m compared to the first half last year. The increase primarily relates to our French business where, as planned, we have increased staff levels to support the newly launched APMi product. Other employee cost increases, primarily inflation, have been offset by cost reduction actions taken last year including the closure of the Ark legal services business and the restructuring of the US events business as part of its programme rationalisation plan. The Group's full time equivalent ('FTE') headcount at 31 December 2018 was 838 compared to 834 at 1 July 2018, a figure which excludes 15 FTE employed within the disposed of ICP business (31 December 2017, FTE headcount of 847 plus 17 acquired with Interactive Medica acquisition in January 2018). Our original plan for this financial year was to increase headcount by around 30 across the Group, although this is being managed in the light of current market conditions.

Adjusted operating profit ('Adjusted EBITA')

As a result of these changes in revenue and adjusted operating expenses, adjusted EBITA was down £2.3m (23%) to £7.8m (2017: £10.1m). Adjusted operating margin (adjusted EBITA expressed as a percentage of revenue) decreased to 13% (2017: 17%).

Adjusting items within operating expenses

Adjusting items within operating expenses were £0.1m (2017: £3.5m). Adjusting items in operating expenses are those items that in the opinion of the Directors are one-off in nature and which do not represent the ongoing trading performance of the business. In the first half, the only such items were a small amount of disposal and acquisition related fees, and minor adjustments to the amounts recognised as deferred consideration for the acquisition of SWAT, acquired in July 2017 for which the final earn out payment was made in the period. This contrasts with the same period last year which saw significant such expenditure related to the move into the new London head office and associated IT restructuring costs.

Amortisation excluding computer software

Amortisation of intangible assets (excluding computer software) was £2.6m, compared to £3.4m in the comparative period. The decrease reflects the full amortisation of certain assets acquired with healthcare businesses offset by additions from the acquisition of Interactive Medica.

Operating profit

After the various adjusting items detailed above, and a £1.9m one-off gain on the sale of ICP, statutory operating profit was up £3.9m at £7.0m.

Share of loss in equity accounted investments

A £0.1m cost (2017: £nil) has been recognised in the first half for the share in losses incurred in the 50:50 joint venture that we launched in the period as an investment of our Axco insurance information business. We anticipate the joint venture achieving a breakeven position in its second full year of operation.

Finance costs

Finance costs remained constant at £1.0m. The impact of an increase in interest rates affecting the portion of the loan not subject to an interest rate hedge was offset by lower non utilisation fees as a result of a £10m reduction in the debt facility in November 2017.

Profit before taxation

Profit before tax was £5.8m (2017: £2.2m), although year on year comparison was significantly affected by the different one-off items in each period described above. Adjusting for these, adjusted profit before tax was actually down £2.4m or 26% to £6.7m (2017: £9.1m).

Taxation

The tax charge was £0.8m (2017: £0.8m). The overall effective tax rate[7] is 14% (2017: 37%), the reduction reflecting the high proportion of non-allowable adjusting items recognised in the prior year. The underlying tax rate[8] which excludes the tax effects of adjusting items decreased to 20% from 22% in H1 2017 due primarily to the fall in US tax rates. The underlying tax rate in the first half is considered a good guide to the rate expected for the full year.

[7]The effective tax rate is calculated as the total tax charge divided by profit before tax after adding back impairment charges.
[8]The underlying tax rate is calculated as one minus the adjusted profit after tax divided by the adjusted profit before tax

Earnings per share
Adjusted basic earnings per share decreased by 24% to 6.16p (2017: 8.08p), owing to the reduction in adjusted profit before tax offset by a lower underlying tax rate on an essentially unchanged number of issued ordinary shares. Statutory basic earnings per share were 5.70p compared to 1.54p in 2017 with the profit increase driven by one-off items being the major factor for the change.

Balance Sheet

Non-current assets
Goodwill decreased by £7.3m from £84.8m at 31 December 2017 to £77.5m at 31 December 2018 primarily due to the £8.6m impairment of the law for lawyers business, CLT, that took place in the second half of the last financial year.

Intangible assets decreased by £3.4m from £28.5m at 31 December 2017 to £25.1m at 31 December 2018, primarily due to amortisation but offset by £1.5m arising from the acquisition of Interactive Medica in the second half of last year and by other additions including capitalised and acquired computer software of £0.8m in the first half of the year.

Property, plant and equipment was essentially unchanged at £6.4m with additions of £0.6m offsetting depreciation of the same amount.

Deferred consideration receivable
Following the disposal of ICP for £3.0m in July 2018, the Group has recognised an amount of £2.2m for deferred consideration receivable, as the consideration is expected to be settled in cash over 5 years. The amount recognised represents the amount due discounted to present value. The unwind of the discount will be recognised in net finance costs over the period of receipt of the consideration.

Trade and other receivables
Trade and other receivables were down £0.4m at £26.4m (2017: £26.8m restated). The reduction reflects improved credit control which reduced the trade debtors by £1.6m, offset by an increase in prepayments and other receivables of £1.2m. Note that the comparator figure for trade and other receivables at 31 December 2017 has been restated to £26.8m from the originally reported £28.2m due to the adoption of IFRS 15. See note 21 for further detail.

Trade and other payables
Total balances decreased from £50.9m to £50.4m. Within this subscriptions and deferred revenue decreased by £1.0m or 4% to £26.6m (2017: £27.6m restated). This was largely due to invoice timing differences on both contract renewals in Axco and invoicing of committed orders in UK Healthcare. The remaining trade and other payables increased by £0.5m to £23.8m (2017: £23.3m) due to the timing of supplier payments. Note that the comparator figure for subscriptions and deferred revenue at 31 December 2017 has been restated to £27.6m from the originally reported £26.3m due to the adoption of IFRS 15. See note 21 for further detail.

Current tax assets/(liabilities)
At 31 December 2018 there is a current tax asset of £0.5m compared to a liability of £0.7m at 31 December 2017. The difference reflects the impact of tax on adjusting items last year and the calculation of payments on account which are based on a time apportioned estimate of final tax liability rather than a proportion of profits made year to date.

Deferred consideration payable
The liability for deferred consideration decreased from £2.6m at 30 June 2018 to £1.3m at 31 December 2018. The reduction primarily reflects the settlement of the final amount owing for SWAT of £1.3m in September 2018. The remaining balance is mainly due for payment in December 2019.

Net debt and cashflow
Net debt, which includes cash and cash equivalents, bank loans (excluding capitalised loan arrangement fees) and bank overdrafts, was £43.8m (30 June 2018: £39.6m; 31 December 2017: £45.9m). Cash conversion of 91% (2017: 77%) was offset by the payment of the deferred consideration for SWAT and by capital expenditure of £1.2m.

Net debt at 31 December 2018 represented 58% of our debt and overdraft facility of £75m (31 December 2017: 61%). The loan facility is repayable on 1 July 2020.

Derivative financial instruments
The Group is exposed to foreign exchange risks, liquidity and capital risks and credit risks. The Group has policies that mitigate these risks which include the use of derivative products such as forward contracts and swaps subject to Board approval. The Group uses interest rate swap contracts to mitigate part of the interest rate volatility risk. These forward contracts and swaps have resulted in a liability of £0.5m at 31 December 2018 (30 June 2018: liability of £0.4m; 31 December 2017: asset of £0.2m and liability of £0.5m). Of the current liability, £0.3m is expected to unwind in the second half of the year as the forward contracts used to hedge current year FX exposures crystallise.

Share capital
During the period 125,494 new ordinary shares of £0.05 were issued in settlement of awards vesting under the Group's Performance Share Plan. This resulted in an increase to the number of ordinary shares outstanding at 31 December 2018 to 87,539,567 (30 June 2018 and 31 December 2017: 87,414,073).

Dividend
An interim dividend of 4.1p per share (2017: 4.0p) will be paid on 8 April 2019 to shareholders on the share register as at 8 March 2019, with an associated ex-dividend date of 7 March 2019. The increase in interim dividend is 2.5% and represents the intention of the Directors to maintain the progressive dividend policy that has been in place since 2013/14.

Appointment of auditors

In the 2018 Annual Report and Accounts, the Audit Committee confirmed that it would commence an audit tender process such that a new external auditor could be appointed during the financial year ended 30 June 2019. The Board has recently carried out a competitive tender process for the provision of audit services, which has resulted in Grant Thornton UK LLP being appointed auditor for the year ended 30 June 2019. Accordingly, PricewaterhouseCoopers LLP has resigned as Wilmington's auditor with effect from 28 January 2019, and the Board has appointed Grant Thornton UK LLP to fill the casual vacancy until Wilmington plc's next Annual General Meeting, in 2019, when shareholders will have the opportunity to vote on their appointment.

There are no matters in connection with PricewaterhouseCoopers LLP's resignation as auditors which, in the view of the Board, need to be brought to the attention of shareholders.

Statement of directors' responsibilities

The Directors confirm to the best of their knowledge the interim information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as adopted by the European Union. The Interim Management Report includes a fair review of the Interim Information and, as required by DTR 4.2 TR and DTR 4.2 8R, the following information:

- an indication of 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 financial year; and

- disclosure of material related party transactions that have taken place in the first six months of the current financial year and of any material changes in the related party transactions described in the last Annual Report and Financial Statements.

A list of current Directors is maintained on the Wilmington plc website at: www.wilmingtonplc.com.

This responsibility statement was approved by the board of Directors on 20 February 2019 and is signed on its behalf by

Richard Amos
Chief Financial Officer

Officers

Directors:

Martin Morgan
Interim Executive Chairman

Richard Amos
Chief Financial Officer

Derek Carter
Senior Independent
Non-Executive Director

Nathalie Schwarz
Non-Executive Director

Paul Dollman
Non-Executive Director

Company Secretary:
Daniel Barton

Registered Office:

10 Whitechapel High Street
London
E1 8QS
Tel: +44 (0)20 7490 0049

Company Registration Number: 03015847

Consolidated Income Statement

	Notes	**Six months ended 31 December 2018 £'000 (unaudited)**	Six months ended 31 December 2017 Restated £'000 (unaudited)	Year ended 30 June 2018 Restated £'000 (unaudited)
Continuing operations				
Revenue	6	**58,300**	58,279	121,614
Operating expenses before amortisation of intangibles excluding computer software, impairment of goodwill and intangible assets and adjusting items		**(50,501)**	(48,201)	(97,532)
Adjusting items	7	**(132)**	(3,526)	(4,573)
Amortisation of intangibles excluding computer software	7	**(2,607)**	(3,407)	(6,432)
Impairment of goodwill and intangible assets	7	**—**	—	(8,561)
Operating expenses		**(53,240)**	(55,134)	(117,098)
Other income – gain on sale of subsidiary	20	**1,906**	—	—
Operating profit		**6,966**	3,145	4,516
Net finance costs	8	**(1,008)**	(986)	(1,969)
Share of loss of equity accounted investment		**(115)**	—	—
Profit before tax	5	**5,843**	2,159	2,547
Taxation	9	**(843)**	(798)	(2,672)
Profit/(loss) for the period		**5,000**	1,361	(125)
Attributable to:				
Owners of the parent		**4,983**	1,342	(172)
Non-controlling interests		**17**	19	47
		5,000	1,361	(125)
Earnings per share attributable to the owners of the parent:				
Basic (p)	11	**5.70**	1.54	(0.20)
Diluted (p)	11	**5.65**	1.52	(0.20)
Adjusted earnings per share attributable to the owners of the parent:				
Basic (p)	11	**6.16**	8.08	20.05
Diluted (p)	11	**6.10**	8.02	19.90

The notes on pages 17 to 31 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 Restated (unaudited) £'000	Year ended 30 June 2018 Restated (unaudited) £'000
Profit/(loss) for the period	**5,000**	1,361	(125)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to the Income Statement			
Fair value movements on interest rate swap (net of tax)	**54**	150	339
Currency translation differences	**505**	(909)	(896)
Net investment hedges (net of tax)	**(409)**	437	177
Other comprehensive income/(expense) for the period, net of tax	**150**	(322)	(380)
Total comprehensive income/(expense) for the period	**5,150**	1,039	(505)
Attributable to:			
Owners of the parent	**5,133**	1,020	(552)
Non-controlling interests	**17**	19	47
	5,150	1,039	(505)

Items in the statement above are disclosed net of tax. The notes on pages 17 to 31 are an integral part of these financial statements.

Consolidated Balance Sheet

	Notes	**31 December 2018 (unaudited) £'000**	31 December 2017 Restated (unaudited) £'000	30 June 2018 Restated (unaudited) £'000
Non-current assets				
Goodwill	12	**77,497**	84,812	77,103
Intangible assets	12	**25,083**	28,526	27,305
Property, plant and equipment	12	**6,411**	6,443	6,463
Deferred consideration receivable	20	**2,154**	—	—
Deferred tax assets		**849**	956	937
Derivative financial instruments	4	**—**	36	113
		111,994	120,773	111,921
Current assets				
Trade and other receivables	13	**26,350**	26,750	28,233
Current tax asset		**533**	—	—
Derivative financial instruments	4	**—**	178	—
Assets held for sale		**—**	—	317
Cash and cash equivalents		**12,428**	11,965	10,789
		39,311	38,893	39,339
Total assets		**151,305**	159,666	151,260
Current liabilities				
Trade and other payables	14	**(50,370)**	(50,897)	(54,479)
Current tax liabilities		**—**	(735)	(722)
Deferred consideration payable – cash settled		**(1,256)**	(1,477)	(1,320)
Derivative financial instruments	4	**(278)**	(29)	—
Borrowings	15	**—**	(1,647)	—
		(51,904)	(54,785)	(56,521)
Non-current liabilities				
Borrowings	15	**(55,975)**	(55,844)	(50,380)
Deferred consideration payable – cash settled		**—**	(951)	(1,286)
Derivative financial instruments	4	**(177)**	(510)	(356)
Deferred tax liabilities		**(2,847)**	(3,213)	(3,087)
		(58,999)	(60,518)	(55,109)
Total liabilities		**(110,903)**	(115,303)	(111,630)
Net assets		**40,402**	44,363	39,630
Equity				
Share capital	16	**4,377**	4,371	4,371
Share premium	16	**45,225**	45,225	45,225
Treasury shares	16	**(96)**	(96)	(96)
Share based payments reserve		**585**	814	1,108
Translation reserve		**3,150**	2,632	2,645
Accumulated losses		**(12,904)**	(8,637)	(13,705)
Equity attributable to owners of the parent		**40,337**	44,309	39,548
Non-controlling interests		**65**	54	82
Total equity		**40,402**	44,363	39,630

The notes on pages 17 to 31 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital, share premium and treasury shares (note 16) £'000	Share based payments reserve £'000	Translation reserve £'000	Accumulated losses £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 30 June 2017 Restated (unaudited)	**49,491**	**898**	**3,541**	**(6,550)**	**47,380**	**86**	**47,466**
Profit for the period	—	—	—	1,342	1,342	19	1,361
Other comprehensive (expense)/income for the period	—	—	(909)	587	(322)	—	(322)
	49,491	898	2,632	(4,621)	48,400	105	48,505
Dividends	—	—	—	(4,019)	(4,019)	(62)	(4,081)
Issue of share capital	9	(384)	—	375	—	—	—
Share based payments	—	300	—	—	300	—	300
Tax on share based payments	—	—	—	(27)	(27)	—	(27)
Movements in non-controlling interests	—	—	—	(345)	(345)	11	(334)
At 31 December 2017 Restated (unaudited)	**49,500**	**814**	**2,632**	**(8,637)**	**44,309**	**54**	**44,363**
Profit for the period	—	—	—	(1,514)	(1,514)	28	(1,486)
Other comprehensive income/(expense) for the period	—	—	13	(71)	(58)	—	(58)
	49,500	814	2,645	(10,222)	42,737	82	42,819
Dividends	—	—	—	(3,495)	(3,495)	—	(3,495)
Share based payments	—	294	—	—	294	—	294
Tax on share based payments	—	—	—	12	12	—	12
At 30 June 2018 Restated (unaudited)	**49,500**	**1,108**	**2,645**	**(13,705)**	**39,548**	**82**	**39,630**
Profit for the period	—	—	—	4,983	4,983	17	5,000
Other comprehensive income/(expense) for the period	—	—	505	(355)	150	—	150
	49,500	**1,108**	**3,150**	**(9,077)**	**44,681**	**99**	**44,780**
Dividends	—	—	—	(4,200)	(4,200)	(34)	(4,234)
Issue of share capital	6	(472)	—	466	—	—	—
Share based payments	—	(51)	—	—	(51)	—	(51)
Tax on share based payments	—	—	—	(93)	(93)	—	(93)
Movements in non-controlling interests	—	—	—	—	—	—	—
At 31 December 2018 (unaudited)	**49,506**	**585**	**3,150**	**(12,904)**	**40,337**	**65**	**40,402**

The notes on pages 17 to 31 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Notes	**Six months ended 31 December 2018 (unaudited) £'000**	Six months ended 31 December 2017 Restated (unaudited) £'000	Year ended 30 June 2018 Restated (unaudited) £'000
Cash flows from operating activities				
Cash generated from operations before adjusting items	17	**7,083**	7,728	25,665
Cash flows for adjusting items – operating activities		**(412)**	(1,176)	(2,951)
Cash flows from tax on share based payments		**(33)**	(50)	(50)
Cash generated from operations		**6,638**	6,502	22,664
Interest paid		**(1,004)**	(1,027)	(1,934)
Tax paid		**(2,254)**	(2,518)	(4,738)
Net cash generated from operating activities		**3,380**	2,957	15,992
Cash flows from investing activities				
Purchase of businesses net of cash acquired		**(100)**	—	(1,595)
Sale of subsidiary net of cash		**60**	—	—
Deferred consideration paid		**(1,522)**	(205)	(205)
Purchase of non-controlling interests		—	(335)	(335)
Cash flows for adjusting items – investing activities		**(74)**	(781)	(1,118)
Purchase of property, plant and equipment		**(554)**	(2,860)	(3,089)
Proceeds from disposal of property, plant and equipment		**28**	31	55
Purchase of intangible assets		**(761)**	(1,047)	(1,934)
Net cash used in investing activities		**(2,923)**	(5,197)	(8,221)
Cash flows from financing activities				
Dividends paid to owners of the parent		**(4,200)**	(4,019)	(7,514)
Dividends paid to non-controlling interests		**(34)**	(62)	(62)
Share issuance costs		**(6)**	(8)	(8)
Cash flows for adjusting items – financing activities		**(12)**	(23)	(22)
Increase in bank loans		**6,000**	8,000	9,127
Decrease in bank loans		**(1,000)**	(1,000)	(8,012)
Net cash generated from/(used in) financing activities		**748**	2,888	(6,491)
Net increase/(decrease) in cash and cash equivalents, net of bank overdrafts		**1,205**	648	1,280
Cash and cash equivalents, net of bank overdrafts, at beginning of the period		**11,033**	9,762	9,762
Exchange gains/(losses) on cash and cash equivalents		**190**	(92)	(9)
Cash and cash equivalents, net of bank overdrafts at end of the period		**12,428**	10,318	11,033
Reconciliation of net debt				
Cash and cash equivalents at beginning of the period		**10,789**	10,687	10,687
Cash classified as held for sale		**244**	—	—
Bank overdrafts at beginning of the period	15	—	(925)	(925)
Bank loans at beginning of the period	15	**(50,665)**	(49,781)	(49,781)
Net debt at beginning of the period		**(39,632)**	(40,019)	(40,019)
Net increase in cash and cash equivalents (net of bank overdrafts)		**1,395**	556	1,271
Net drawdown in bank loans		**(5,000)**	(7,000)	(1,115)
Exchange (loss)/gain on bank loans		**(524)**	570	231
Cash and cash equivalents at end of the period		**12,428**	11,965	10,789
Cash classified as held for sale		—	—	244
Bank overdrafts at end of the period	15	—	(1,647)	—
Bank loans at end of the period	15	**(56,189)**	(56,211)	(50,665)
Net debt at end of the period		**(43,761)**	(45,893)	(39,632)

The notes on pages 17 to 31 are an integral part of these consolidated financial statements.

Notes to the Financial Results

General information

The Company is a public limited company incorporated and domiciled in the UK. The address of the Company's registered office is 10 Whitechapel High Street, London, E1 8QS.

The Company is listed on the Main Market on the London Stock Exchange. The Company is a provider of information, education and networking to the professional markets.

This condensed consolidated interim financial information ('Interim Information') was approved for issue by the Board of Directors on 20 February 2019.

The Interim Information is neither reviewed nor audited and does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 30 June 2018 were approved by the Board of Directors on 11 September 2018 and subsequently filed with the Registrar. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. As set out in note 21, the results for the year ended 30 June 2018 have been restated to reflect the adoption of IFRS 15. These adjustments have not been audited and therefore the comparative results have been stated as unaudited in the financial statements and related notes on pages 12 – 31.

1. Basis of preparation

This Interim Information for the six months ended 31 December 2018 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The Interim Information should be read in conjunction with the Annual Financial Statements for the year ended 30 June 2018 which have been prepared in accordance with IFRSs as adopted by the European Union, and are available on the Group's website: wilmingtonplc.com.

The Group's forecast and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate well within the level of its current banking facilities. The Directors have therefore adopted a going concern basis in preparing the Interim Information.

2. Accounting policies

The accounting policies, significant judgements and key sources of estimation adopted in the preparation of this Interim Report are consistent with those applied by the Group in its consolidated financial statements for the year ended 30 June 2018 except for the adoption of new standards and interpretations effective as of 1 July 2018 listed below:

- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 9 *Financial Instruments*

Except for the adoption of IFRS 15, the adoption of these standards and interpretations has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group. Other amendments to IFRSs effective for the period ending 31 December 2018 have no impact on the Group.

The preparation of this Interim Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Report, 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 applied to the consolidated financial statements as at and for the year ended 30 June 2018.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all sales contracts. It is based on the transfer of control of goods and services to customers and replaces the separate models for goods, services and construction contracts previously included in IAS 11 *Construction Contracts* ("IAS 11") and IAS 18 *Revenue* ("IAS 18").

The major change is the requirement to identify and assess the satisfaction of delivery of each performance obligation in contracts in order to recognise revenue.

Following an assessment of the financial impact of the changes required from the adoption of this new standard, there is no material change to the Consolidated Income Statement of the Group.

A performance obligation is a promise in a contract with a customer to transfer to the customer either a good or a service. A performance obligation can either be distinct good or service or a series of distinct goods or services that are substantially the same that have the same pattern of transfer to the customer.

Notes to the Financial Results

2. Accounting policies (continued)

Revenue is recognised at a point in time when a performance obligation is satisfied by transferring a good or service to the customer. An asset is transferred when the customer obtains control of that asset.

Revenue is recognised over time when a performance obligation is satisfied by the customer simultaneously receiving and consuming the benefits over the period of the contract.

When payment is received in advance of a performance obligation being satisfied it is recorded on the balance sheet as deferred revenue, revenue is then recognised at the point in time or over the period that the performance obligation is satisfied.

The adoption of IFRS 15 affects the recognition of revenue on education provided by the Risk & Compliance and Professional Divisions.

Revenue from blended training courses comprising multiple products or services used to be recognised on milestones which were estimated by management based on the stage of completion of the course but is now recognised as one performance obligation on a straight-line basis over the period of provision of the training course.

Revenue from online training courses used to be recognised at the point that access to the training was first granted to the customer but is now recognised as one performance obligation on a straight-line basis over the period of access to the online training material.

The consolidated balance sheet has been adjusted by the requirement to net down deferred revenue against trade receivables for amounts that have been invoiced but are not yet due. This balance sheet adjustment has not affected the net assets of the Group.

The Group has adopted IFRS 15 on 1 July 2018 using the 'full' retrospective approach. As a result, the prior period results have been restated as detailed in Note 21.

A revised Group accounting policy in alignment with the adoption of IFRS 15 has been implemented as set out below.

Revenue

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes, and provisions for returns and cancellations.

The Group's revenue comprises three different types of product and service; information, education and networking, across all three divisions.

Information

- Subscription income for online services, information and journals is normally received in advance and is therefore recorded as deferred revenue on the balance sheet. Revenue is then recognised evenly over-time as the performance obligations are satisfied over the term of the subscription.
- Revenue is recognised on the sale of books, journals, training material, research projects and similar publications once the product has been delivered to the customer.
- Marketing and advertising services revenues are recognised on issue of the related publication or over the period of the advertising subscription or over the period when the marketing service is provided. When payment is received in advance it is recorded on the balance sheet as deferred revenue and revenue is then recognised over-time as the performance obligations are satisfied over the term of the contract.
- Revenue from the sale of static data reports is recognised once the data has been delivered to the customer.
- Revenue from the sale of static data reports where the customer has access to the data for a finite period of time and the reports have significant updates during that period is recognised over the period of the contract. When payment is received in advance it is recorded on the balance sheet as deferred revenue and revenue is then recognised over-time as the performance obligations are satisfied over the term of the contract
- Revenue from providing customers with access to dynamic data that is updated on an ongoing basis is recognised over the period of the contract. When payment is received in advance it is recorded on the balance sheet as deferred revenue and revenue is then recognised over-time as the performance obligations are satisfied over the term of the contract.

Notes to the Financial Results

2. Accounting policies (continued)

Education

- Revenue from training courses where the Group is providing training that has a duration of over a week, where the training is delivered as an ongoing process, is recognised on a straight-line basis over the period that the training is provided to the customer. When payment is received in advance it is recorded on the balance sheet as deferred revenue and revenue is then recognised over-time as the performance obligations are satisfied over the term of the contract.
- Revenue from training courses where the Group is providing training courses which have a duration of less than one week, where the training is delivered as short-term stand-alone courses, is recognised on completion of the training course. When payment is received in advance it is recorded on the balance sheet as deferred revenue and revenue is then recognised over-time as the performance obligations are satisfied over the term of the contract.
- Revenue from training courses where the Group provides in-house training to corporate customers is recognised on completion of the training course.
- Revenue from the memberships of professional organisations is recognised on a straight-line basis over the period of membership. When payment is received in advance it is recorded on the balance sheet as deferred revenue and revenue is then recognised over-time as the performance obligations are satisfied over the term of the contract.

Networking

- Networking revenue comprises exhibitions, conferences and events (collectively known as events). Revenue typically includes attendee fees, event sponsorship and advertising which is recognised when the event is held. Customers and sponsors are often required to pay in advance before commencement of the event, and these advance receipts are recognised as deferred revenue on the balance sheet from the point at which they become due.

3. Principal risks and uncertainties

The principal risks and uncertainties that affect the Group are as stated on pages 32 to 39 of the Strategic Report in the Annual Report and Financial Statements for the year ended 30 June 2018. The main financial risks that affect the Group are:

(a) Interest rate risk

Risk
The Group financing arrangements include external debt that is subject to a variable interest rate. The Group is consequently exposed to cash flow volatility arising from fluctuations in market interest rates applicable to that external finance. In particular, interest is charged on the £56m (2017: £56m) amount drawn down on the revolving credit facility at a rate of between 1.50 and 2.25 percent above LIBOR depending upon leverage. Cash flow volatility therefore arises from movements in the LIBOR interest rates.

Group policy
The Group policy is to enter into interest rate swap contracts to maintain the ratio of fixed to variable rate debt at a level that achieves a reasonable cost of debt whilst reducing the exposure to cash flow volatility arising from fluctuations in market interest rates.

Risk management arrangements
The Group's interest rate swap contracts offset part of its variable interest payments and replace them with fixed payments. In particular, the Group has hedged its exposure to the LIBOR part of the interest rate via interest rate swaps, as follows:

- A $7.5m interest rate swap commencing on 13 July 2015 and ending on 1 July 2020, whereby the Group receives interest on $7.5m based on the USD LIBOR rate and pays interest on $7.5m at a fixed rate of 1.79 percent.
- A £15.0m interest rate swap commencing on 22 November 2016 and ending on 1 July 2020, whereby the Group receives interest on £15m based on LIBOR rate and pays interest on £15m at a fixed rate of 2.00 percent.

These derivatives have been designated as a cash flow hedge for accounting purposes. The net settlement of interest on the interest rate swap, which comprises a variable rate interest receipt and a fixed rate interest payment, is recorded in net finance costs in the income statement and so is matched against the corresponding variable rate interest payment on the revolving credit facility. The derivatives are remeasured at fair value at each reporting date. This gives rise to a gain or loss, the entire amount of which is recognised in Other Comprehensive Income ('OCI') following the Directors' assessment of hedge effectiveness.

(b)Foreign currency risk

Risk
The currency of the primary economic environment in which the Group operates is Sterling, and this is also the currency in which the Group presents its financial statements. However, the Group has significant Euro and US dollar cash flows arising from international trading and overseas operations. The Group is consequently exposed to cash flow volatility arising from fluctuations in the applicable exchange rates for converting Euros and US dollars to Sterling.

Notes to the Financial Results

3. Principal risks and uncertainties (continued)

Group policy

The Group policy is to fix the exchange rate in relation to a periodically reassessed set percentage of expected Euro and US Dollar net cash inflows arising from international trading, by entering into foreign currency contracts to sell a specified amount of Euros or US Dollars on a specified future date at a specified exchange rate. This set percentage is approved by the Board as part of the budgeting process and upon the acquisition of foreign operations.

The Group policy is to finance investment in overseas operations from borrowings in the local currency of the relevant operation, so as to achieve a natural hedge of the foreign currency translation risk. This natural hedge is designated as a net investment hedge for accounting purposes. Debt of $19.2m (2017: $19.2m) and €2.3m (2017: nil) has been designated as a net investment hedge relating to the Group's interest in Compliance Week, FRA and Interactive Medica.

Risk management arrangements

The following forward contracts were entered into in order to provide certainty in Sterling terms of circa 75% of the Group's expected net US dollar and Euro income:

- On 2 July 2018, the Group sold $3.0m to 19 October 2018 at a rate of 1.3191
- On 2 July 2018, the Group sold €1.0m to 16 November 2018 at a rate of 1.1242
- On 2 July 2018, the Group sold €1.0m to 18 January 2019 at a rate of 1.1222
- On 2 July 2018, the Group sold $5.0m to 15 March 2019 at a rate of 1.3292
- On 2 July 2018, the Group sold €1.0m to 18 April 2019 at a rate of 1.1190
- On 2 July 2018, the Group sold $5.0m to 17 May 2019 at a rate of 1.3336

The above derivatives are remeasured at fair value at each reporting date. This gives rise to a gain or loss, the entire amount of which is recognised in the Income Statement.

(c) Liquidity and capital risk

Risk

The Group has historically expanded its operations both organically and via acquisition, financed partly by retained profits but also via external finance. As well as financing cash outflows, the Group's activities give rise to working capital obligations and other operational cash outflows. The Group is consequently exposed to the risk that it cannot meet its obligations as they fall due, or can only meet them at an uneconomic price.

Group policy

The Group policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, but also to balance these objectives with the efficient use of capital. The Group has, in previous years, made purchases of its own shares whilst taking into account the availability of credit.

Risk management arrangements

The Group ensures its liquidity is maintained by entering into short, medium and long-term financial instruments to support operational and other funding requirements. The Group determines its liquidity requirements by the use of short and long-term cash forecasts.

On 1 July 2015 the Group extended its £65m revolving credit facility with Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc through to 1 July 2020. On 17 January 2017 £20m of the accordion facility was triggered, increasing the total unsecured bank facility to £85m. This extension was made to fund the acquisition of HSJ. The extended facility comprised of a revolving credit facility of £80.0m and an overdraft facility across the Group of £5.0m. On 24 November 2017 the revolving credit facility was reduced by £10.0m to £75.0m, to decrease the non-utilised portion and the associated non-utilisation fee.

(d) Credit risk

Risk

The Group's principal financial assets are receivables and bank balances. The Group is consequently exposed to the risk that its customers or the credit facility providers cannot meet their obligations as they fall due.

Group policy

The Group policy is that the lines of business assess the creditworthiness and financial strength of customers at inception and on an ongoing basis. The Group also reviews the credit rating of the bank. Cash is held in banks with a credit rating between AA and BBB- per Fitch at 20 February 2019.

Notes to the Financial Results

3. Principal risks and uncertainties (continued)

Risk management arrangements

The Group's credit risk is primarily attributable to its trade receivables. However, the Group has no significant exposure to credit risk because its trading is spread over a large number of customers. The payment terms offered to customers take into account the assessment of their creditworthiness and financial strength, and they are set in accordance with industry standards. The creditworthiness of customers is considered before trading commences. Most of the Group's customers are large and well established institutions that pay on time and in accordance with the Group's standard terms of business.

The amounts presented in the Balance Sheet are net of allowances for bad and doubtful receivables estimated by management based on prior experience and their assessment of the current economic value.

4. Financial instruments and risk management

The methods and assumptions used to estimate the fair values of financial assets and liabilities are as follows:

- The carrying amount of trade receivables and payables approximates to fair value due to the short maturity of the amounts receivable and payable.
- The fair value of the Group's borrowings is estimated on the basis of the discounted value of future cash flows using approximate discount rates in effect at the balance sheet date.
- The fair value of the Group's outstanding interest rate swaps, foreign exchange contracts are estimated using discounted cash flow models and market rates of interest and foreign exchange at the balance sheet date.

Financial instruments are measured at fair value via a valuation method. The different levels have been defined as:

- level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- level 3: Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

The Group has recognised a level 2 financial liability of £278,131 (2017: £150,311 asset) for foreign exchange trading derivatives at fair value through income or expense. In addition the Group has recognised a level 2 financial liability of £176,605 (2017: £474,850) for two (2017: two) interest rate swap contracts at fair value through other comprehensive income or expense. The Group has no recognised level 1 or level 3 assets or liabilities.

Notes to the Financial Results

5. Measures of profit

Reconciliation to profit on continuing activities before tax

To provide shareholders with additional understanding of the trading performance of the Group, adjusted EBITA has been calculated as profit before tax after adding back:

- amortisation of intangible assets excluding computer software;
- impairment of goodwill and intangible assets;
- adjusting items (included in operating expenses);
- other income – gain on sale of subsidiary
- share of loss of equity accounted investment; and
- finance costs.

Adjusted EBITA and adjusted EBITDA reconcile to profit on continuing activities before tax as follows:

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 Restated (unaudited) £'000	Year ended 30 June 2018 Restated (unaudited) £'000
Profit before tax	**5,843**	2,159	2,547
Amortisation of intangible assets excluding computer software	**2,607**	3,407	6,432
Impairment of goodwill and intangible assets	—	—	8,561
Adjusting items (included in operating expenses)	**132**	3,526	4,573
Other income – gain on sale of subsidiary	**(1,906)**	—	—
Share of loss of equity accounted investment	**115**	—	—
Finance costs	**1,008**	986	1,969
Adjusted operating profit ('adjusted EBITA')	**7,799**	10,078	24,082
Depreciation of property, plant and equipment included in operating expenses	**572**	399	917
Amortisation of intangible assets - computer software	**652**	653	1,302
Adjusted EBITA before depreciation ('adjusted EBITDA')	**9,023**	11,130	26,301

Adjusted profit before tax reconciles to profit on continuing activities before tax as follows:

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 Restated (unaudited) £'000	Year ended 30 June 2018 Restated (unaudited) £'000
Profit before tax	**5,843**	2,159	2,547
Amortisation of intangible assets excluding computer software	**2,607**	3,407	6,432
Impairment of goodwill and intangible assets	—	—	8,561
Adjusting items (included in operating expenses)	**132**	3,526	4,573
Other income – gain on sale of subsidiary	**(1,906)**	—	—
Adjusted profit before tax	**6,676**	9,092	22,113

Notes to the Financial Results

6. Segmental information

In accordance with IFRS 8 the Group's operating segments are based on the operating results reviewed by the Board, which represents the chief operating decision maker.

The Group's organisational structure reflects the main communities to which it provides information, education and networking. The three divisions (Risk & Compliance, Healthcare and Professional) are the Group's segments and generate all of the Group's revenue.

The Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of the Group between the UK, North America, the rest of Europe and the rest of the world.

(a) Business segments

	Six months ended 31 December 2018 (unaudited)		Six months ended 31 December 2017 Restated (unaudited)		Year ended 30 June 2018 Restated (unaudited)	
	Revenue £'000	**Contribution £'000**	Revenue £'000	Contribution £'000	Revenue £'000	Contribution £'000
Risk & Compliance	**20,058**	**5,906**	19,546	5,355	42,321	12,361
Healthcare	**20,560**	**1,271**	20,831	3,718	44,681	9,899
Professional	**17,682**	**2,923**	17,902	3,203	34,612	6,290
Group contribution	**58,300**	**10,100**	58,279	12,276	121,614	28,550
Unallocated central overheads	**—**	**(2,308)**	—	(1,860)	—	(3,827)
Share based payments	**—**	**7**	—	(338)	—	(641)
	58,300	**7,799**	58,279	10,078	121,614	24,082
Amortisation of intangible assets excluding computer software		**(2,607)**		(3,407)		(6,432)
Impairment of goodwill and intangible assets		—		—		(8,561)
Adjusting items (included in operating expenses)		**(132)**		(3,526)		(4,573)
Other income – gain on sale of subsidiary		**1,906**		—		—
Finance costs		**(1,008)**		(986)		(1,969)
Share of loss of equity accounted investment		**(115)**		—		—
Profit before tax		**5,843**		2,159		2,547
Taxation		**(843)**		(798)		(2,672)
Profit for the financial period		**5,000**		1,361		(125)

There are no intra-segmental revenues which are material for disclosure. Unallocated central overheads represent head office costs that are not specifically allocated to segments. Total assets and liabilities for each reportable segment are not presented, as such information is not provided to the Board.

(b) Segmental information by geography

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external customers in the UK. The geographical analysis of revenue is on the basis of the country of origin in which the customer is invoiced:

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 Restated (unaudited) £'000	Year ended 30 June 2018 Restated (unaudited) £'000
UK	**33,814**	34,457	71,556
Europe (excluding the UK)	**11,077**	9,055	20,756
North America	**8,745**	9,599	18,314
Rest of the world	**4,664**	5,168	10,988
Total revenue	**58,300**	58,279	121,614

Notes to the Financial Results

7. Adjusting items

The following items have been charged to the Income Statement during the period but are considered to be adjusting so are shown separately:

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 (unaudited) £'000	Year ended 30 June 2018 (audited) £'000
Adjusting items relating to property portfolio review and IT infrastructure transformation	**—**	3,018	3,090
Costs relating to successful and aborted acquisitions, disposals and integration	**84**	188	721
Restructuring and rationalisation costs	**—**	169	432
Net increase in the liability for deferred consideration	**48**	151	330
Other adjusting items (included in operating expenses)	**132**	3,526	4,573
Amortisation of intangible assets excluding computer software	**2,607**	3,407	6,432
Impairment of goodwill	**—**	—	8,561
Total adjusting items (classified in profit before tax)	**2,739**	6,933	19,566

Adjusting items relating to property portfolio review and IT infrastructure transformation are costs associated with a review of Wilmington's London property portfolio that took place in the year ended 30 June 2017, that resulted in moving into its new London head office premises in December 2017.

In the year ended 30 June 2018, £8.6m goodwill relating to CLT was impaired in full. This impairment resulted from a review concluding that the future economic benefit in the business did not derive from the historical assets purchased to which the acquired goodwill was attributed.

8.Net finance costs

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 (unaudited) £'000	Year ended 30 June 2018 (audited) £'000
Net finance costs comprise:			
Interest payable & receivable on bank loans and overdrafts	**985**	903	1,804
Unwinding of the discount on royalty payments receivable	**(60)**	—	—
Amortisation of capitalised loan arrangement fees	**83**	83	165
	1,008	986	1,969

9.Taxation

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 Restated (unaudited) £'000	Year ended 30 June 2018 Restated (unaudited) £'000
Current tax:			
Current tax on profits for the period	**1,151**	1,273	3,465
Adjustments in respect of previous years	**—**	14	22
Total current tax	**1,151**	1,287	3,487
Deferred tax*:*			
Deferred tax credit	**(308)**	(387)	(765)
Effect on deferred tax of change in corporation tax rate	**—**	(125)	41
Adjustments in respect of IFRS 15	**—**	23	(91)
Total deferred tax	**(308)**	(489)	(815)
Taxation	**843**	798	2,672

Notes to the Financial Results

10. Dividends

Distributions to owners of the parent in the period:

	Six months ended 31 December 2018 (unaudited) pence per share	Six months ended 31 December 2017 (unaudited) pence per share	Year ended 30 June 2018 (audited) pence per share	**Six months ended 31 December 2018 (unaudited) £'000**	Six months ended 31 December 2017 (unaudited) £'000	Year ended 30 June 2018 (audited) £'000
Final dividends recognised as distributions in the year	**4.8**	4.6	4.6	**4,200**	4,019	4,019
Interim dividends recognised as distributions in the year	—	—	4.0	**—**	—	3,495
Total dividends paid in the period				**4,200**	4,019	7,514
Interim/final dividend proposed	**4.1**	4.0	4.8	**3,587**	3,495	4,194

11. Earnings per share

Adjusted earnings per share has been calculated using adjusted earnings calculated as profit after taxation and non-controlling interests but before:

- amortisation of intangible assets excluding computer software;
- impairment of goodwill and intangible assets;
- adjusting items (included in operating expenses);
- other income – gain on sale of subsidiary; and
- adjusting items (included in finance costs).

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 (unaudited) £'000	Year ended 30 June 2018 (unaudited) £'000
Earnings from continuing operations for the purpose of basic earnings per share	**4,983**	1,342	(172)
Add/(remove):			
Amortisation of intangible assets excluding computer software (net of non-controlling interests)	**2,607**	3,407	6,432
Impairment of goodwill and intangible assets	—	—	8,561
Adjusting items (included in operating expenses)	**132**	3,526	4,573
Other income – gain on sale of subsidiary	**(1,906)**	—	—
Tax effect of adjustments above	**(432)**	(1,220)	(1,876)
Adjusted earnings for the purposes of adjusted earnings per share	**5,384**	7,055	17,518
	Number	Number	Number
Weighted average number of ordinary shares for the purpose of basic and adjusted earnings per share	**87,466,362**	87,317,182	87,379,469
Effect of dilutive potential ordinary shares:			
Future exercise of share awards and options	**753,794**	704,993	645,240
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**88,220,156**	88,022,175	88,024,709
Basic earnings per share	**5.70p**	1.54p	(0.20)p
Diluted earnings per share	**5.65p**	1.52p	(0.20)p
Adjusted basic earnings per share ('adjusted earnings per share')	**6.16p**	8.08p	20.05p
Adjusted diluted earnings per share	**6.10p**	8.02p	19.90p

Notes to the Financial Results

12. Goodwill, Intangible assets and Property, plant and equipment

	Goodwill £'000	Intangible assets £'000	Property, plant and equipment £'000
Closing net book amount as at 30 June 2017 (audited)	**86,028**	**31,911**	**4,444**
Additions	—	1,047	2,860
Acquisitions	(762)	—	—
Disposals	—	(4)	(24)
Exchange translation differences	(454)	(368)	(6)
Depreciation of property, plant and equipment	—	—	(831)
Amortisation of intangible assets excluding computer software	—	(3,407)	—
Amortisation of computer software	—	(653)	—
Closing net book amount as at 31 December 2017 (unaudited)	**84,812**	**28,526**	**6,443**
Additions	588	887	553
Acquisitions	—	1,528	12
Disposals	—	4	(20)
Exchange translation differences	264	92	2
Impairment	(8,561)	—	—
Depreciation of property, plant and equipment	—	—	(518)
Amortisation of intangible assets excluding computer software	—	(3,025)	—
Amortisation of computer software	—	(649)	—
Reallocation	—	(58)	(9)
Closing net book amount as at 30 June 2018 (audited)	**77,103**	**27,305**	**6,463**
Additions	—	761	554
Acquisitions	—	240	1
Disposals	—	—	(26)
Exchange translation differences	394	36	(9)
Depreciation of property, plant and equipment	—	—	(572)
Amortisation of intangible assets excluding computer software	—	(2,607)	—
Amortisation of computer software	—	(652)	—
Closing net book amount as at 31 December 2018 (unaudited)	**77,497**	**25,083**	**6,411**

13. Trade and other receivables

	31 December 2018 (unaudited) £'000	31 December 2017 Restated (unaudited) £'000	30 June 2018 (audited) £'000
Trade receivables	**20,321**	21,939	22,869
Prepayments and other receivables	**6,029**	4,811	5,364
	26,350	26,750	28,233

14. Trade and other payables

	31 December 2018 (unaudited) £'000	31 December 2017 Restated (unaudited) £'000	30 June 2018 Restated (unaudited) £'000
Trade and other payables	**23,770**	23,270	26,368
Subscriptions and deferred revenue	**26,600**	27,627	28,111
	50,370	50,897	54,479

Notes to the Financial Results

15. Borrowings

	31 December 2018 (unaudited) £'000	31 December 2017 (unaudited) £'000	30 June 2018 (audited) £'000
Current liability			
Bank overdrafts	—	1,647	—
	—	1,647	—
Non-current liability			
Bank loans	**56,189**	56,211	50,665
Capitalised loan arrangement fees	**(214)**	(367)	(285)
Bank loans net of facility fees	**55,975**	55,844	50,380

16. Share capital

	Number of ordinary shares of 5p each	Ordinary shares £'000	Share premium account £'000	Treasury shares £'000	Total £'000
At 1 July 2017 (audited)	**87,247,974**	**4,362**	**45,225**	**(96)**	**49,491**
Shares issued	166,099	9	—	—	9
At 31 December 2017 (unaudited) and 30 June 2018 (audited)	**87,414,073**	**4,371**	**45,225**	**(96)**	**49,500**
Shares issued	125,494	6	—	—	6
At 31 December 2018 (unaudited)	**87,539,567**	**4,377**	**45,225**	**(96)**	**49,506**

On 19 September 2018, 125,494 ordinary shares were issued in respect of the vesting of the 2015 PSP Share Awards to employees (including Directors).

At 31 December 2018, 46,584 shares (2017: 46,584) were held in Treasury, which represents 0.1% (2017: 0.1%) of the called up share capital of the Company.

17. Cash generated from operations

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 Restated (unaudited) £'000	Year ended 30 June 2018 Restated (unaudited) £'000
Profit from continuing operations before income tax	**5,843**	2,159	2,547
Adjusting items - excluding depreciation of property plant and equipment	**132**	3,094	4,141
Adjusting items - depreciation of property, plant and equipment	—	432	432
Depreciation of property, plant and equipment included in operating expenses	**572**	399	917
Gain on sale of subsidiary	**(1,906)**	—	—
Amortisation of intangible assets	**3,259**	4,060	7,734
Impairment of goodwill and intangible assets	—	—	8,561
Profit on disposal of property, plant and equipment	**(2)**	(3)	(11)
Share based payments (including social security costs)	**(7)**	338	641
Share of loss of equity accounted investment	**115**	—	—
Net finance costs	**1,008**	986	1,969
Operating cash flows before movements in working capital	**9,014**	11,465	26,931
Decrease in trade and other receivables	**3,027**	968	160
Decrease in trade and other payables	**(4,958)**	(4,705)	(1,426)
Cash generated from operations before adjusting items	**7,083**	7,728	25,665

Notes to the Financial Results

17. Cash generated from operations (continued)

Cash conversion is calculated as a percentage of cash generated by operations to Adjusted EBITA as follows:

	Six months ended 31 December 2018 (unaudited) £'000	Six months ended 31 December 2017 Restated (unaudited) £'000	Year ended 30 June 2018 Restated (unaudited) £'000
Funds from operations before adjusting items:			
Adjusted EBITA	**7,799**	10,078	24,082
Share based payments (including social security costs)	**(7)**	338	641
Amortisation of intangible assets – computer software	**652**	653	1,302
Depreciation of property, plant and equipment included in operating expenses	**572**	399	917
Profit on disposal of property, plant and equipment	**(2)**	(3)	(11)
Operating cash flows before movements in working capital	**9,014**	11,465	26,931
Net working capital movement	**(1,931)**	(3,737)	(1,266)
Funds from operations before adjusting items	**7,083**	7,728	25,665
Cash conversion	**91%**	77%	107%
Free cash flows:			
Operating cash flows before movement in working capital	**9,014**	11,465	26,931
Proceeds on disposal of property, plant and equipment	**28**	31	55
Net working capital movement	**(1,931)**	(3,737)	(1,266)
Interest paid	**(1,004)**	(1,027)	(1,934)
Tax paid	**(2,254)**	(2,518)	(4,738)
Purchase of property, plant and equipment	**(554)**	(2,860)	(3,089)
Purchase of intangible assets	**(761)**	(1,047)	(1,934)
Free cash flows	**2,538**	307	14,025

18. Related party transactions

The Company and its wholly owned subsidiary undertakings offer certain Group-wide purchasing facilities to the Company's other subsidiary undertakings whereby the actual costs are recharged.

The former Chief Executive Officer, Pedro Ros, owns a minority shareholding in SMARP OY (a company incorporated in Finland) which provides ongoing social media services to the Group, invoiced on an annual basis. SMARP UK Limited, a subsidiary of SMARP OY, invoiced £nil (2017: £nil) during the period.

Close family members of key management personnel provided services to the Group during the period for lecturing. The total invoiced for these services was £55,006 (2017: £40,466).

19. Seasonality

The Group has traditionally generated the majority of its revenues and profits during the second half of the financial year. This has historically resulted from two factors. Firstly, most of the Group's businesses (the notable exception being AMT) produce seasonally low sales in July, August and December which include holiday periods for many of the Group's clients. Secondly, Inese, Compliance Week, FRA and HSJ, have major annual events in the second half of the year.

Notes to the Financial Results

20. Disposal of International Company Profile

On 18 July 2018 Wilmington Publishing and Information Limited (a wholly owned subsidiary of Wilmington plc) sold the trade and assets of International Company Profile ("ICP"), including its 100% shareholding in International Company Profile FZ LLC, the statutory entity incorporated in Dubai, to its management team.

ICP was the credit reporting business previously held within the Risk & Compliance division and was classified as held for sale at 30 June 2018.

The profit on disposal of International Company Profile was £1,906,000 which is calculated as follows:

	£'000
Initial consideration	300
Deferred consideration: royalty payments	2,700
Total consolidation	3,000
Discount of royalty payments	(606)
Fair value of consideration	**2,394**
Less:	
Property, plant and equipment	9
Intangible assets	58
Cash	240
Trade receivables	100
Other receivables	81
Net assets disposed off	**488**
Profit on disposal of ICP	**1,906**

The sale price for ICP was £3,000,000, which includes future royalty payments of £2,700,000 which have been accounted for as deferred consideration.

In accordance with IFRS 3: Business combinations and IAS 10: Consolidated Financial Statements, the royalty payments have been accounted for as consideration as part of the disposal transaction because the business sale agreement and royalty licence agreement were entered into at the same time, to achieve the same overall commercial effect, and both arrangements were dependent on each other.

At 31 December 2018 the fair value of the future royalty payments was £2,154,000.

Notes to the Financial Results

21. Restatement in respect of IFRS 15
Restatement of results for the six months ended 31 December 2017

The results for the six months ended 31 December 2017 have been restated following the adoption in 2018 of IFRS 15.

In the six months ended 31 December 2017 the adjustment to revenue recognised under the new standard resulted in an increase in revenue of £120,000, profit before tax of £120,000 and profit after tax of £97,000, with these adjustments affecting the Risk & Compliance and Professional divisions.

Consolidated balance sheet at 31 December 2017

The consolidated balance sheet at 31 December 2017 has been restated following the adoption in 2018 of IFRS 15.

Deferred revenue at the balance sheet date has increased by £2,768,000 due to changes in the revenue recognition for training courses provided by the Risk & Compliance and Professional divisions.

The Consolidated Balance Sheet at 31 December 2017 has also been adjusted for the reclassification of £1,483,000 of deferred revenue against trade receivables, for amounts that had been invoiced and where services had not been provided and amounts were not due.

The deferred tax asset of £590,000 has increased by £366,000 to £956,000 to reflect the cumulative tax adjustment to 31 December 2017.

Consolidated balance sheet at 31 December 2017

	Previously reported £'000	IFRS 15 adjustment – revenue recognition £'000	IFRS 15 adjustment – net down of balance sheet £'000	Restated £'000
Non current assets: Deferred tax assets	590	366	-	956
Other non-current assets	119,817	-	-	119,817
Current assets: Trade and other receivables	28,233	-	(1,483)	26,750
Other current assets	12,143	-	-	12,143
Total assets	160,783	366	(1,483)	159,666
Current liabilities: Trade and Other Payables	(23,270)	-	-	(23,270)
Current liabilities: Deferred revenue	(26,342)	(2,768)	1,483	(27,627)
Other current liabilities	(3,888)	-	-	(3,888)
Other non-current liabilities	(60,518)	-	-	(60,518)
Total liabilities	(114,018)	(2,768)	1,483	(115,303)
Net assets	46,765	(2,402)	-	44,363

The only changes to the Statement of Comprehensive Income and Expense and the Statement of Changes in Equity for the six months ended 31 December 2018 are to reflect the impact of the restatement of results for the six months ended 31 December 2017.

The only changes to the Statement of Cash Flows for the six months ended 31 December 2018 are to reflect the impact of the restatement of results for the six months ended 31 December 2017 and the balance sheet at 31 December 2017. The adoption of IFRS 15 has not impacted the Group's cash flows or cash balances.

Notes to the Financial Results

21. Restatement in respect of IFRS 15 (continued)

Restatement of results for the year ended 30 June 2018

The results for the year ended 30 June 2018 have been restated following the adoption in 2018 of IFRS 15.
In the year ended 30 June 2018 the adjustment to revenue recognised under the new standard resulted in a decrease in revenue of £478,000, profit before tax of £478,000 and profit after tax of £387,000, with these adjustments affecting the Risk & Compliance and Professional divisions.

Consolidated balance sheet at 30 June 2018

The consolidated balance sheet at 30 June 2018 has been restated following the adoption in 2018 of IFRS 15.
Deferred revenue has increased by £3,365,000 due to changes in the revenue recognition for training courses provided by the Risk & Compliance and Professional divisions.

There was no reclassification of deferred revenue against trade receivables in the consolidated balance sheet at 30 June 2018.

The deferred tax asset of £458,000 has increased by £479,000 to £937,000 to reflect the cumulative tax adjustment to 31 December 2017.

Consolidated balance sheet at 30 June 2018

	Previously reported £'000	IFRS 15 adjustment – revenue recognition £'000	IFRS 15 adjustment – net down of balance sheet £'000	Restated £'000
Non current assets: Deferred tax assets	458	479	-	937
Other non-current assets	110,984	-	-	110,984
Current assets: Trade and other receivables	28,233	-	-	28,233
Other current assets	11,106	-	-	11,106
Total assets	150,781	479	-	151,260
Current liabilities: Trade and Other Payables	(26,368)	-	-	(26,368)
Current liabilities: Deferred revenue	(24,746)	(3,365)	-	(28,111)
Other current liabilities	(2,042)	-	-	(2,042)
Other non-current liabilities	(55,109)	-	-	(55,109)
Total liabilities	(108,265)	(3,365)	-	(111,630)
Net assets	42,516	(2,886)	-	39,630

The only changes to the Statement of Comprehensive Income and Expense and the Statement of Changes in Equity for the year ended 30 June 2018 are to reflect the impact of the restatement of results for the year ended 30 June 2018.

The only changes to the Statement of Cash Flows for the year ended 30 June 2018 are to reflect the impact of the restatement of results for the year ended 30 June 2018 and the balance sheet at 30 June 2018. The adoption of IFRS 15 has not impacted the Group's cash flows or cash balances.

22. Events after the reporting period

Pedro Ros gave notice of his intention to step down from his position as Chief Executive Officer of the Company on 16 January 2019. Mr Ros retired from the Board on 13 February, after which date his employment with the Company will continue until 30 June 2019 to ensure a smooth and orderly handover.