Wilmington plc

2019

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Interim Report

for the six months ended 31 December 2019

Financial Highlights

- Revenue for the period £59.5m (2018: £58.3m) up £1.2m or 2% on an organic[1] basis
  - Building momentum from the achievements of the prior year
- Adjusted EBITA[2] £7.9m (2018: £7.8m) up 1%
  - Underlying revenue growth offset by increased staff costs to support growth initiatives
- Adjusted profit before tax[3] £6.9m (2018: £6.7m) up 4%
- Statutory profit before tax £4.1m (2018: £5.8m)
  - One-off £1.9m gain on sale of ICP business in prior year not repeated
- Adjusted basic earnings per share[4] 6.36p (2018: 6.16p) up 3%
- Statutory basic earnings per share of 3.59p (2018: 5.70p)
- Interim dividend increased 2% to 4.2p (2018: 4.1p)
- Cash conversion[5] of 70% (2018: 91%) on a comparable basis to last year. Reduction reflects reversal of abnormal working capital position at 30 June 2019
- Group net debt at 31 December 2019 was £41.3m (31 December 2018: £43.8m; 30 June 2019 £33.9m)

Operational Highlights

- Organic revenue growth in all three divisions
- Risk & Compliance division organic revenue growth of 2% against a strong prior period comparator
  - Year on year comparison impacted by the prior year's abnormal course timing in ICA which shifted revenue into H1 last year
  - ICA saw strong growth in online learning revenues
- Healthcare division delivered 3% organic revenue growth; building momentum following challenging recent years
  - UK Healthcare achieved sales growth but is taking longer to convert those sales to revenue due to change in product mix
  - US Healthcare business delivered strong organic growth of 20%
- Professional division stabilised to deliver modest organic revenue growth of 1% following 2% decline in prior financial year
  - Good performance in Investment Banking training business

- Continued focus on three previously identified key areas to deliver operational excellence: sales and marketing, product management and technology

- Portfolio management: review of business portfolio conducted by new Chief Executive Officer. Two businesses, CLT and Inese, undergoing strategic reviews

Outlook and Current Trading

- Normal second half weighting of revenue expected. Good progress on the specific events that impact H2
- On track to achieve full year revenue targets
- Action being taken with technology and digital content creation to accelerate digital transformation
- Additional cost of investment means adjusted PBT this year will be in line with that achieved last year; will also impact following year

Mark Milner, Chief Executive Officer, commented:

"The first half of the year has seen positive trading performance and we enter the second half with momentum continuing to build."

"Looking beyond this financial year, it is becoming clear that in order to drive the growth aspirations for the medium term, the business needs to invest further in its technology and digital content to ensure that its product portfolio is positioned in growth areas. These investments support our aspirations to build a focussed, modern, digital business portfolio capable of serving the changing requirements of our growing customer communities and through that deliver sustainable growth in shareholder value."

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[1] Organic – eliminating the effects of exchange rate fluctuations
[2] Adjusted EBITA – see note 5
[3] Adjusted profit before tax – see note 5
[4] Adjusted earnings per share – see note 11
[5] Cash conversion – see note 17

Operational and Strategic Review

Introduction
We are pleased to report on an encouraging period for Wilmington in which we have built on the momentum that we started to see in the prior year. All three divisions achieved organic revenue growth in the first six months of the current financial year which is an encouraging indication that the decision 18 months ago to focus on organic growth is starting to yield results. Overall the Group recorded underlying revenue growth of 2% which is an improvement on both the comparative interim period where revenue was flat and the prior full financial year growth of 1.5%.

All businesses within the Risk & Compliance division contributed to 2% organic revenue growth with the exception of the core Compliance business, ICA, which reported a slight decline. This was in line with expectations as it was mainly caused by timing differences which are expected to reverse in the second half of the year.

The Healthcare division is building momentum, delivering 3% organic revenue growth. This was driven by the overseas businesses with particularly impressive growth in US Healthcare. UK Healthcare continued to make progress with growth in new business sales. This did not translate into revenue growth due to a change in product mix, with the products driving the sales growth taking longer to convert into delivered revenue than those which they replaced.

Organic revenue growth within the Professional division, although modest, was a welcome reversal of the decline in the previous full year. Accountancy was flat once the impact of the Government's budget being delayed into the second half of the year is taken into account. Legal, in particular, faced challenging conditions in a market adversely impacted by Brexit uncertainty. Against this, the Investment Banking business delivered a strong performance in its key summer trading period.

Results and dividend
Revenue of £59.5m was up £1.2m or 2%. There were no acquisitions or disposals impacting the current or prior period and only minor impacts from changes in currency movements. As a result the organic growth rate was also 2%.

Adjusted profit before tax of £6.9m (2018: £6.7m) represented an increase of £0.2m or 4% with the additional revenue offset by increased staff costs partly to support the growth initiatives. This underlying cost increase was partially mitigated by a small foreign exchange gain in the period and lower underlying interest costs driven by a reduction in net debt.

Cash generation in the first half was as expected, with the traditional seasonal first half cash outflow compounded by additional tax payments due new UK tax payment on account regulations and higher capital expenditure related to computer software. Net debt at 31 December 2019 of £41.3m was up from £33.9m at 30 June 2019 but lower than the £43.8m at 31 December 2018.

In recognition of the growth in revenue and adjusted profit before tax as well as our confidence in the future prospects of the Group the Board is maintaining the progressive dividend policy which has been in place since 2013/14. The interim dividend will be increased 2% to 4.2p (2018: 4.1p) and will be paid on 9 April 2020 to shareholders on the share register as at 6 March 2020, with an associated ex-dividend date of 5 March 2020.

Operational excellence
As discussed in the latest Annual Report and to enable us to achieve our goal of generating sustained organic growth, under the leadership of our new Chief Executive Officer, Mark Milner, the Board have identified three components of operational excellence to focus on, namely sales and marketing, product management and technology.

Sales and marketing execution is, of course, a key factor in driving organic growth. Early in the year we identified that many areas of Wilmington have traditionally concentrated on maintaining existing customer relationships and have not focussed enough on seeking out new opportunities and clients. We have implemented a number of changes to develop a more proactive sales culture.

The implementation of a CRM system, Salesforce© which has now been rolled out to over two thirds of the Group, replacing many disjointed, legacy systems is beginning to yield results. Implementing a centralised system has allowed us to start adopting consistent, groupwide sales KPIs to enable more dynamic tracking of sales data and management of sales opportunities and targets.

We have begun to take a more unified approach to sales processes, sharing best practice across the Group's businesses. This has included the physical relocation of sales teams to a new centralised location or 'sales hub' in the London Head Office building. A review of sales teams in the Group identified certain businesses which would benefit from additional sales resource. This has resulted in the Group-wide sales resources increasing by 10 from the start of the year.

Sales teams will now be progressively going through our newly launched Sales Academy aimed at improving sales skills across the Group. We have engaged external contractors with extensive experience in our industries to develop a sales training programme. This will be a three level programme targeted at managing directors, sales leaders and sales staff and will be tailored to the specific types of sales skills needed in different areas of the Group.

We are already seeing the benefits of this increased sales focus, with all three divisions showing encouraging year on year growth in sales bookings for the six month period. We expect that, as the further changes are made, they will continue to improve sales execution performance across the Group.

Product management and new product development is another key to driving organic growth which we feel has received insufficient investment in recent years due to the previous focus on acquisitions rather than organic growth.

The new product development process launched last year has provided structure around assessing the opportunities for development, prioritising those with the most potential as well as tracking the progress of these investments throughout their development, and once they go to market. Our product development philosophy involves us creating 'minimum viable products' which serve the basic needs of our customers and then utilising our relationships with those customers to learn what additional features would be of value to them once the initial version has been launched.

A number of new products have been brought to market as part of this process including the online student dashboard in AMT, our investment banking training business, which allows both students and tutors to track progress on their training programme in real time. Where appropriate we now intend to roll this product out to our other training businesses. In total five products were signed off by our Investment Committee in the first half of the current financial year compared to only two in the same period last year.

Technology excellence was identified a number of years ago as a key component of the Group's strategy given the market trends towards digitisation and personalisation. There has been considerable investment made in this area since that time including rolling out group-wide CRM software, a marketing automation solution and an online learning platform. While we have gained many benefits from these investments already, we have identified a number of opportunities to strengthen the interfaces between these systems to allow us to gain enhanced value from them. To facilitate this, we have recently centralised technology teams that previously existed within specific businesses and brought them under the direction of Thomas Mount, our Chief Technology Officer who joined the business a year ago. Working with this combined team he will focus on improving these integrations which will both enhance the user experience and drive additional operational efficiencies.

Portfolio Management

Following Mark Milner's appointment in July 2019, he has completed a thorough review of our business portfolio, building on the work that was carried out as part of the consultant led business review conducted last year. This review has looked at each part of the portfolio and assessed its market position and the extent to which Wilmington is best placed to maximise its value. Through this review we have identified two businesses, CLT and Inese, where our ability to add value appears limited. Accordingly we have instigated strategic reviews of both businesses which, in combination, currently deliver annually around £7m of revenue and £0.5m of profit.

CLT, within the Professional division, is our only remaining law for lawyers business following the closure of Ark in 2017. The business has suffered over a number of years from changing requirements for continuing professional development for lawyers in England. Plans to offset the corresponding revenue and profit decline with growth in online training are not delivering the required returns. A strategic review is being carried out to assess alternatives for this business.

Inese, our Spanish business within the Risk & Compliance division, whilst performing well in its market, struggles to generate synergies with our other insurance business due to its geographical location and focus on the Spanish speaking insurance industry. We have therefore engaged external advisors to identify potential purchasers of the business.

Driving organic growth in revenue and profit remains the main focus of management and the Board in line with our stated priorities. Complementing this, active portfolio management will remain an important part of the Group's strategy. And, in time, we will consider investing the capital generated from our existing portfolio and that from any future disposals into acquisitions where we see clear opportunities which support those of our businesses with the most potential and which deliver shareholder value.

Current trading and outlook

The first half of the year has seen positive trading performance and we enter the second half with momentum continuing to build. Good progress is being made on the specific key events and opportunities that traditionally drive stronger second half revenue and profit. Overall therefore the Group remains on track to achieve its full year revenue growth expectations.

Looking beyond this financial year, it is becoming clear that in order to drive the growth aspirations for the medium term, the business needs to invest further in its technology and digital content to ensure that its product portfolio is positioned in growth areas. Those investments will include the integration of existing technologies to improve user experience, development of more structured data platforms to enhance the monetisation of existing data assets and acceleration of the on-going transition from face to face to online and blended learning. Associated investment will be needed in additional staff with new skills to drive these changes and in providing them with the required skills, tools and infrastructure.

These investments will build on and utilise what has already been invested over the last few years and much of what is now needed was already included in previous plans. However, the work conducted over the last six months has concluded that some of this investment needs to be enhanced and some of it accelerated to ensure that we can meet changing market demands. We expect those investments to commence in the second half of this year with, for example, initial work on building the platform and undertaking the digitisation of current face to face courses in the Compliance business. The cost implications of this investment, combined with that incurred in the first half of the year will mean that adjusted profit before tax for the current year is expected to be in line with that achieved in the last full year, with a further consequential impact in the following year.

These investments will allow the Group to accelerate its digital transformation. They support the longer term growth aspirations as we build a focussed, modern, digital business portfolio capable of serving the changing requirements of our growing customer communities and, through that, delivering sustainable growth in shareholder value.

Segmental Review

Note that as there have been no acquisitions or disposals impacting the current or prior period, variances described below as 'organic' reflect changes calculated at constant currency.

Risk & Compliance

	H1 2019	H1 2018	Absolute Variance	Organic Variance
Revenue	£'m	£'m		
Compliance	14.1	13.8	+2%	+2%
Risk	6.5	6.3	+3%	+1%
Total	**20.6**	**20.1**	**+3%**	**+2%**
Operating profit	**6.1**	**5.9**	**+3%**	**+2%**
Margin	30%	29%		

Overall revenue for the Risk & Compliance division was up 3% on an absolute basis and 2% on an organic basis at £20.6m (2018: £20.1m). This growth is in line with our expectations and demonstrates a robust performance against the strong first half comparatives in the prior year.

Within this, revenue in the Compliance businesses combined grew 2% on an absolute and organic basis. This reflected a good performance in Compliance Week and CLTi offset by an anticipated timing related reduction in the main Compliance business, ICA, which recorded a 2% organic reduction in revenue. This reflects an unusually strong comparative prior period due to the timing of certain courses shifting what is normally second half revenue into H1 in the prior year. This year reverts to a more normal pattern and strong registrations and sales activity in the first half means that ICA enters the second half with c.£1m more deferred revenue than twelve months ago which supports ICA's full year growth expectations.

Within ICA online learning is becoming an increasingly important revenue stream, growing 54% in the period. Further work is being undertaken to support the move to digitisation in ICA with a new digital platform being built for launch in summer 2020. Within ICA the Asia Pacific region experienced lower enrolments on public courses towards the end of the prior year due to forthcoming changes in the regulatory environment in Singapore which compounded the timing issues mentioned above. Excluding Asia Pacific, ICA's revenue grew by 5% on an organic basis. Accredited paid memberships of ICA continued to increase to over 15,000 from around 14,000 at the start of the financial year.

The remaining Compliance businesses performed well, delivering combined 8% organic revenue growth with each business contributing positively to the total. The wealth management business benefited from a more favourable course schedule timing which accelerated revenue into the first half. This will reverse in the second half of the year but the business also continues to benefit from the development of online learning materials opening up a more international market. Compared to a weak prior year Compliance Week had an encouraging period following its launch of a new online platform and a revised pricing strategy. Pendragon, our pensions regulation business also performed well due mainly to pricing changes and better client retention rates.

The Risk businesses reported modest organic growth of 1% with both businesses contributing positively. Axco, our insurance information business, delivered 4% absolute growth (up 1% on an organic basis). A new data platform with an enhanced regulatory alert system was launched in January 2020. The data platform allows the business to offer its data on a more targeted basis than was previously possible and the new alerts platform offers clients more timely regulatory updates on a large number of markets.

Inese, our Spanish insurance industry expert has delivered 2% organic revenue growth despite the loss of the revenue generated by the Barcelona office which was closed in July 2019. This growth is based on improved subscriptions for its digital publications.

Divisional operating profit was up 3% in absolute terms to £6.1m (2018: £5.9m). On an organic basis the increase was 2% reflecting the increase in revenue. Operating margin increased slightly to 30% (2018: 29%).

Healthcare

Revenue	H1 2019 £'m	H1 2018 £'m	Absolute Variance	Organic Variance
European Healthcare	14.5	14.6	-1%	0%
US Healthcare	3.1	2.5	23%	20%
Other Information Businesses	3.5	3.4	2%	2%
Total	**21.1**	**20.5**	**3%**	**3%**
Operating profit	**1.3**	**1.3**	**-1%**	**0%**
Margin	6%	6%		

Overall revenue for the Healthcare division grew 3% on both an organic and absolute basis to £21.1m (2018: £20.5m) demonstrating the momentum rebuilding in this division following challenges in recent years.

Within the division, the European Healthcare businesses overall were flat on an organic basis with growth in APM in France offset by a reduction in UK Healthcare.

APM continues to deliver good growth with revenue increasing by 8% on an organic basis. The growth was driven both by ongoing new sales of the new APMi product that was launched in July 2018 as well as growth from the business's traditional products.

In UK Healthcare revenue declined 3% on an organic basis despite sales bookings growing by mid-single digits compared to the prior period. This primarily reflected a shift in the mix of sales away from products which are converted rapidly into revenue towards products which take longer to deliver. One-off sales of contact data have fallen, due in part to the market's hesitancy around purchasing such data following the introduction of GDPR regulation. Conversely sales of Specialist Share Data which provides pharmaceutical companies with insight into the usage of products have risen. This data is captured over time, often up to twelve months, with the revenue recognised over the same period.

Good progress was achieved by the Interactive Medica products which are now fully integrated within the UK Healthcare business. The Interactive Medica platform now forms the core of the Wilmington Healthcare cloud which is being progressively rolled out as the delivery mechanism for various data products. This is being supported by enhanced versions of a number of other products which improves their value to clients and ultimately their competitive position.

Our US healthcare business, FRA, made a good recovery from what was a difficult prior year, delivering an organic revenue increase of 20%. There has been a shift in focus to quality key events delivering 19 in H1 this year compared to 24 in the prior year. A number of events outperformed the previous year including RISE West, held in San Diego, where delegate numbers increased by 50%. In the second half of the year we will host FRA's flagship event - RISE Nashville, which moves to a new larger venue following recent growth. It will be complemented by a co-located sister event on Social Determinants of Health which will run at the same time.

The other Information Businesses reported in this division achieved 2% revenue growth for the period due to a one-off sale of genealogy data. Also in the period we concluded a new agreement with HM Court Services which secures access to wills and probate orders that form the core of our mortality data products.

Operating profit in the Healthcare division was unchanged at £1.3m (2018: £1.3m) with operating margin also remaining unchanged at 6%. In addition to normal inflation, the increase in costs reflected investment in sales resource in FRA in the second half of the prior year to drive the revenue growth plus the filling of previous staff vacancies in the UK Healthcare business. Given the fixed nature of many of the costs and the weighting of revenue towards H2, the operating margin in Healthcare is expected to improve significantly in the second half of the year as it did last year.

Professional

	H1 2019	H1 2018	Absolute Variance	Organic Variance
	£'m	£'m		
Revenue	**17.8**	**17.7**	**1%**	**1%**
Operating profit	**2.7**	**2.9**	**-7%**	**-6%**
Margin	15%	17%		

The Professional division overall delivered revenue of £17.8m (2018: £17.7m) growing 1% on both an absolute and organic basis. Although modest, this growth is supressed by adverse timing issues and marks a turnaround from the 2% decline in the prior year. It comes despite the division facing challenging market conditions with demand for many of its products impacted by Brexit related uncertainty that affected the UK economy in the second half of 2019.

Following a tough prior year in which three separate businesses were integrated into a single nationwide programme of products, performance in Accountancy has improved, delivering flat revenues compared to the prior year once the impact of the anticipated Government Budget being delayed until H2 is taken into account. Progress is being made in the area of technical support, driven by the current challenges in the UK accountancy / audit market and the increasing regulatory pressure on small and mid-tier accountancy firms which make up our core clients. We will be looking to increase staffing in this area in the second half to support this demand.

The Legal businesses experienced a 2% organic revenue decline as growth in regulatory training offset a market-related reduction in CPD training for lawyers. Progress was particularly made in the Law for Non-Lawyers business, Bond Solon, where framework contracts to provide Government agencies with regulatory training is helping to provide a more predictable revenue stream. The business has also continued to see good demand for witness familiarisation training and for training of expert witnesses following a number of high profile cases of court processes adversely impacted by under-qualified expert witnesses.

AMT, our Investment Banking training business, whose peak summer months fall into H1, performed well, recording double digit revenue growth. This is a positive sign that the investment made in an online learning dashboard and the move onto Totara© has been well received in what is a very competitive market. A shortfall in internal trainer capacity meant the business relied more on higher cost consultant trainers in the peak season which slightly impacted on operating margins in the period.

Operating profit in the Professional division fell by £0.2m to £2.7m (2018: £2.9m). The relatively small cost increase that caused this was due partly to the trainer cost issues discussed above in AMT. Operating margins as a result declined to 15% (2018: 17%).

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 decreased by £0.5m to £1.8m from £2.3m for the same six-month period in the prior year. This decrease was attributable to the one-off business review conducted in the prior year plus a reduction in tax and audit fees.

Financial review

Change in accounting policies
From 1 July 2019 the Group has adopted the new lease accounting standard IFRS 16. Wilmington has opted to apply the modified retrospective approach to adoption meaning the prior year comparators have not been adjusted. In the current year adoption of this standard has had immaterial impacts on profit before tax, adjusted EBITA and adjusted PBT but resulted in the recognition of material 'right of use assets' and 'lease liabilities' on the Balance Sheet and a material reclassification of certain accruals to right of use assets. The commentary below identifies the impact of the changes. See note 19 for a full reconciliation.

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 future or past performance where equivalent information cannot be presented using financial measures under IFRS. Adjusted results exclude adjusting items, gain on sale of subsidiary and amortisation of intangible assets (excluding computer software).

	H1 2019	H1 2018	Absolute variance		Organic variance
	£'m	£'m	£'m		
Revenue	59.5	58.3	1.2	2%	2%
Adjusted EBITA	7.9	7.8	0.1	1%	1%
Margin %	*13.3%*	*13.4%*			

Revenue
For the six months ended 31 December 2019 revenue increased by £1.2m or 2% to £59.5m (2018: £58.3m). The Group's major non-Sterling revenues are in US Dollars and Euros. On average over the period the US Dollar strengthened against Sterling whereas the Euro weakened in the same period. These currency impacts essentially netted off and, with no impact of acquisitions or disposals in the period, accordingly organic revenue growth was also 2%.

Revenue generated from customers outside the UK increased as a percentage of overall revenue to 45% (2018: 42%) due to good organic growth in our US businesses, particularly in the Healthcare division.

Recurring revenue (i.e. subscription income and repeatable revenues) as a percentage of total revenue dropped 2 percentage points to 71% from 73% last year due to much of the revenue growth in the period being generated by non-repeatable revenues such as events.

Across the entire business, digital learning revenues as a proportion of total training revenues continued to increase from 30% last year to 33%.

Operating expenses before adjusting items, amortisation and impairment
Adjusted operating expenses i.e. before adjusting items and amortisation of intangible assets (excluding computer software) were £51.6m up £1.1m or 2% from £50.5m in the comparative six months ended 31 December 2018.

Within adjusted operating expenses non-employment related costs fell £0.5m from £24.9m to £24.4m. This reduction includes £0.6m of costs in the first half of the prior year which were one-off in nature and have not repeated; namely £0.4m of business review costs and a £0.2m foreign exchange cost. In the current year £0.4m of costs recognised last year in H1 will move into H2 mirroring the timing shift in Compliance revenue. On an on-going basis therefore, non-employment costs increased by £0.5m of which £0.4m were the direct costs associated with delivering the additional £1.2m of revenue. The remaining £0.1m increase reflected general inflation of £0.3m offset by the on-going reclassification of £0.2m of previous operating expense to finance costs in line with the new lease accounting standard IFRS 16.

Employment costs at £27.2m (2018: £25.6m) increased £1.6m. This reflects share-based payment costs of £0.4m compared to nil in the prior period as a result of a change in vesting expectations that period. Salary inflation accounted for £0.5m of the increase with employment costs rising by a further £0.7m primarily due to additional headcount, with the Group's full time equivalent ('FTE') headcount at 31 December 2019 being 886 compared to 860 at 30 June 2019.

The Group's business model involves the engagement across a typical year of around 1,000 part-time consultants or associates in activities such as training, setting and marking exams, and short-term development projects. Changes to the HMRC IR35 legislation which regulates the tax treatment of such individuals is anticipated to come into effect on 5 April 2020. It is expected to increase operating expenses on a full year basis by around £0.5m with an impact in the final three months of this year of £0.1m.

Adjusted operating profit ('Adjusted EBITA')
As a result of the increase in revenue and changes in adjusted operating expenses, adjusted EBITA was up £0.1m or 1% to £7.9m (2018: £7.8m). Adjusted operating margin (adjusted EBITA expressed as a percentage of revenue) remained flat at 13%.

Adjusting items within operating expenses
Adjusting items within operating expenses were £0.5m (2018: £0.1m). They represent 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. The amount recognised in the period reflects deferred consideration for the acquisitions of both Evantage, for which the final payment was made in the period, and Interactive Medica, which will be settled in the second half of the year.

Amortisation excluding computer software
Amortisation of intangible assets (excluding computer software) was £2.4m (2018: £2.6m). The small decrease reflects certain historic assets being fully amortised in the second half of the prior year.

Finance costs
Underlying finance costs fell £0.2m to £0.8m (2018: £1.0m) driven by a fall in net debt levels compared to the same period twelve months ago. Offsetting this, the new lease accounting standard IFRS 16 increased finance costs by £0.2m meaning overall finance costs remained constant at £1.0m.

Profit before taxation
Profit before tax was £4.1m (2018: £5.8m), however the year on year comparison was significantly affected by one-off items, principally the gain on sale of ICP in the prior year. Adjusting for these one-off items, adjusted profit before tax was up £0.3m or 4% at £6.9m (2018: £6.7m).

Taxation
The tax charge was £0.9m compared to £0.8m in the prior period. The overall effective tax rate[6] was 23% (2018: 14%) with the increase reflecting the treatment of the gain on sale of ICP in the prior period comparator.

The underlying tax rate[7] which ignores the tax effects of adjusting items remained essentially flat at 20% (2018: 20%), which is a good guide to the expected full year underlying tax rate.

Earnings per share
Adjusted basic earnings per share increased by 3% to 6.36p (2018: 6.16p), owing to the increase in adjusted profit before tax. Statutory basic earnings per share were 3.59p compared to 5.70p in 2018 with the decrease driven by the one-off gain on sale of ICP in the prior year.

Balance Sheet
Non-current assets
Goodwill fell slightly to £77.1m at 31 December 2019 from £77.5m at 31 December 2018 due to exchange translation differences.

Intangible assets decreased by £3.3m to £21.7m at 31 December 2019 (31 December 2018: £25.1m) primarily due to amortisation, offset by additions to capitalised and purchased computer software of £3.2m over the last twelve months. Additions in the first six months of the current year were £1.6m and included significant investments in our ecommerce platforms, online learning development and the ongoing integration of the technology platforms in the Accountancy businesses.

Property, plant and equipment fell £1.1m to £5.3m at 31 December 2019 from £6.4m twelve months previous. Adoption of IFRS 16 caused £0.3m of this decrease, with the amount being reclassified to right of use assets. The remaining £0.8m fall was due to depreciation of £1.5m being only partially offset by additions of which £0.3m were in H1 of the current financial year.

Deferred consideration receivable
Upon the disposal of ICP in July 2018 £2.2m of deferred consideration receivable, discounted to present value, was recognised on the balance sheet. The value at 31 December 2019 is £2.3m compared to £2.2m at 31 December 2018 due to an unwind of the discounting which has been credited to finance costs in the Income Statement. Of the £2.3m total, £0.2m sits within current assets as it will be received within twelve months of the Balance Sheet date.

Trade and other receivables
Trade and other receivables increased £1.8m to £28.2m (2018: £26.4m). This increase was largely due to increased billings in December 2019, which were £1.6m higher than the previous year. The aging of the trade receivables improved with overdue debtors falling by 10% compared to 31 December 2018.

Trade and other payables
Total balances remained relatively unchanged at £50.1m from £50.4m at 31 December 2018. Within this subscriptions and deferred revenue increased by £3.5m or 13% to £30.1m (2018: £26.6m). Of this increase £1.3m is the impact of a change in the method of billing certain Accountancy subscriptions, with these now being invoiced once at the start of the twelve-month subscription instead of monthly as in prior years. The remaining increase is due to improved sales, with £0.9m relating to deferred revenue for the core Compliance business ICA.

Excluding subscriptions and deferred revenue, trade and other payables decreased by £3.7m of which £1.6m was due to a reclassification under IFRS 16 of accruals relating to rent free periods from trade payables to right of use assets. The remaining fall is due to a decrease in non-employment professional fees plus a change in timings of invoices from suppliers.

Current tax assets/(liabilities)
At 31 December 2019 there was a current tax asset of £1.7m up from an asset of £0.5m at 31 December 2018. This increase was due to HMRC accelerating the payment of quarterly tax instalments for large companies, resulting in an additional £1.2m of tax payments on account in the period compared to the prior year.

Right of use assets and lease liabilities and the implementation of IFRS 16 – Leases.
IFRS 16 has resulted in almost all leases being recognised on the balance sheet. The amounts recognised for right of use assets £10.9m and lease liabilities £12.5m reflect the adoption of IFRS 16. As permitted by the standard, comparatives for 2018 have not been restated and the cumulative brought forward impact of rental expenses being replaced by depreciation and interest has been recognised as an opening adjustment to retained earnings.

Deferred consideration payable
The liability for deferred consideration payable decreased by £1.0m from £1.6m at 30 June 2019 to £0.6m at 31 December 2019 (31 December 2018: £1.3m). The movement in the period reflects the £1.3m payment in relation to the settlement of the final amount owing for Evantage partially offset by the build-up of the deferred consideration relating to Interactive Medica. The remaining balance is all due for payment within twelve months.

[6] The effective tax rate is calculated as the total tax charge divided by profit before tax
[7] The underlying tax rate is calculated as one minus the adjusted profit after tax divided by the adjusted profit before tax

Net debt and cashflow
Net debt, which includes cash and cash equivalents, bank loans (excluding capitalised loan arrangement fees) and bank overdrafts, was £41.3m (30 June 2019: £33.9m; 31 December 2018: £43.8m). Cash conversion was 83% (2018: 91%), although year on year comparison of the percentages is impacted by adoption of IFRS 16. With this adjusted for, the comparable cash conversion this year would be 70%. The fall in cash conversion is mainly due to the unwind of the favourable working capital position at 30 June 2019.

This cash conversion was offset by the payment of the deferred consideration, capital expenditure of £1.9m and corporation tax payments of £3.4m.

Net debt at 31 December 2019 represented 64% of our £65m debt and overdraft facility (31 December 2018: 58%).

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 an asset of £0.4m and a liability of £0.1m at 31 December 2019 (30 June 2019: liability of £0.2m; 31 December 2018: liability of £0.5m). This asset and liability will unwind in the next twelve months.

Share capital
During the period 64,350 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 2019 to 87,603,917 (30 June 2019 and 31 December 2018: 87,539,567).

Treasury and ESOT reserve
During the period, the Employee Share Option Trust purchased 80,000 shares in Wilmington plc at a total cost of £0.2m to satisfy future obligations under the Group's various share plans.

Dividend
An interim dividend of 4.2p per share (2018: 4.1p) will be paid on 9 April 2020 to shareholders on the share register as at 6 March 2020, with an associated ex-dividend date of 5 March 2020. This represents an increase of 2% reflective of the Directors' intention to maintain the progressive dividend policy that has been in place since 2013/14.

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 19 February 2020 and is signed on its behalf by

Richard Amos
Chief Financial Officer

Officers

Directors:

Martin Morgan
Chairman

Mark Milner
Chief Executive Officer

Richard Amos
Chief Financial Officer & Company Secretary

Derek Carter
Senior Independent
Non-Executive Director

Nathalie Schwarz
Non-Executive Director

Paul Dollman
Non-Executive Director

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 2019 (unaudited) £'000**	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Continuing operations				
Revenue	6	**59,475**	58,300	122,525
Operating expenses before amortisation of intangibles excluding computer software and adjusting items		**(51,563)**	(50,501)	(101,074)
Adjusting items	7	**(486)**	(132)	(1,443)
Amortisation of intangibles excluding computer software	7	**(2,381)**	(2,607)	(5,049)
Operating expenses		**(54,430)**	(53,240)	(107,566)
Other income – gain on sale of subsidiary		**—**	1,906	1,906
Operating profit		**5,045**	6,966	16,865
Net finance costs	8	**(979)**	(1,008)	(2,103)
Share of loss of equity accounted investment		**—**	(115)	(50)
Profit before tax	5	**4,066**	5,843	14,712
Taxation	9	**(924)**	(843)	(3,519)
Profit for the period		**3,142**	5,000	11,193
Attributable to:				
Owners of the parent		**3,142**	4,983	11,149
Non-controlling interests		**—**	17	44
		3,142	5,000	11,193
Earnings per share attributable to the owners of the parent:				
Basic (p)	11	**3.59**	5.70	12.74
Diluted (p)	11	**3.54**	5.65	12.64
Adjusted earnings per share attributable to the owners of the parent:				
Basic (p)	11	**6.36**	6.16	17.44
Diluted (p)	11	**6.29**	6.10	17.30

The notes on pages 16 to 26 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Profit for the period	**3,142**	5,000	11,193
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to the Income Statement			
Fair value movements on interest rate swap (net of tax)	**56**	54	32
Currency translation differences	**(88)**	505	643
Net investment hedges (net of tax)	**345**	(409)	(424)
Other comprehensive income for the period, net of tax	**313**	150	251
Total comprehensive income for the period	**3,455**	5,150	11,444
Attributable to:			
Owners of the parent	**3,455**	5,133	11,400
Non-controlling interests	—	17	44
	3,455	5,150	11,444

Items in the statement above are disclosed net of tax. The notes on pages 16 to 26 are an integral part of these financial statements.

Consolidated Balance Sheet

	Notes	**31 December 2019 (unaudited) £'000**	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Non-current assets				
Goodwill	12	**77,078**	77,497	77,535
Intangible assets	12	**21,736**	25,083	23,213
Property, plant and equipment	12	**5,292**	6,411	5,967
Right of use assets	12	**10,942**	—	—
Deferred consideration receivable		**2,098**	2,154	2,221
Deferred tax assets		**741**	849	555
Derivative financial instruments	4	—	—	23
		117,887	111,994	109,514
Current assets				
Trade and other receivables	13	**28,178**	26,350	29,112
Current tax asset		**1,721**	533	—
Derivative financial instruments	4	**367**	—	—
Deferred consideration receivable		**193**	—	—
Cash and cash equivalents		**6,031**	12,428	7,921
		36,490	39,311	37,033
Total assets		**154,377**	151,305	146,547
Current liabilities				
Trade and other payables	14	**(50,124)**	(50,370)	(57,168)
Current tax liabilities		—	—	(312)
Lease liabilities		**(2,424)**	—	—
Deferred consideration payable – cash settled		**(572)**	(1,256)	(1,550)
Derivative financial instruments	4	**(133)**	(278)	—
		(53,253)	(51,904)	(59,030)
Non-current liabilities				
Borrowings	15	**(46,711)**	(55,975)	(41,790)
Lease liabilities		**(10,087)**	—	—
Derivative financial instruments	4	—	(177)	(226)
Deferred tax liabilities		**(2,383)**	(2,847)	(2,633)
		(59,181)	(58,999)	(44,649)
Total liabilities		**(112,434)**	(110,903)	(103,679)
Net assets		**41,943**	40,402	42,868
Equity				
Share capital	16	**4,380**	4,377	4,377
Share premium	16	**45,225**	45,225	45,225
Treasury and ESOT reserves	16	**(300)**	(96)	(96)
Share based payments reserve		**915**	585	839
Translation reserve		**3,200**	3,150	3,288
Accumulated losses		**(11,477)**	(12,904)	(10,765)
Equity attributable to owners of the parent		**41,943**	40,337	42,868
Non-controlling interests		—	65	—
Total equity		**41,943**	40,402	42,868

The notes on pages 16 to 26 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Share capital, share premium, treasury shares and ESOT 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 2018 (audited)	**49,500**	**1,108**	**2,645**	**(13,939)**	**39,314**	**82**	**39,396**
IFRS 15 restatement	—	—	—	234	234	—	234
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)
At 31 December 2018 (unaudited)	**49,506**	**585**	**3,150**	**(12,904)**	**40,337**	**65**	**40,402**
Profit for the period	—	—	—	5,932	5,932	27	5,959
Other comprehensive income/(expense) for the period	—	—	138	(37)	101	—	101
	49,506	585	3,288	(7,009)	46,370	92	46,462
Dividends	—	—	—	(3,587)	(3,587)	—	(3,587)
Share based payments	—	254	—	—	254	—	254
Tax on share based payments	—	—	—	45	45	—	45
Movements in non-controlling interest	—	—	—	(214)	(214)	(92)	(306)
At 30 June 2019 (audited)	**49,506**	**839**	**3,288**	**(10,765)**	**42,868**	**—**	**42,868**
Effect of initial application of IFRS 16 (note 19)	—	—	—	(182)	(182)	—	(182)
Tax relating to initial application of IFRS 16	—	—	—	35	35	—	35
At 1 July 2019 (unaudited)	**49,506**	**839**	**3,288**	**(10,912)**	**42,721**	**—**	**42,721**
Profit for the period	—	—	—	3,142	3,142	—	3,142
Other comprehensive (expense)/income for the period	—	—	(88)	401	313	—	313
	49,506	839	3,200	(7,369)	46,176	—	46,176
Dividends	—	—	—	(4,378)	(4,378)	—	(4,378)
Issue of share capital	3	(242)	—	239	—	—	—
ESOT share purchases	(204)	—	—	—	(204)	—	(204)
Share based payments	—	318	—	—	318	—	318
Tax on share based payments	—	—	—	31	31	—	31
At 31 December 2019 (unaudited)	**49,305**	**915**	**3,200**	**(11,477)**	**41,943**	**—**	**41,943**

The notes on pages 16 to 26 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Notes	**Six months ended 31 December 2019 (unaudited) £'000**	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Cash flows from operating activities				
Cash generated from operations before adjusting items	17	**6,585**	7,083	26,439
Cash flows for adjusting items – operating activities		**(271)**	(412)	(810)
Cash flows from tax on share based payments		**(17)**	(33)	(33)
Cash generated from operations		**6,297**	6,638	25,596
Interest paid		**(814)**	(1,004)	(1,943)
Tax paid		**(3,420)**	(2,254)	(3,943)
Net cash generated from operating activities		**2,063**	3,380	19,710
Cash flows from investing activities				
Purchase of businesses net of cash acquired		**—**	(100)	(79)
Sale of subsidiary net of cash		**—**	60	60
Deferred consideration paid		**(1,385)**	(1,522)	(1,522)
Purchase of non-controlling interests		**—**	—	(224)
Cash flows for adjusting items – investing activities		**—**	(74)	(405)
Purchase of property, plant and equipment		**(304)**	(554)	(1,332)
Proceeds from disposal of property, plant and equipment		**18**	28	112
Purchase of intangible assets		**(1,637)**	(761)	(2,324)
Net cash used in investing activities		**(3,308)**	(2,923)	(5,714)
Cash flows from financing activities				
Dividends paid to owners of the parent		**(4,378)**	(4,200)	(7,787)
Dividends paid to non-controlling interests		**—**	(34)	(34)
Share issuance costs		**(3)**	(6)	(6)
Payment of lease liabilities		**(1,129)**	—	—
Purchase of shares by ESOT		**(204)**	—	—
Cash flows for loan arrangement fees		**(708)**	(12)	(24)
Increase in bank loans		**7,000**	6,000	6,000
Decrease in bank loans		**(1,000)**	(1,000)	(15,399)
Net cash (used in)/generated from financing activities		**(422)**	748	(17,250)
Net (decrease)/increase in cash and cash equivalents, net of bank overdrafts		**(1,667)**	1,205	(3,254)
Cash and cash equivalents, net of bank overdrafts, at beginning of the period		**7,921**	11,033	11,033
Exchange (losses)/gains on cash and cash equivalents		**(223)**	190	142
Cash and cash equivalents, net of bank overdrafts at end of the period		**6,031**	12,428	7,921
Reconciliation of net debt				
Cash and cash equivalents at beginning of the period		**7,921**	10,789	10,789
Cash classified as held for sale		**—**	244	244
Bank loans at beginning of the period	15	**(41,790)**	(50,665)	(50,665)
Net debt at beginning of the period		**(33,869)**	(39,632)	(39,632)
Net (decrease)/increase in cash and cash equivalents (net of bank overdrafts)		**(1,890)**	1,395	(3,112)
Net (drawdown)/repayment in bank loans		**(6,000)**	(5,000)	9,399
Exchange gain/(loss) on bank loans		**423**	(524)	(524)
Cash and cash equivalents at end of the period		**6,031**	12,428	7,921
Bank loans at end of the period	15	**(47,367)**	(56,189)	(41,790)
Net debt at end of the period		**(41,336)**	(43,761)	(33,869)

The notes on pages 16 to 26 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 19 February 2020.

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 2019 were approved by the Board of Directors on 18 September 2019 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.

1. Basis of preparation

This Interim Information for the six months ended 31 December 2019 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 2019 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 2019 except for the adoption of the new standard and interpretation effective as of 1 July 2019 listed below:

- IFRS 16 *Leases*

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group was 1 July 2019.

IFRS 16 prescribes a single lessee accounting model that requires the recognition of a right of use asset and corresponding liability for all leases with terms over twelve months, unless the underlying asset is of low value. The liability is initially measured at the present value of future lease payments for the lease term. The right of use asset is depreciated, with the depreciation charge and the interest on the corresponding lease liability being recognised in the income statement over the lease term. In the cash flow statement the total amount of cash paid in respect of lease payments is reflected in cash flows from financing activities. Details of the transition and the impact on the financial statements are specified in note 19.

The Group has adopted the modified retrospective approach to application, using transitional reliefs available. It has not restated comparatives and on transition the Group recognised a cumulative adjustment to the opening balance of retained earnings at 1 July 2019.

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 2019. 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 £47m (2018: £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.

Notes to the Financial Results

3. Principal risks and uncertainties (continued)

(a) Interest rate risk (continued)

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.

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 $11.0m (2018: $19.2m) and €2.4m (2018: €2.4m) 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 80% of the Group's expected net US dollar and Euro income:

Currency	Amount (millions)	Maturity date	Foreign exchange rate
US dollar	1.0	12 July 2019	1.2579
US dollar	1.0	27 September 2019	1.2622
US dollar	1.0	25 October 2019	1.2637
Euro	1.0	27 November 2019	1.1095
US dollar	1.0	20 December 2019	1.2663
US dollar	1.0	31 January 2020	1.2686
Euro	1.0	31 January 2020	1.1067
US dollar	2.0	28 February 2020	1.2698
US dollar	2.0	27 March 2020	1.2708
US dollar	2.0	24 April 2020	1.2721
Euro	1.0	24 April 2020	1.1033
US dollar	1.5	29 May 2020	1.2734

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.

Notes to the Financial Results

3. Principal risks and uncertainties (continued)
(c) Liquidity and capital risk (continued)

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 3 July 2019 Wilmington plc extended its revolving credit facility through to 3 July 2023 (with the option to extend it to 3 October 2024). The terms of the old and extended facility are included below:

Old facility that expired on 3 July 2019
The Group had a £65m revolving credit facility with Barclays Bank PLC, HSBC Bank plc and The Royal Bank of Scotland plc from 1 July 2015. The facility comprised of a revolving credit facility of £60m and an overdraft facility across the Group of £5m. In addition, the facility also provided an accordion option whereby the unsecured committed bank facility may be increased by up to £35m to a total commitment of £100m if required subject to majority lending bank consent. 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.

Extended facility that is effective from 3 July 2019 and expires on 3 July 2023 (with an option to extend it to 3 October 2024)
The Group has a £65m revolving credit facility with Barclays Bank PLC, The Governor and Company of the Bank of Ireland and The Royal Bank of Scotland plc from 3 July 2019. The facility comprised of a revolving credit facility of £60m and an overdraft facility across the Group of £5m. In addition, the extended facility also provides for an accordion option whereby the unsecured committed bank facility may be increased if required subject to majority lending bank consent. Interest is charged on the amount drawn down at between 1.50 and 2.25 (the 'Margin') per cent above LIBOR depending upon leverage, and drawdowns are made for periods of up to six months in duration. Interest is charged on the drawn element of the overdraft facility at 1.50% and 2.25% per cent above the Barclays bank base rate depending upon leverage. The Group also pays a fee of 40% of the applicable Margin on the undrawn element of the credit facility and the undrawn overdraft.

(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 19 February 2020.

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 the expected credit loss allowance. The Group applies a simplified approach to measure the expected credit loss allowance for trade receivables classified at amortised cost, using the twelve month expected loss provision.

The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for current observable data.

Notes to the Financial Results

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 asset of £367,113 (2018: £278,131 liability) for foreign exchange trading derivatives at fair value through income or expense. In addition, the Group has recognised a level 2 financial liability of £133,445 (2018: £176,605) for two (2018: 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.

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;
- adjusting items (included in operating expenses);
- other income – gain on sale of subsidiary
- share of loss of equity accounted investment; and
- net finance costs.

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

	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Profit before tax	**4,066**	5,843	14,712
Amortisation of intangible assets excluding computer software	**2,381**	2,607	5,049
Adjusting items (included in operating expenses)	**486**	132	1,443
Other income – gain on sale of subsidiary	—	(1,906)	(1,906)
Adjusted profit before tax	**6,933**	6,676	19,298
Share of loss of equity accounted investment	—	115	50
Net finance costs	**979**	1,008	2,103
Adjusted operating profit ('adjusted EBITA')	**7,912**	7,799	21,451
Depreciation of property, plant and equipment included in operating expenses	**684**	572	1,359
Depreciation of right of use assets	**1,006**	—	—
Amortisation of intangible assets - computer software	**752**	652	1,477
Adjusted EBITA before depreciation ('adjusted EBITDA')	**10,354**	9,023	24,287

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 2019 (unaudited)		Six months ended 31 December 2018 (unaudited)		Year ended 30 June 2019 (audited)	
	Revenue £'000	**Contribution £'000**	Revenue £'000	Contribution £'000	Revenue £'000	Contribution £'000
Risk & Compliance	**20,560**	**6,091**	20,058	5,906	42,453	12,670
Healthcare	**21,096**	**1,255**	20,560	1,271	46,310	7,337
Professional	**17,819**	**2,731**	17,682	2,923	33,762	5,808
Group contribution	**59,475**	**10,077**	58,300	10,100	122,525	25,815
Unallocated central overheads	—	**(1,802)**	—	(2,308)	—	(4,152)
Share based payments	—	**(363)**	—	7	—	(212)
	59,475	**7,912**	58,300	7,799	122,525	21,451
Amortisation of intangible assets excluding computer software		**(2,381)**		(2,607)		(5,049)
Adjusting items (included in operating expenses)		**(486)**		(132)		(1,443)
Other income – gain on sale of subsidiary		—		1,906		1,906
Net finance costs		**(979)**		(1,008)		(2,103)
Share of loss of equity accounted investment		—		(115)		(50)
Profit before tax		**4,066**		5,843		14,712
Taxation		**(924)**		(843)		(3,519)
Profit for the financial period		**3,142**		5,000		11,193

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 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
UK	**32,579**	33,814	69,839
North America	**10,920**	8,745	20,829
Europe (excluding the UK)	**10,778**	11,077	22,055
Rest of the world	**5,198**	4,664	9,802
Total revenue	**59,475**	58,300	122,525

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 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Costs relating to successful and aborted acquisitions, disposals and integration	—	84	74
Impairment of loan receivable	—	—	331
Costs associated with the change in CEO	—	—	549
Net increase in the liability for deferred consideration	**486**	48	489
Other adjusting items (included in operating expenses)	**486**	132	1,443
Amortisation of intangible assets excluding computer software	**2,381**	2,607	5,049
Total adjusting items (classified in profit before tax)	**2,867**	2,739	6,492

The increase in the liability for deferred consideration relates to adjustments to deferred consideration in respect of Interactive Medica Limited and Evantage Consulting Limited.

8. Net finance costs

	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Net finance costs comprise:			
Interest payable & receivable on bank loans and overdrafts	**800**	985	1,921
Unwinding of the discount on royalty payments receivable	**(70)**	(60)	(127)
Notional interest on lease liabilities	**166**	—	—
Amortisation of capitalised loan arrangement fees	**83**	83	309
	979	1,008	2,103

9. Taxation

	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Current tax:			
Current tax on profits for the period	**1,308**	1,151	3,316
Adjustments in respect of previous years	**—**	—	244
Total current tax	**1,308**	1,151	3,560
Deferred tax:			
Deferred tax credit	**(384)**	(308)	(41)
Total deferred tax	**(384)**	(308)	(41)
Taxation	**924**	843	3,519

Notes to the Financial Results

10. Dividends

Distributions to owners of the parent in the period:

	Six months ended 31 December 2019 (unaudited) pence per share	Six months ended 31 December 2018 (unaudited) pence per share	Year ended 30 June 2019 (audited) pence per share	**Six months ended 31 December 2019 (unaudited) £'000**	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Final dividends recognised as distributions in the year	**5.0**	4.8	4.8	**4,378**	4,200	4,200
Interim dividends recognised as distributions in the year	**—**	—	4.1	—	—	3,587
Total dividends paid in the period				**4,378**	4,200	7,787
Interim/final dividend proposed	**4.2**	4.1	5.0	**3,671**	3,587	4,375

The Trustee of the ESOT waived dividends on shares held by the ESOT. At 19 February 2020, the ESOT held 160,000 shares in the company.

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;
- 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 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Earnings from continuing operations for the purpose of basic earnings per share	**3,142**	4,983	11,149
Add/(remove):			
Amortisation of intangible assets excluding computer software (net of non-controlling interests)	**2,381**	2,607	5,049
Adjusting items (included in operating expenses)	**486**	132	1,443
Other income – gain on sale of subsidiary	**—**	(1,906)	(1,906)
Tax effect of adjustments above	**(436)**	(432)	(475)
Adjusted earnings for the purposes of adjusted earnings per share	**5,573**	5,384	15,260
	Number	Number	Number
Weighted average number of ordinary shares for the purpose of basic and adjusted earnings per share	**87,577,105**	87,466,362	87,513,422
Effect of dilutive potential ordinary shares:			
Future exercise of share awards and options	**1,067,312**	753,794	719,509
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**88,644,417**	88,220,156	88,232,931
Basic earnings per share	**3.59p**	5.70p	12.74p
Diluted earnings per share	**3.54p**	5.65p	12.64p
Adjusted basic earnings per share ('adjusted earnings per share')	**6.36p**	6.16p	17.44p
Adjusted diluted earnings per share	**6.29p**	6.10p	17.30p

Notes to the Financial Results

12. Goodwill, Intangible assets, Property, plant and equipment and right of use assets

	Goodwill £'000	Intangible assets £'000	Property, plant and equipment £'000	Right of use assets £'000
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**	—
Additions	—	1,563	455	—
Disposals	—	(211)	(123)	—
Exchange translation differences	38	45	11	—
Depreciation of property, plant and equipment	—	—	(787)	—
Amortisation of intangible assets excluding computer software	—	(2,442)	—	—
Amortisation of computer software	—	(825)	—	—
Closing net book amount as at 30 June 2019 (audited)	**77,535**	**23,213**	**5,967**	—
Transition to IFRS 16 (note 19)	—	—	(273)	11,105
Opening net book amount as at 1 July 2019 (unaudited)	**77,535**	**23,213**	**5,694**	**11,105**
Additions	—	1,637	304	843
Disposals	—	—	(15)	—
Exchange translation differences	(457)	19	(7)	—
Depreciation of property, plant and equipment	—	—	(684)	—
Depreciation of right of use assets	—	—	—	(1,006)
Amortisation of intangible assets excluding computer software	—	(2,381)	—	—
Amortisation of computer software	—	(752)	—	—
Closing net book amount as at 31 December 2019 (unaudited)	**77,078**	**21,736**	**5,292**	**10,942**

13. Trade and other receivables

	31 December 2019 (unaudited) £'000	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Trade receivables	**22,101**	20,321	23,058
Prepayments and other receivables	**6,077**	6,029	6,054
	28,178	26,350	29,112

14. Trade and other payables

	31 December 2019 (unaudited) £'000	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Trade and other payables	**20,031**	23,770	26,374
Subscriptions and deferred revenue	**30,093**	26,600	30,794
	50,124	50,370	57,168

Notes to the Financial Results

15. Borrowings

	31 December 2019 (unaudited) £'000	31 December 2018 (unaudited) £'000	30 June 2019 (audited) £'000
Non-current liability			
Bank loans	**47,367**	56,189	41,790
Capitalised loan arrangement fees	**(656)**	(214)	**—**
Bank loans net of facility fees	**46,711**	55,975	41,790

16. Share capital

	Number of ordinary shares of 5p each	**Ordinary shares £'000**	**Share premium account £'000**	**Treasury and ESOT reserves £'000**	**Total £'000**
At 1 July 2018 (audited)	**87,414,073**	**4,371**	**45,225**	**(96)**	**49,500**
Shares issued	125,494	6	—	—	6
At 31 December 2018 (unaudited) and 30 June 2019 (audited)	**87,539,567**	**4,377**	**45,225**	**(96)**	**49,506**
Shares issued	64,350	3	—	—	3
ESOT share purchases	—	—	—	(204)	(204)
At 31 December 2019 (unaudited)	**87,603,917**	**4,380**	**45,225**	**(300)**	**49,305**

On 19 September 2019, 64,350 ordinary shares were issued in respect of the vesting of the 2016 PSP Share Awards to employees (including Directors).

At 31 December 2019, 46,584 shares (2018: 46,584) were held in Treasury, which represents 0.1% (2018: 0.1%) of the called up share capital of the Company.

At 31 December 2019, the ESOT held 80,000 shares (2018: nil) in the company, which represents 0.1% (2018: nil%) of the called up share capital. At 19 February 2020, the ESOT held 160,000 shares in the company.

17. Cash generated from operations

	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Profit from continuing operations before income tax	**4,066**	5,843	14,712
Adjusting items	**486**	132	1,443
Depreciation of property, plant and equipment	**684**	572	1,359
Depreciation of right of use assets	**1,006**	—	—
Gain on sale of subsidiary	—	(1,906)	(1,906)
Amortisation of intangible assets	**3,133**	3,259	6,526
Profit on disposal of property, plant and equipment	**(3)**	(2)	36
Share based payments (including social security costs)	**363**	(7)	212
Share of loss of equity accounted investment	—	115	50
Net finance costs	**979**	1,008	2,103
Operating cash flows before movements in working capital	**10,714**	9,014	24,535
Decrease/(increase) in trade and other receivables	**664**	3,027	(258)
(Decrease)/increase in trade and other payables	**(4,793)**	(4,958)	2,162
Cash generated from operations before adjusting items	**6,585**	7,083	26,439

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 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Funds from operations before adjusting items:			
Adjusted EBITA	**7,912**	7,799	21,451
Share based payments (including social security costs)	**363**	(7)	212
Amortisation of intangible assets – computer software	**752**	652	1,477
Depreciation of property, plant and equipment included in operating expenses	**684**	572	1,359
Depreciation of right of use assets	**1,006**	—	—
(Profit)/loss on disposal of property, plant and equipment	**(3)**	(2)	36
Operating cash flows before movements in working capital	**10,714**	9,014	24,535
Net working capital movement	**(4,129)**	(1,931)	1,904
Funds from operations before adjusting items	**6,585**	7,083	26,439
Cash conversion	**83%**	91%	123%

The 83% conversion percentage this year is not comparable to the 91% last year due to the different treatment of lease rental costs in the current year following adoption of IFRS 16. On a comparable basis to last year the cash conversion would be 70%.

	Six months ended 31 December 2019 (unaudited) £'000	Six months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Free cash flows:			
Operating cash flows before movement in working capital	**10,714**	9,014	24,535
Proceeds on disposal of property, plant and equipment	**18**	28	112
Net working capital movement	**(4,129)**	(1,931)	1,904
Interest paid	**(814)**	(1,004)	(1,943)
Payment of lease liabilities	**(1,129)**	—	—
Tax paid	**(3,420)**	(2,254)	(3,943)
Purchase of property, plant and equipment	**(304)**	(554)	(1,332)
Purchase of intangible assets	**(1,637)**	(761)	(2,324)
Free cash flows	**(701)**	2,538	17,009

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.

Close family members of key management personnel provided services to the Group during the period for lecturing. The total invoiced for these services was £49,883 (2018: £55,006).

19. Transition to IFRS 16

On 1 July 2019 the Group adopted the new accounting standard IFRS 16 Leases.

The Group has adopted the modified retrospective approach to application, using transitional reliefs available. It has not restated comparatives and on transition the Group recognised a cumulative adjustment to the opening balance of retained earnings at 1 July 2019. The Group has also made use of the following transitional reliefs:

- Exclusion of initial direct costs from the measurement of the right-of-use assets at the date of application
- Exemption from transition of leases with a remaining term less than twelve months
- Application of the discount rate at the date of transition, rather that the date of lease commencement, to calculate the value of the lease liabilities
- Leases for low value assets have been excluded from transition
- The group will not reassess whether a contract is or contains a lease, and the definition of a lease under IAS 17 will continue to apply to leases entered into before 1 July 2019.

Notes to the Financial Results

19. Transition to IFRS 16 (continued)

At the 1 July 2019 transition date, adoption of IFRS 16 resulted in the Group recognising right-of-use assets of £11.1m and lease liabilities of £12.5m. There is a reduction of £1.6m to other payables in respect of accrued rent free amounts netted against the right of use assets. There is a £0.1m opening adjustment to retained earnings to reflect the difference between carrying values of right of use assets and lease liabilities at the transition date, and an associated deferred tax asset has also been recognised. There is also a £0.3m reclassification between property plant and equipment and right of use assets, relating to an asset retirement obligation.

Impact on the consolidated balance sheet

The effect on the consolidated balance sheet of the implementation of IFRS16 Leases on 1 July 2019 is summarised below:

	Group		
	Reported 30 June 2019 (audited) £'000	**IFRS 16 adjustments 1 July 2019 £'000**	**Adjusted 1 July 2019 (unaudited) £'000**
Non-current assets			
Property, plant and equipment	5,967	(273)	5,694
Right of use assets	—	11,105	11,105
Deferred tax assets	555	35	590
Other non current assets	102,992	—	102,992
	109,514	**10,867**	**120,381**
Current assets	37,033	—	37,033
Total assets	**146,547**	**10,867**	**157,414**
Current liabilities			
Trade and other payables	(57,168)	1,616	(55,552)
Lease liabilities	—	(2,475)	(2,475)
Other current liabilities	(1,862)	—	(1,862)
	(59,030)	**(859)**	**(59,889)**
Non-current liabilities			
Lease liabilities	—	(10,155)	(10,155)
Other non-current liabilities	(44,649)	—	(44,649)
Total liabilities	**(103,679)**	**(11,014)**	**(114,693)**
Net assets	**42,868**	**(147)**	**42,721**
Equity			
Share capital, share premium and treasury shares	49,506	—	49,506
Other reserves	4,127	—	4,127
Accumulated losses	(10,765)	(147)	(10,912)
Total equity	**42,868**	**(147)**	**42,721**

Impact on the consolidated income statement

For the 6 months ended 31 December 2019 there was an income statement depreciation charge of £1.0m relating to right of use assets associated with IFRS 16 leases and an interest cost relating to the IFRS 16 lease liabilities of £0.2m.

Impact on the consolidated cash flow statement

Payments in respect of leases which were previously recognised within cash flows from operating activities are now recorded within cash flow from financing activities.

20. 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) deliver seasonally low revenue in July, August and December which include holiday periods for many of the Group's clients. Secondly, Inese, Compliance Week and FRA have major annual events in the second half of the year.

21. Events after the reporting period

Inese, our Spanish business within the Risk & Compliance division, whilst performing well in its market, struggles to generate synergies with our other insurance business due to its geographical location and focus on the Spanish speaking insurance industry. We have therefore engaged external advisors to identify potential purchasers of the business and since the balance sheet date have commenced active marking at a reasonable sale price. As a result, after the balance sheet date the assets and liabilities related to Inese meet the criteria of an asset held for sale under IFRS 5.