Wilmington plc

Turning knowledge into advantage

2016

Wilmington plc
Interim Report

for the six months ended 31 December 2016

Stock Code: WIL

Welcome to Our Interim Report 2016

Wilmington operates in four key knowledge areas, Risk & Compliance, Finance, Legal and Insight.

Wilmington's vision:

To be the recognised knowledge leader and partner of choice for information, education and networking in Risk & Compliance, Finance and Legal; as well as the Insight leader in a number of chosen industries.

Wilmington Risk & Compliance | Wilmington Finance | Wilmington Legal | Wilmington Insight

Reasons to invest:

- Clear vision and focus
- Emphasis on organic growth
- Increasing international opportunities
- Strong positions in well-funded professional markets
- High conversion of operating profits into free cash flows
- High proportion of subscription and repeatable revenues

Contents

Investor website

Our corporate website at **www.wilmingtonplc.com** contains a wide range of information of interest to institutional and private investors including:

- Latest news and press releases
- Annual reports and investor presentations

Operating and Financial Review

Wilmington recorded strong revenue growth during the period from Risk & Compliance and Insight, supported by acquisition led growth in Finance offset by the expected continued decline in our Legal division. Profit growth was constrained by the previously announced planned investments in our compliance businesses and from a generally weaker performance from AMT and our US operations which are being restructured in response. Recent acquisitions have performed well in both revenue and profit contribution terms and these results have also benefited from favourable currency exchange effects on revenue and to a limited extent on profits.

Overall revenue grew £5.4m (11%) to £54.8m (2015: £49.4m) and Adjusted EBITA grew £0.3m (3%) to £10.0m (2015: £9.7m). Foreign currency exchange rate movements benefited revenue by £2.4m and acquisitions contributed a further £3.8m. In underlying terms, adjusting for acquisitions and the impact of foreign currency exchange effects, organic revenue was down by 2%.

EBITA margins at 18.3% were down, largely as expected, compared to 2015 (19.7%) reflecting, inter alia, the planned investments of £0.3m in our compliance business combined with the previously reported impact of AMT business lost last year and the weaker US operations performance.

Finance costs, which include interest charges and associated costs, increased to £0.9m from £0.8m reflecting the higher average debt levels in this period compared to 2015. This higher level is due primarily to £9.3m of acquisition and related spend during 2016.

The growth in Adjusted EBITA was offset by increased finance costs translated into Adjusted Profit before Tax up 2% (£0.2m) to £9.1m (2015: £8.9m). Foreign currency translation impacts were only marginally beneficial to overall profits in the period due to the impact of foreign currency hedges taken out prior to Brexit.

Business Vision and Strategy

Our vision which acts as our guide and underpins our strategy is:

"To be the recognised knowledge leader and partner of choice for information, education and networking in Risk & Compliance, Finance and Legal as well as the Insight leader in a number of chosen industries"

The first stage in implementing our new strategy announced in January 2015 was to simplify the group structure, identifying gaps in our offerings and to provide greater clarity on the Group's capital allocation. We have made good progress in creating a more compelling offering through a knowledge-based model and customer focus. Through selective earnings enhancing acquisitions we have now reached a key milestone with information, education and networking capabilities for all four of our knowledge areas. We have also continued to strengthen our infrastructure, technology and resources to build a more integrated and international business to help support our growth strategy.

Operating and Financial Review

Project Sixth Gear; more focus, more scale

The next stage of our strategy is to simplify and integrate the business still further, maximising client relationships and provide the basis for further organic and acquisition led growth and scale. To help achieve this, we have announced project Sixth Gear. This project will accelerate Wilmington's transition to an integrated global business with a more focused structure and an emphasis on maximising client relationships. The accelerated integration and pooling of resources will help capitalise on internal economies of scale.

More focused structure

To simplify Wilmington further we will reorganise our business into three divisions effective from this announcement: Risk & Compliance, Professional, and Healthcare. Our three divisions following the reorganisation will be of similar revenue size on a pro forma basis[1]. Following our recent acquisition of HSJ in January 2017 we are starting to build significant scale in our Healthcare division and we will be looking to do the same for each of our priority areas for investment: compliance, insurance (risk) and healthcare.

As a result of our decision to focus the business around these three knowledge areas we plan to exit legal practice support services. We will therefore be looking to dispose of our Ark business which contributed £3.1m to revenue and £0.7m to profits in 2015/16. A process to find a new home for the Ark business has already commenced.

New Reporting Structure

In order to operate in a more focused structure and to help us build more scale in our areas of strength, the Group will report on a divisional basis with effect from the results for the year to 30 June 2017 as follows:

Risk & Compliance division will concentrate on servicing the existing strong organic demand supported by selective earnings enhancing acquisitions in the areas of risk & compliance as well as investments in new products, data services and new territories. The emphasis will continue to be servicing the needs of risk managers and compliance officers globally.

Professional division will provide information, education and networking support to professionals in the accountancy, financial services, and legal markets. This business will focus on supporting the post qualification needs of individual professionals and SMEs with an increasing emphasis on exploiting international opportunities and an accelerated move to expand our online e-learning solutions; areas where we feel the revenue growth opportunities are greatest. The key brands will be maintained and we will seek to integrate common functions such as venue bookings, e-learning technology, marketing and support systems thereby generating economies of scale. To speed up the integration and exploitation of opportunities a new divisional MD will be appointed and the emphasis will be on organic rather than acquisition led growth.

[1] Revenue for the year ended 30 June 2016 with HSJ's revenue included for the same period

Healthcare division will be the renamed Insight division recognising that well over 80% of its revenue following the HSJ acquisition will come from healthcare markets. We will look to replicate the UK strategy of having information (particularly insight data and analytics), education and networking capabilities on a country by country basis with emphasis on our existing market presence in France and the US either organically or by acquisition.

In line with our strategy all three divisions will offer information, networking and education capabilities servicing key defined communities, supported by best-in-class technology. The divisions will look to exploit international and digital opportunities using and replicating expertise from their existing market positions. Each division will also act as our specialist knowledge expert and centre of excellence providing expertise and R&D to support the two other divisions.

Maximising client relationships

Clients remain at the centre of everything we do at Wilmington. As we continue to focus on building a more integrated and international business to support our growth strategy, Sixth Gear will deliver clear synergistic benefits enhancing cross-divisional collaboration between all three divisions.

In order to maximise client relationships, we have launched our Key Account Program (KAP) to reinforce account-management capabilities prioritising the development of strategic corporate partnerships and to identify cross-market potential. This initiative will be supported by our group wide CRM platform (Salesforce) which we started to implement 3 years ago.

We have seen initial successes of this account-management initiative in our Insight division with traction from our healthcare and pharma clients and we expect that our KAP will be a driver of growth in the future.

These important planned changes will accelerate the central theme of more focus and more scale.

Accelerating integration

There are a number of simultaneous workflows under project Sixth Gear all with the common objective to bring our business closer, enhancing Wilmington's collaborative culture. We will exploit opportunities arising from the new structure and increase commonality in terms of shared services and resources. There are a number of workflows including the roll-out of common e-learning technology and programmes, flexible working technology, centralised marketing support, and centralisation of procurement. The main workflows centre on London property consolidation, enhancing our e-learning capability and the continued roll-out of common global systems.

We operate across three properties in London and have been actively reducing our office space requirements by implementing more flexible working practices and through the transfer of back office functions to lower cost locations which started last year and finished in October 2016. Our objective is to consolidate all London operations into one premises whilst retaining our purpose built training facility acquired with SWAT.

Operating and Financial Review

Wilmington, particularly through its AMTO (AMT Online) platform, has benefited from development of e-learning capabilities and intends to expand and upgrade this capability as part of Sixth Gear. We have, as previously reported, recruited a head of e-learning and support team to resource this exciting initiative.

Project Sixth Gear excluding the London property consolidation will cost in total £1.2m (including £0.6m of capital expenditure); of which £0.2m has been incurred to date. We expect the project to yield benefits in terms of enhanced performance and more focused operations but in any event to cover its costs within two years. Any material developments on the London property consolidation will be communicated as appropriate.

Acquisitions

On 19 July 2016, Wilmington acquired SWAT Group Limited ("SWAT"), a provider of training, and technical compliance support to accountancy firms in London and the South West of England. The consideration was settled by an initial cash payment of £2.4m with a deferred cash consideration payment in September 2018 subject to SWAT achieving challenging profit targets over the two financial years ending 30 June 2018. The acquisition provides Wilmington with a bigger presence in the London face-to-face accountancy training market, and extends Wilmington's business into the South West of England where it has been under-represented. The acquisition also provides a clear opportunity to sell technical and marketing services to SWAT's clients as well as providing access to the accountancy student training market.

On 31 January 2017, Wilmington announced the acquisition of HSJ, the UK's leading health information, insight and networking business, for and initial cash payment of £17m (£19m less a £2m working capital adjustment). HSJ will sit within Wilmington's Healthcare division and positions Wilmington as the leading provider of insight, analytics, networking and education in the UK healthcare market. Uniquely, Wilmington Healthcare will have a UK industry presence across both provider/payer and the private sector in Pharma and MedTech and other healthcare providers. Healthcare expenditure is inexorably rising and businesses need the solutions that Wilmington Healthcare provides to optimise their activities. The acquisition will enhance Wilmington's access to senior decision makers and to a wider group of healthcare stakeholders who will benefit from Wilmington's enhanced solutions. This move will open further cross-selling and network opportunities for Wilmington to provide even more powerful, market leading insight and lead generation opportunities to our clients.

Wilmington has been acquisitive in the past and we will continue to review opportunities to enhance growth and to add expertise through selective earnings enhancing acquisitions consistent with our strategy. Our priority areas for capital allocation remain compliance, insurance and healthcare as we focus on adding further scale to our existing market positions.

Our People

As an increasingly digital information education and networking business, operating in dynamic and competitive markets, we are fundamentally reliant on the quality and professionalism of our people. We would once again like to express our own and our fellow Board members' appreciation of the hard work and dedication of all our people. We would also like to take the opportunity to welcome our new colleagues from HSJ to the Wilmington family.

Dividend

The Board's policy is to pay a progressive dividend reflecting our confidence in the vision and resilience of our business models. I am pleased to confirm that the interim dividend for this year will be 3.9p (2015: 3.8p) per share, an increase of 3% on last year. It is the Board's intention to maintain its progressive dividend policy whilst ensuring that a suitable dividend cover of at least two times adjusted earnings per share compared to the dividend per share is maintained.

The interim dividend of 3.9p per share will be paid on 7 April 2017 to shareholders on the share register as at 10 March 2017, with an associated ex-dividend date of 9 March 2017.

Outlook and Current Trading

The financial year, as previously communicated, has had a mixed start. Some of our businesses particularly in Healthcare, have performed well. Other areas including our compliance businesses have had significant planned investment which has held back their reported profit as expected, whilst other business have not performed and we have made appropriate changes.

We continue to see tighter regulatory control and more complex legislation implemented in many of our key markets which in turn continues to drive the demand for our products and services globally. The Board will continue to review opportunities to add additional growth and expertise through organic investment and selective earnings enhancing acquisitions consistent with our strategy with emphasis on compliance, insurance and healthcare.

The second half of the year tends to be more profitable for Wilmington and will be boosted by the expected positive impacts from the HSJ and SWAT acquisitions and strong momentum from our key growth drivers of compliance, insurance and healthcare. However, profit growth is expected to be partially offset by a weaker than planned performance from AMT and Compliance Week and due to lower initial revenue from our new US compliance investment.

As we move into the second half, we look forward to delivering another good set of results for the full year. We believe project Sixth Gear bodes well for the Group's prospects with a view to accelerating longer term growth and we will update the market in due course.

Operating and Financial Review

Business Review

Wilmington currently manages and reports its business by reference to four knowledge based divisions: Risk & Compliance, Finance, Legal and Insight. The results from the recent SWAT acquisition are included within the Finance division.

From and including 30 June 2017 we will be presenting information on the current structure and representing the same information on our new three divisional structure of Risk & Compliance, Professional and Healthcare.

Risk and Compliance (36% of Group revenue, 48% of Group contribution)

This division provides in-depth regulatory and compliance accredited training and information, market intelligence, and analysis. It focuses on the international financial services and international insurance markets as well as the UK pensions industry. The main community that uses our offerings are risk and compliance officers globally.

	2016	2015	Movement	
	£'m	£'m	£'m	%
Revenue	**19.5**	17.6	1.9	11
Contribution	**5.6**	5.6	0.0	
Margin %	**29**	32		

Divisional revenue grew £1.9m (11%) and by 6% on an organic basis.

Compliance

Our Compliance business, which accounts for just over 50% of the division's revenue, grew 20% compared to 2015 (13% organic growth in constant currency terms).

Wilmington provides accredited training programmes in anti-money laundering, compliance and financial crime. It has also developed compliance training programmes in the Banking, Oil & Gas, Pharmaceuticals, Betting, Legal, Accountancy and Gaming sectors. One of our objectives is to carefully expand our offerings across existing Wilmington market verticals and into new geographical territories whilst maintaining the strong business momentum derived from verticals where we are already embedded.

Within the compliance business, public and in-house courses grew by nearly 20% organic and our online training revenue grew by over 40%. Demand for our products and services continues to be strong in the Asia Pacific markets, serviced mainly through our new larger Singapore office which saw revenue grow by 20% (constant currency) in the period. This continued strong organic performance across our businesses reflects general demand for accredited compliance training and qualifications supplied globally both for individual professionals and as part of bespoke corporate assignments.

During the period as previously reported we have invested an additional £0.3m on two important initiatives. The first initiative was establishing a US office, with dedicated trainers, resources and localised programmes to access the US public and corporate compliance markets and to provide US qualifications and certificates. Our second initiative has been the launch of a new audit training business ("ICA Compass") to provide support to client financial enterprises which seek to achieve ISO 19600 (Compliance Management Systems).

As part of the initiative, we have successfully completed our first assignment for an international financial services client under ISO 19600. The US compliance training office which was set up earlier in this period will be formally launched in March 2017 starting with a public course open day. Initial forecast sales demand is a little weaker than we had hoped but we are confident of the medium term potential benefits of this initiative.

ICA, the global association for compliance professionals, has seen its paid membership more than double in the space of six months following from the significant expansion of networking events and professional support services. Momentum is strong and membership continues to climb strongly.

Compliance Week, our US governance, risk and compliance events and information business, saw revenue down by 8% (constant currency) largely due to a weaker than expected performance from our annual Compliance Conference in Brussels. We have invested and are continuing to invest in new content and people to reposition the business as a global governance, risk and compliance ('GRC') resource centre and events business collaborating with other parts of Wilmington.

Risk

The Risk part of the division contains our insurance businesses: Axco, ICP and Inese and our Pensions business Pendragon. Overall growth was 3% (flat in constant currency terms) with Axco, the industry leading provider of insurance market intelligence, regulation and compliance information, reporting a 6% (4% constant currency) revenue growth. In August 2016 we successfully opened a new insurance events and training office in Barcelona in response to increasing localised demand for our Insurance offerings.

Overall divisional contribution was flat at £5.6m (2015: £5.6m) and down £0.1m (3%) on a constant currency basis. Margins were down slightly, reflecting, inter alia, the £0.3m investment in compliance and the impact on Compliance Week profits which suffered from a revenue shortfall and increased investment costs.

Finance (22% of Group revenue, 16% of Group contribution)

This division includes Wilmington's financial training businesses of Mercia, SWAT and AMT and the financial services networking business of FRA. The Finance division provides expert and technical training, networking and support services to professionals in corporate finance, hedge funds, mutual funds, PE, and capital markets; and to qualified accountants in the UK in both the profession and industry. This division serves primarily tier 1 banks, the international financial services industry, and small to medium sized professional accountancy firms.

Operating and Financial Review

	2016 £'m	2015 £'m	Movement £'m	%
Revenue	**12.4**	11.6	0.8	7
Contribution	**1.9**	2.4	(0.5)	(21)
Margin %	**16**	21		

Divisional revenue grew £0.8m (7%) and by 2% on a constant currency basis.

As previously reported, AMT, which forms an important part of the division and delivers most of its revenue and contribution in the summer months, had a weak start. This was mainly due to the competition issues previously highlighted but also due to some softening of investment bank training assignments and margins in the Asia Pacific region. The impact of this reduced high margin AMT revenue has, as largely expected, had a material impact on the division's profits. The US and UK business has stabilised, however, we are closely monitoring our Asia Pacific operations and our local team has been strengthened including the appointment of a Managing Director for the Asia Pac region.

SWAT, acquired on 19 July 2016, contributed £2.2m to revenue and £0.3m to profits. Integration has gone well and the business is performing well and in line with plan.

Overall divisional contribution was down 21% (£0.5m) compared to last year at £1.9m (2015: £2.4m). Margins were down due to AMT and the impact of lower SWAT margins.

Legal (13% of Group revenue, 7% of Group contribution)

The Legal division provides a range of training, professional support services and information including Continuing Legal Education ("CLE"), expert witness training, databases and magazines to legal professionals. The business, which offers a wide range of services, is currently focusing on two basic offerings: providing education services to lawyers in the profession and industry ('Law for lawyers'); and training services for non-lawyers ('Law for non-lawyers').

	2016 £'m	2015 £'m	Movement £'m	%
Revenue	**7.1**	7.6	(0.5)	(7)
Contribution	**0.8**	0.6	0.2	24
Margin %	**11**	8		

Divisional revenue reduced by £0.5m (7%) and reduced by 9% on a constant currency basis.

The revenue reduction reflects to a large extent the challenging market conditions previously reported surrounding reduced demand for face-to-face training connected to the changes to the Legal CLE rules which came into full effect in October 2016.

The law for lawyers business offers post qualification training aimed at SME law firms (through CLT) as well as legal practice support services (though Ark). As explained we are now refocusing on providing e-learning and face-to-face training to individual lawyers and SME firms whilst at the same time repositioning our course output making it more relevant for our client's changing demands. This renewed focus means we will be exiting some legal markets and disposing of the Ark business. Ark revenues in 2015/16 were £3.1m.

Law for non-lawyers, which accounts for around 50% of the division, saw a small reduction in revenue compared to a very strong 2015 comparator period.

Despite the ongoing challenging market conditions, the division managed to increase its contribution by £0.2m to £0.8m (2015: £0.6m) benefiting from its reorganisation last year. Margins in the Legal division increased from 8% in 2015 to 11% in the same 2016 period.

Insight (29% of Group revenue, 29% of Group contribution)

The Insight division increasingly provides analysis and clarity to customer-focused organisations, enabling them to better understand and connect with their markets. This division includes our UK healthcare information businesses, our French language medical news agency, the healthcare networking events of FRA and our data suppression and charity information businesses.

	2016 £'m	2015 £'m	Movement £'m	Movement %
Revenue	**15.8**	12.5	3.2	26
Contribution	**3.4**	2.8	0.6	22
Margin %	**22**	22		

Divisional revenue grew £3.2m (26%) and by 19% on a constant currency basis. Non-healthcare revenue was £3.6m (2015: £3.7m).

Wilmington Healthcare business, which following the HSJ acquisition will represent over 80% of the division by revenue on a pro forma basis, had a good overall start to the year with organic revenue from the UK businesses up 15%. The drivers of organic growth continue to be higher margin assignment led projects involving data analytics and expert market knowledge led by NHiS.

Overall organic growth for the division was 3% due to a weaker December quarter performance by FRA and underlying albeit low single digit downward revenue trends from the mature non-Healthcare businesses. Healthcare acquisitions contributed £1.7m to revenue growth.

Benefiting from a contribution of £0.6m from acquisitions, overall contribution increased by 22% (£0.6m) to £3.4m (2015: £2.8m). Contribution growth was 19% in constant currency terms.

Currency impact

All of our divisions are to varying degrees affected by translation impacts from foreign currency exchange rate movements. Risk & Compliance revenues are around 25% US dollars and Wilmington in the year to 30 June 2016 generated around 20% of its revenue in US $ and 10% in Euros. Prior to Brexit the Group entered into foreign currency contracts to sell $10m at an average rate of $1.46 and €3.5m at an average rate of €1.26 which was the expected net currency earnings for 2016/17.

Group Overheads

Group overheads, which include plc Board costs, head office salaries, as well as unallocated central overheads, were flat at £1.7m (2015: £1.7m).

Operating and Financial Review

	2016 £'m	2015 £'m	Movement £'m	Movement %
Revenue	**54.8**	49.4	5.4	11
Adjusted EBITA	**10.0**	9.7	0.3	3
Adjusted EBITA %	**18.3**	19.7		

Adjusted Results

Reference is occasionally made in this financial review to Adjusted Results. Adjusted Results in the opinion of the Directors provide a more comparable indication of the Group's underlying financial performance and exclude Adjusting Items set out in note 7.

Revenue

Revenue for the six months to 31 December 2016 increased by £5.4m to £54.8m (2015: £49.4m). Excluding the impact of acquisitions, foreign exchange and disposals, organic revenue was down 2%.

Net Operating Expenses

Net operating expenses, excluding adjusting items, were £44.8m (2015: £39.6m) up 13%.

Amortisation of Intangible Assets

Amortisation of intangible fixed assets (excluding computer software) at £2.8m (2015: £3.0m) reflecting six months of amortisation of intangible fixed assets arising on the acquisitions of Wellards and Evantage acquired in 2015/16 and six months' amortisation arising on the acquisitions of SWAT acquired in July 2016 offset by reductions from acquisitions now fully amortised.

Adjusting Items – included in Operating Expenses

Adjusting items of £0.9m (2015: £0.9m) includes £0.3m in respect of acquisitions, £0.2m in respect of an aborted property disposal and £0.4m of project Sixth Gear costs including the back office relocation started in May 2016.

Adjusting Items – included in Net Finance Costs

The 2015 comparator figure of £0.2m relates to the write-off of old capitalised loan arrangement fees and associated legal and professional costs attached to the extension of the loan facility on 1 July 2015 at more favourable rates.

Net Finance Costs

Net finance costs, which consist of interest payable and bank charges, were up £0.1m from £0.8m (excluding adjusting items) to £0.9m reflecting inter alia increased debt associated with £9.3m spent on acquisitions and related costs since 1 January 2016 offset by strong cash generation.

The Group typically sees lower cash conversion in the first half of its financial year although cash conversion in this period was relatively weaker at 79% compared to 85% last year. One main reason for the weaker cash conversion was the disruption associated with the move of back office functions including credit control from London to Basildon. The back office move is complete and functioning normally.

Share Based Payments

The share based payment expense was £0.3m (2015: £0.3m).

Taxation

Taxation increased by £0.2m to £1.2m from £1.0m. The increase in the tax expense is due to higher profits.

The underlying tax rate which ignores the tax effects of adjusting items was maintained at 22.6% (2015: 23.0%).

Operating Profit

Operating profit increased 7% to £5.9m from £5.6m. Adjusted EBITA was up 3% at £10.0m (2015: £9.7m) and Adjusted EBITA margins were down 140bps to 18.3% (2015: 19.7%) reflecting investment in Risk and Compliance and reduced profits from Compliance Week and AMT.

Profit before Taxation

Profit before taxation was up £0.5m (11%) at £5.0m (2015: £4.5m). Adjusted Profit before Tax increased by 2% (£0.2m) to £9.1m from £8.9m.

Earnings per Share

Adjusted Basic Earnings per Share increased by 2% to 8.10p (2015: 7.93p). Basic earnings per share increased to 4.43p from 3.94p and diluted earnings per share increased to 4.39p from 3.90p.

Goodwill

Goodwill increased by £3.0m to £73.7m since 30 June 2016 resulting from the acquisition of SWAT in the year (£2.0m), and currency translation impacts.

Intangible Assets

Intangible assets increased since 30 June 2016 by £0.8m reflecting £3.2m of acquisitions and additions in the year and exchange rate movements of £0.9m offset by amortisation of £3.3m.

Property, Plant and Equipment

Property, plant and equipment increased since 30 June 2016 by £0.3m to £4.9m reflecting additions to tangible fixed assets of £0.2m from acquisitions and £0.6m of normal fixed asset additions offset by depreciation.

Trade and Other Receivables

Trade and other receivables increased by £6.2m compared to 31 December 2015 reflecting acquisitions of £1.1m and higher trading activity particularly in FRA in advance of the RISE event but also slower payment collection associated with the move of UK back office functions from London to Basildon.

Trade and Other Payables

Trade and other payables, which include deferred income, were up £5.1m compared to 31 December 2015 reflecting the increase in trade payables of £2.2m (£0.9m from acquisitions) and subscriptions and deferred income. Subscriptions and deferred income, which represents revenue received in advance increased by 13% from £21.3m in 2015 to £24.2m. Underlying growth was 8% (3% constant currency) and acquisitions contributed £1.1m to the increase. There was strong growth in deferred income balances for ICA membership (up 47%), Axco (up 12%), FRA (up 15% constant currency) offset by declines in Compliance Week, Finance and the Charities businesses within Insight.

Operating and Financial Review

Net Debt

Net debt, which includes cash and cash equivalents, bank loans and bank overdrafts, was £40.6m (2015: £36.6m), an increase of £4.0m. Net debt increased, inter alia, due to the acquisitions of SWAT, Wellards and Evantage for £9.3m net of cash offset by good operating cash flow. In support of the acquisition of HSJ the group increased its debt facility to £85 million from £65 million on 17 January 2017 under the accordion provision of the loan agreement.

Current Tax Liabilities

Current tax liabilities increased by £0.1m to £0.8m at 31 December 2016 reflecting higher profits across the group.

Deferred Consideration

The liabilities of £0.2m and £2.3m relate to the deferred cash payments to the vendors of SWAT of £1.1m and to the vendors of Evantage of £1.4m.

Dividend

It is the Board's intention to pay a progressive dividend whilst ensuring a cover of at least two times the Group's adjusted earnings per share over the dividend per share in respect of the financial year. An interim dividend of 3.9p per share (December 2015: 3.8p) will be paid on 7 April 2017 to shareholders on the register as at 10 March 2017, with an associated ex-dividend date of 9 March 2017.

Pedro Ros
Chief Executive Officer

Anthony M Foye
Chief Financial Officer

Consolidated Income Statement

	Notes	Six months ended 31 December 2016 (unaudited) Adjusted results £'000	Adjusting items (note 7) £'000	Statutory results £'000	Six months ended 31 December 2015 (unaudited) Adjusted results £'000	Adjusting items (note 7) £'000	Statutory results £'000	Year ended 30 June 2016 (audited) Statutory results £'000
Continuing operations								
Revenue	6	**54,813**	**—**	**54,813**	49,363	—	49,363	105,724
Net operating expenses		**(44,790)**	**(947)**	**(45,737)**	(39,630)	(873)	(40,503)	(85,471)
Amortisation		**—**	**(2,820)**	**(2,820)**	—	(3,011)	(3,011)	(5,545)
Share based payments		**—**	**(310)**	**(310)**	—	(278)	(278)	(563)
Impairment of goodwill		**—**	**—**	**—**	—	—	—	(15,659)
Operating profit/(loss)		**10,023**	**(4,077)**	**5,946**	9,733	(4,162)	5,571	(1,514)
Net finance costs	8	**(915)**	**—**	**(915)**	(799)	(225)	(1,024)	(1,920)
Profit/(loss) before tax		**9,108**	**(4,077)**	**5,031**	8,934	(4,387)	4,547	(3,434)
Taxation	9			**(1,160)**			(1,046)	(2,841)
Profit/(loss) for the period				**3,871**			3,501	(6,275)
Attributable to:								
Owners of the parent				**3,853**			3,418	(6,418)
Non-controlling interests				**18**			83	143
				3,871			3,501	(6,275)
Earnings per share attributable to the owners of the parent:								
Basic (p)	11			**4.43**			3.94	(7.39)
Diluted (p)	11			**4.39**			3.90	(7.39)
Adjusted earnings per share attributable to the owners of the parent:								
Basic (p)	11	**8.10**			7.93			18.69
Diluted (p)	11	**8.04**			7.85			18.53

The notes on pages 18 to 37 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Profit/(loss) for the period	**3,871**	3,501	(6,275)
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to the Income Statement			
Fair value movements on interest rate swap (net of tax)	**336**	(118)	(622)
Currency translation differences	**1,703**	853	2,966
Net investment hedges (net of tax)	**(1,034)**	(622)	(1,474)
Other comprehensive income for the period, net of tax	**1,005**	113	870
Total comprehensive income/(expense) for the period	**4,876**	3,614	(5,405)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the parent	**4,858**	3,531	(5,548)
Non-controlling interests	**18**	83	143
	4,876	3,614	(5,405)

Items in the statement above are disclosed net of tax. The notes on pages 18 to 37 are an integral part of these financial statements.

Consolidated Balance Sheet

	Notes	**31 December 2016 (unaudited) £'000**	31 December 2015 (unaudited) £'000	30 June 2016 (audited) £'000
Non-current assets				
Goodwill	13	**73,737**	82,467	70,763
Intangible assets	13	**29,879**	25,680	29,038
Property, plant and equipment	13	**4,899**	4,682	4,628
Deferred tax assets		**703**	459	942
		109,218	113,288	105,371
Current assets				
Trade and other receivables	14	**29,881**	23,632	26,121
Cash and cash equivalents		**17,233**	11,928	14,642
		47,114	35,560	40,763
Total assets		**156,332**	148,848	146,134
Current liabilities				
Trade and other payables	15	**(44,914)**	(39,857)	(43,896)
Current tax liabilities		**(787)**	(662)	(1,553)
Deferred consideration – cash settled		**(177)**	(844)	(1,272)
Derivative financial instruments		**(1,474)**	(404)	(1,013)
Borrowings	16	**(1,237)**	(2,151)	(2,204)
		(48,589)	(43,918)	(49,938)
Non-current liabilities				
Borrowings	16	**(56,220)**	(45,882)	(46,697)
Deferred consideration – cash settled		**(2,252)**	—	(1,370)
Derivative financial instruments		**(769)**	(264)	(1,037)
Deferred tax liabilities		**(4,154)**	(3,295)	(3,989)
Provision for future purchase of non-controlling interests		**(100)**	(100)	(100)
		(63,495)	(49,541)	(53,193)
Total liabilities		**(112,084)**	(93,459)	(103,131)
Net assets		**44,248**	55,389	43,003
Equity				
Share capital	17	**4,362**	4,349	4,349
Share premium	17	**45,225**	45,225	45,225
Treasury shares	17	**(96)**	(96)	(96)
Share based payments reserve		**683**	649	886
Translation reserve		**4,305**	489	2,602
Retained earnings		**(10,297)**	4,680	(10,116)
Equity attributable to owners of the parent		**44,182**	55,296	42,850
Non-controlling interests		**66**	93	153
Total equity		**44,248**	55,389	43,003

The notes on pages 18 to 37 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

	Equity attributable to shareholders of the parent						
	Share capital, share premium and treasury shares (note 17) £'000	Share based payments reserve £'000	Translation reserve £'000	Accumulated (losses)/ retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
At 30 June 2015 (audited)	**49,454**	**1,052**	**(364)**	**4,780**	**54,922**	**277**	**55,199**
Profit for the period	—	—	—	3,418	3,418	83	3,501
Other comprehensive income for the period	—	—	853	(740)	113	—	113
	49,454	1,052	489	7,458	58,453	360	58,813
Dividends	—	—	—	(3,478)	(3,478)	(141)	(3,619)
Issue of share capital	24	(636)	—	612	—	—	—
Share based payments	—	233	—	—	233	—	233
Tax on share based payments	—	—	—	88	88	—	88
Movement in non-controlling interests	—	—	—	—	—	(126)	(126)
At 31 December 2015 (unaudited)	**49,478**	**649**	**489**	**4,680**	**55,296**	**93**	**55,389**
(Loss)/profit for the period	—	—	—	(9,836)	(9,836)	60	(9,776)
Other comprehensive income for the period	—	—	2,113	(1,356)	757	—	757
	49,478	649	2,602	(6,512)	46,217	153	46,370
Dividends	—	—	—	(3,304)	(3,304)	—	(3,304)
Share based payments	—	237	—	—	237	—	237
Tax on share based payments	—	—	—	(92)	(92)	—	(92)
Movements in non-controlling interests	—	—	—	(208)	(208)	—	(208)
At 30 June 2016 (audited)	**49,478**	**886**	**2,602**	**(10,116)**	**42,850**	**153**	**43,003**
Profit for the period	—	—	—	3,853	3,853	18	3,871
Other comprehensive income for the period	—	—	1,703	(698)	1,005	—	1,005
	49,478	886	4,305	(6,961)	47,708	171	47,879
Dividends	—	—	—	(3,749)	(3,749)	(105)	(3,854)
Issue of share capital	13	(466)	—	453	—	—	—
Share based payments	—	263	—	—	263	—	263
Tax on share based payments	—	—	—	(40)	(40)	—	(40)
At 31 December 2016 (unaudited)	**49,491**	**683**	**4,305**	**(10,297)**	**44,182**	**66**	**44,248**

The notes on pages 18 to 37 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

	Notes	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Cash flows from operating activities				
Cash generated from operations before adjusting items	18	**7,962**	8,249	23,872
Cash flows for adjusting items – operating activities		**(1,073)**	—	(186)
Cash flows for adjusting items – share based payments		**(87)**	(180)	(180)
Cash generated from operations		**6,802**	8,069	23,506
Interest paid		**(880)**	(658)	(1,502)
Tax paid		**(1,996)**	(1,431)	(3,197)
Net cash generated from operating activities		**3,926**	5,980	18,807
Cash flows from investing activities				
Purchase of businesses net of cash acquired		**(2,122)**	(8,469)	(13,912)
Proceeds from disposal group held for sale		**—**	343	343
Deferred consideration paid		**(1,295)**	—	(330)
Purchase of non-controlling interests		**—**	(333)	(334)
Cash flows for adjusting items – investing activities		**(116)**	(198)	(540)
Purchase of property, plant and equipment		**(579)**	(290)	(641)
Proceeds from disposal of property, plant and equipment		**21**	11	11
Purchase of intangible assets		**(888)**	(472)	(870)
Net cash used in investing activities		**(4,979)**	(9,408)	(16,273)
Cash flows from financing activities				
Dividends paid to owners of the parent		**(3,749)**	(3,478)	(6,782)
Dividends paid to non-controlling interests		**(105)**	(141)	(141)
Share issuance costs		**(5)**	(5)	(5)
Cash flows for adjusting items – financing activities		**—**	(631)	(631)
Increase in bank loans		**8,104**	8,404	7,696
Net cash generated from financing activities		**4,245**	4,149	137
Net increase in cash and cash equivalents, net of bank overdrafts		**3,192**	721	2,671
Cash and cash equivalents, net of bank overdrafts, at beginning of the period		**12,438**	8,698	8,698
Exchange gains on cash and cash equivalents		**366**	358	1,069
Cash and cash equivalents, net of bank overdrafts at end of the period		**15,996**	9,777	12,438
Reconciliation of net debt				
Cash and cash equivalents at beginning of the period		**14,642**	9,194	9,194
Bank overdrafts at beginning of the period	16	**(2,204)**	(496)	(496)
Bank loans at beginning of the period	16	**(47,126)**	(37,306)	(37,306)
Net debt at beginning of the period		**(34,688)**	(28,608)	(28,608)
Net increase in cash and cash equivalents (net of bank overdrafts)		**3,558**	1,079	3,740
Net drawdown in bank loans		**(8,104)**	(8,404)	(7,696)
Exchange loss on bank loans		**(1,376)**	(665)	(2,124)
Cash and cash equivalents at end of the period		**17,233**	11,928	14,642
Bank overdrafts at end of the period	16	**(1,237)**	(2,151)	(2,204)
Bank loans at end of the period	16	**(56,606)**	(46,375)	(47,126)
Net debt at end of the period		**(40,610)**	(36,598)	(34,688)

The notes on pages 18 to 37 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 its registered office is 6–14 Underwood Street, London, N1 7JQ.

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 on 22 February 2017.

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 2016 were approved by the Board of Directors on 13 September 2016. 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 2016 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 2016 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 applied are consistent with those of the Annual Financial Statements for the year ended 30 June 2016, as described in those Annual Financial Statements. The following new standards, amendments and interpretations have been adopted in the current year:

- EU Account Directive (SI 2015/980)

The adoption of this interpretation 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 year ending 30 June 2016 have no impact on the Group.

2. Accounting policies (continued)

The following new standards and amendments to standards have been issued but are not yet effective for the purposes of the Interim Report and have not been early adopted:

- FRS 9: Financial Instruments – endorsed by EU
- IAS Amendments to IAS 7: Statement of cash flows on disclosure initiative – not yet EU endorsed
- Amendments to IAS 12: Income taxes – not yet EU endorsed
- Amendments to IFRS 2: Share based payments – not yet EU endorsed
- IFRS 15: Revenue from Contracts with Customers – endorsed by EU
- IFRS 16: Leases – not yet EU endorsed
- IFRIC 22: Foreign currency transactions and advance consideration – not yet EU endorsed
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception – not yet EU endorsed
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – not yet EU endorsed
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations – endorsed by EU
- Amendments to IAS 1: Disclosure Initiative – endorsed by EU
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation – endorsed by EU
- Amendments to IAS 27: Equity Method in Separate Financial Statements – endorsed by EU
- Annual improvements to IFRSs 2012–2014 cycle – endorsed by EU

3. Principal risks and uncertainties

The principal risks and uncertainties that affect the Group are as stated on pages 25 to 28 of the Strategic Report in the Annual Report and Financial Statements for the year ended 30 June 2016. 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 £57m (2015: £46m) amount drawn down on the revolving credit facility at a rate of between 1.50 and 2.25 per cent above LIBOR depending upon leverage. Cash flow volatility therefore arises from movements in the LIBOR interest rates.

3. Principal risks and uncertainties (continued)

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 5 year £15.0m interest rate swap commencing on 21 November 2011, whereby the Group receives interest on £15m based on the LIBOR rate and pays interest on £15m at a fixed rate of 2.68%. This contract expired in the period.
- 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%.
- 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%.

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.

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 $18.2m (2015: $18.2m) has been designated as a net investment hedge relating to the Group's interest in Compliance Week and FRA.

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:

- On 13 May 2016, the Group sold €1.2m to 24 February 2017 at a rate of 1.2609
- On 13 May 2016, the Group sold €1.2m to 3 March 2017 at a rate of 1.2606
- On 13 May 2016, the Group sold €1.1m to 10 March 2017 at a rate of 1.2601
- On 20 May 2016, the Group sold $3.5m to 28 April 2017 at a rate of 1.4622
- On 20 May 2016, the Group sold $3.5m to 26 May 2017 at a rate of 1.4637
- On 20 May 2016, the Group sold $3.0m to 28 June 2017 at a rate of 1.4657

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.

3. Principal risks and uncertainties (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.

The Group has an unsecured committed bank facility of £65.0m to 1 July 2020. The facility comprised of a revolving credit facility of £60.0m and an overdraft facility across the Group of £5.0m. In addition, the extended facility also provides for 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. 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.

On 31 January 2017 Wilmington acquired HSJ the UK's leading health information, insight and networking business for £19.0m less a £2.0m working capital adjustment. To fund this investment £20.0m of the accordion facility was triggered giving a total unsecured bank facility of £85.0m.

(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.

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 and put option for non-controlling interest 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 £1,474,217 (2015: £105,311) for foreign exchange trading derivatives at fair value through income or expense. In addition the group has recognised a level 2 financial liability of £769,278 (2015: £562,451) for three 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

To provide shareholders with a better understanding of the trading performance of the Group, Adjusted EBITA has been calculated as Profit before Tax after adding back:

- amortisation of intangible assets – publishing rights, titles and benefits;
- impairment of goodwill;
- share based payments;
- adjusting items; and
- net finance costs.

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

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Profit/(loss) before tax	**5,031**	4,547	(3,434)
Amortisation of intangible assets – publishing rights, titles and benefits	**2,820**	3,011	5,545
Impairment of goodwill	**—**	—	15,659
Share based payments (including social security costs)	**310**	278	563
Adjusting items (included in operating expenses)	**947**	873	2,352
Net finance costs	**915**	1,024	1,920
Adjusted operating profit ('Adjusted EBITA')	**10,023**	9,733	22,605
Depreciation of property, plant and equipment	**493**	447	911
Amortisation of intangible assets – computer software	**455**	512	1,050
Adjusted EBITA before depreciation ('Adjusted EBITDA')	**10,971**	10,692	24,566

5. Measures of profit (continued)

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

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Profit/(loss) before tax	**5,031**	4,547	(3,434)
Amortisation of intangible assets – publishing rights, titles and benefits	**2,820**	3,011	5,545
Impairment of goodwill	**—**	—	15,659
Share based payments (including social security costs)	**310**	278	563
Adjusting items (included in operating expenses)	**947**	873	2,352
Adjusting items (included in net finance costs)	**—**	225	225
Adjusted profit before tax	**9,108**	8,934	20,910

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 reports its results in four operating segments as this accurately reflects the way the Group is managed.

The Group's organisational structure reflects the main communities to which it provides information, education and networking. The four divisions (Risk & Compliance, Finance, Legal; and Insight) 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.

Notes to the Financial Results

6. Segmental information (continued)

(a) Business segments

	Six months ended 31 December 2016 (unaudited)		Six months ended 31 December 2015 (unaudited)		Year ended 30 June 2016 (audited)	
	Revenue £'000	Contribution[1] £'000	Revenue £'000	Contribution £'000	Revenue £'000	Contribution £'000
Risk & Compliance	19,535	5,630	17,593	5,595	38,802	12,678
Finance	12,388	1,929	11,595	2,435	21,219	4,473
Legal	7,118	797	7,638	643	15,524	1,686
Insight	15,772	3,413	12,537	2,790	30,179	7,316
	54,813	11,769	49,363	11,463	105,724	26,153
Unallocated central overheads	—	(1,746)	—	(1,730)	—	(3,548)
	54,813	10,023	49,363	9,733	105,724	22,605
Amortisation of intangible assets – publishing rights, titles and benefits		(2,820)		(3,011)		(5,545)
Impairment of goodwill		—		—		(15,659)
Share based payments		(310)		(278)		(563)
Adjusting items (included in operating expenses)		(947)		(873)		(2,352)
Net finance costs		(915)		(1,024)		(1,920)
Profit/(loss) before tax		5,031		4,547		(3,434)
Taxation		(1,160)		(1,046)		(2,841)
Profit/(loss) for the financial year		3,871		3,501		(6,275)

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.

[1] Contribution is defined as Adjusted EBITA excluding unallocated central overheads.

6. Segmental information (continued)

(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 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
UK	**31,275**	28,714	61,321
Europe (excluding the UK)	**9,310**	7,207	15,859
North America	**9,191**	8,846	19,030
Rest of the World	**5,037**	4,596	9,514
Total revenue	**54,813**	49,363	105,724

7. Adjusting items

The following items have been charged/(credited) to the income statement during the period but are of an unusual nature, size or incidence and so are shown separately:

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Build-up of the liability for deferred consideration contingent on continued employment	**—**	531	1,019
Increase in the liability for deferred consideration not contingent on continued employment	**—**	20	63
Costs relating to successful and aborted acquisitions and integration	**328**	172	585
Aborted leasehold property sale	**217**	—	—
Legal claim costs (net of settlement received)	**—**	150	73
Restructuring and rationalisation costs	**402**	—	612
Other adjusting items (included in operating expenses)	**947**	873	2,352
Costs relating to the extension of the loan facility	**—**	225	225
Amortisation of intangible assets - publishing rights, titles and benefits	**2,820**	3,011	5,545
Share based payments	**310**	278	563
Impairment of goodwill	**—**	—	15,659
Total adjusting items (classified in profit before tax)	**4,077**	4,387	24,344

7. Adjusting items (continued)

Successful and aborted acquisitions relate to the acquisition and integration of SWAT.

During 2016 we actively sought and had received a number of cash offers for our Underwood Street long leasehold offices of up to £10m; however for various reasons including Brexit none of these offers were concluded. Aborted leasehold property costs comprise of professional fees related to this and costs for a potential new London location.

Restructuring and rationalisation costs comprise £267,000 of redundancy and property costs following the Group's decision to relocate part of the finance and HR function from its head offices in central London to our existing freehold premises in Basildon, Essex. It also includes £135,000 of costs relating to the implementation of project Sixth Gear, the reorganisation of our business into three segments, see the Operating and Financial Review page 02 for further details.

8. Net finance costs

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Finance costs comprise:			
Interest payable on bank loans and overdrafts	**(849)**	(733)	(1,564)
Amortisation of capitalised loan arrangement fees	**(66)**	(66)	(131)
Adjusting item – extension of loan facility costs	**—**	(225)	(225)
	(915)	(1,024)	(1,920)

9. Taxation

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Current tax:			
Current tax on profits for the period	**1,463**	1,465	3,792
Adjustments in respect of previous years	**—**	83	198
Total current tax	**1,463**	1,548	3,990
Deferred tax:			
Deferred tax credit	**(312)**	(432)	(971)
Effect on deferred tax of change in corporation tax rate	**9**	(70)	(178)
Total deferred tax	**(303)**	(502)	(1,149)
Taxation	**1,160**	1,046	2,841

10 Dividends

Distributions to owners of the parent in the period:

	Six months ended 31 December 2016 pence per share (unaudited)	Six months ended 31 December 2015 pence per share (unaudited)	Year ended 30 June 2016 pence per share (audited)	Six months ended 31 December 2016 £'000 (unaudited)	Six months ended 31 December 2015 £'000 (unaudited)	Year ended 30 June 2016 £'000 (audited)
Final dividends recognised as distributions in the year	**4.3**	4.0	4.0	**3,749**	3,478	3,478
Interim dividends recognised as distributions in the year	**—**	—	3.8	**—**	—	3,304
Total dividends paid in the period				**3,749**	3,478	6,782
Interim/final dividend proposed	**3.9**	3.8	4.3	**3,401**	3,304	3,738

Notes to the Financial Results

11. Earnings per Share

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

- amortisation of intangible assets – publishing rights, titles and benefits;
- impairment of goodwill;
- share based payments;
- adjusting items included in operating expenses; and
- adjusting items included in net finance costs.

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

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Earnings/(loss) from continuing operations for the purpose of basic earnings per share	**3,853**	3,418	(6,418)
Add/(remove):			
Amortisation of intangible assets – publishing rights, titles and benefits (net of non-controlling interests)	**2,820**	3,011	5,545
Impairment of goodwill	**—**	—	15,659
Adjusting items (included in operating expenses)	**947**	873	2,352
Adjusting items (included in net finance costs)	**—**	225	225
Share based payments	**310**	278	563
Tax effect of adjustments above	**(881)**	(926)	(1,691)
Adjusted earnings for the purposes of adjusted earnings per share	**7,049**	6,879	16,235

	Number	Number	Number
Weighted average number of ordinary shares for the purpose of basic and adjusted earnings per share	**87,062,219**	86,706,740	86,846,236
Effect of dilutive potential ordinary shares:			
Future exercise of share awards and options	**610,495**	906,717	772,980
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**87,672,714**	87,613,457	87,619,216
Basic earnings per share	**4.43p**	3.94p	(7.39p)
Diluted earnings per share	**4.39p**	3.90p	(7.39p)
Adjusted basic earnings per share ('Adjusted Earnings Per Share')	**8.10p**	7.93p	18.69p
Adjusted diluted Earnings per Share	**8.04p**	7.85p	18.53p

12. Acquisitions and disposals

Acquisition – SWAT Group Limited – July 2016

On 19 July 2016 Mercia Group Limited acquired the entire issued share capital of SWAT Group Limited ('SWAT'), a provider of training and technical compliance support to accountancy firms in London and the South West of England.

SWAT was acquired for initial consideration of £2,870,000, of which £500,000 was withheld in relation to the Net Asset adjustment. Subsequently, this initial consideration was reduced by £387,538 in relation to the final Net Asset adjustment.

Deferred consideration of up to £3,000,000 is payable contingent on SWAT's future performance for the years ended 30 June 2017 and 2018 and will be paid in cash in one instalment. Management has estimated the expected value of these future payments to be £1,082,000 which has been recognised in the total consideration. Any future movements of this contingent consideration will be charged to the income statement as an adjusting item.

Acquisition related costs of £278,000 have been expensed as an adjusting item in the income statement (see note 7).

Details of the fair value of the purchase consideration, the net assets acquired and goodwill for the acquisition are as follows:

	£'000
Purchase consideration:	
Initial consideration	2,870
Net asset adjustment	(388)
Deferred consideration – cash settled	1,082
Total consideration	**3,564**

12. Acquisitions and disposals (continued)

The provisional fair values of assets and liabilities recognised as a result of this acquisition are as follows:

	£'000
Intangible assets – Customer relationships	2,337
Total intangible assets (see note 13)	**2,337**
Property, plant & equipment	196
Trade and other receivables (net of allowances)	365
Cash and cash equivalents	360
Trade and other payables	(598)
Deferred revenue	(579)
Current tax liabilities	(137)
Deferred tax liabilities	(444)
Net identifiable assets acquired	**1,500**
Goodwill (see note 13)	2,064
Net assets acquired	**3,564**

The estimated useful economic life of the intangibles is as follows:

Intangible assets – Customer relationships	10 years

The acquired business contributed revenues of £2,242,659 and contribution of £309,599 to the Group for the period from the date of acquisition to 31 December 2016. Had SWAT been consolidated from 1 July 2016 the group consolidated Income Statement would include pro forma revenue of £2,463,660 and contribution of £309,899.

13. 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 2015 (audited)	77,063	23,636	4,841
Acquisitions	4,935	4,718	—
Additions	—	472	290
Disposals	—	—	(7)
Exchange translation differences	469	377	5
Depreciation of property, plant and equipment	—	—	(447)
Amortisation of publishing rights, titles and benefits	—	(3,011)	—
Amortisation of computer software	—	(512)	—
Closing net book amount as at 31 December 2015 (unaudited)	82,467	25,680	4,682
Additions	3,023	398	351
Acquisitions	—	5,088	42
Disposals	—	—	(9)
Exchange translation differences	932	944	26
Impairment	(15,659)	—	—
Depreciation of property, plant and equipment	—	—	(464)
Amortisation of publishing rights, titles and benefits	—	(2,534)	—
Amortisation of computer software	—	(538)	—
Closing net book amount as at 30 June 2016 (audited)	70,763	29,038	4,628
Acquisitions (provisional)	2,064	2,350	183
Additions	—	888	579
Disposals	—	—	(13)
Exchange translation differences	910	878	15
Depreciation of property, plant and equipment	—	—	(493)
Amortisation of publishing rights, titles and benefits	—	(2,820)	—
Amortisation of computer software	—	(455)	—
Closing net book amount as at 31 December 2016 (unaudited)	73,737	29,879	4,899

Acquisitions (provisional) in goodwill and intangibles relate to the acquisition of SWAT (see note 12).

Notes to the Financial Results

14. Trade and other receivables

	31 December 2016 (unaudited) £'000	31 December 2015 (unaudited) £'000	30 June 2016 (audited) £'000
Trade receivables	**25,371**	20,151	21,993
Prepayments and other receivables	**4,510**	3,481	4,128
	29,881	23,632	26,121

15. Trade and other payables

	31 December 2016 (unaudited) £'000	31 December 2015 (unaudited) £'000	30 June 2016 (audited) £'000
Trade and other payables	**20,748**	18,560	21,591
Subscriptions and deferred revenue	**24,166**	21,297	22,305
	44,914	39,857	43,896

16. Borrowings

	31 December 2016 (unaudited) £'000	31 December 2015 (unaudited) £'000	30 June 2016 (audited) £'000
Current liability			
Bank overdrafts	**1,237**	2,151	2,204
	1,237	2,151	2,204
Non-current liability			
Bank loans	**56,606**	46,375	47,126
Capitalised loan arrangement fees	**(386)**	(493)	(429)
Bank loans net of facility fees	**56,220**	45,882	46,697

On 31 January 2017 Wilmington acquired HSJ the UK's leading health information, insight and networking business for £19.0m less a £2.0m working capital adjustment. To fund this investment £20.0m of the accordion facility was triggered giving a total unsecured bank facility of £85.0m.

17. Share capital

	Number of ordinary shares of 5p each	Ordinary shares £'000	Share premium account £'000	Treasury shares £'000	Total £'000
At 1 July 2015 (audited)	86,507,461	4,325	45,225	(96)	49,454
Shares issued	478,270	24	—	—	24
At 31 December 2015 (unaudited) and 30 June 2016 (audited)	86,985,731	4,349	45,225	(96)	49,478
Shares issued	262,243	13	—	—	13
At 31 December 2016 (unaudited)	**87,247,974**	**4,362**	**45,225**	**(96)**	**49,491**

On 19 September 2016, 262,243 ordinary shares were issued in respect of the vesting of the 2013 PSP Share Awards to employees (including Directors).

At 31 December 2016, 46,584 shares (2015: 46,584) were held in Treasury, which represents 0.1% (2015: 0.1%) of the called up share capital of the Company.

18. Cash generated from operations

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Profit/(loss) from continuing operations before income tax	**5,031**	4,547	(3,434)
Other adjusting items (included in operating expenses)	**947**	873	2,352
Depreciation of property, plant and equipment	**493**	447	911
Amortisation of intangible assets	**3,275**	3,523	6,595
Impairment of goodwill	**—**	—	15,659
Profit/(loss) on disposal of property, plant and equipment	**8**	(4)	(4)
Share based payments (including social security costs)	**310**	278	563
Net finance costs	**915**	1,024	1,920
Operating cash flows before movements in working capital	**10,979**	10,688	24,562
Increase in trade and other receivables	**(3,614)**	(1,583)	(2,434)
Increase/(decrease) in trade and other payables	**597**	(856)	1,744
Cash generated from operations before adjusting items	**7,962**	8,249	23,872

Notes to the Financial Results

18. 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 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Funds from operations before adjusting items:			
Adjusted EBITA	**10,023**	9,733	22,605
Amortisation of intangible assets – computer software	**455**	512	1,050
Depreciation of property, plant and equipment	**493**	447	911
Profit/(loss) on disposal of property, plant and equipment	**8**	(4)	(4)
Operating cash flows before movements in working capital	**10,979**	10,688	24,562
Net working capital movement	**(3,017)**	(2,439)	(690)
Funds from operations before adjusting items	**7,962**	8,249	23,872
Cash conversion	**79%**	85%	106%
Free cash flows:			
Operating cash flows before movement in working capital	**10,979**	10,688	24,562
Profit/(loss) on disposal of property, plant and equipment	**21**	(4)	(4)
Net working capital movement	**(3,017)**	(2,439)	(690)
Interest paid	**(880)**	(658)	(1,502)
Tax paid	**(1,996)**	(1,431)	(3,197)
Purchase of property, plant and equipment	**(579)**	(290)	(641)
Purchase of intangible assets	**(888)**	(472)	(870)
Free cash flows	**3,640**	5,394	17,658

19. 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 Chief Executive Officer, Pedro Ros, owns a minority shareholding in SMARP OY (a company incorporated in Finland), which provides social media services to the Group, the subsidiary paid £nil (2015: £11,160) during the year to SMARP UK Limited, a subsidiary of SMARP OY.

Close family members of key management personnel provided photography services for the group during the period. The total invoiced for these services was £120 (2015: nil).

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) produce seasonally low sales 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. The acquisition of HSJ on 31 January 2017 should also benefit reported revenue and earnings in the second half of the year.

21. Events after the reporting period

a) Acquisition – Health Service Journal

On 31 January 2017 the Group acquired the trading assets and the assumption of certain liabilities of Health Service Journal ('HSJ') the UK's leading health information, insight and networking business, from Ascential plc for £19m less an adjustment for working capital. The consideration will be financed out of the Group's £85m revolving multi-currency credit facility following the activation of the accordion. The process of fair valuing HSJ has not been completed at the date of these financial statements. Subject to this process to fair value, the group acquired intangible assets comprising the HSJ brand and customer relationships together with certain net liabilities (including deferred revenue). The excess consideration above the fair value of these acquired net liabilities and deferred revenue will be recognised as goodwill and intangible asset following completion of the exercise to fair value. All amounts are disclosed as provisional.

b) Asset held for sale – Ark Group Limited

In line with the Group's strategy to focus the business around three new knowledge areas going forward, the decision was made to exit the legal practice support services market that Ark Group Limited ('Ark'), which is currently presented in the 'Legal' segment, operates in. Since the balance sheet date the business has been actively marketed at a reasonable sale price and on 16 February 2017 the Board approved the disposal of Ark. The completion date of the transaction is expected to be within twelve months.

As a result after the balance sheet date the assets and liabilities related to Ark Group Limited meet the criteria of an asset held for sale under IFRS 5.

Statement of Directors' Responsibilities

The Directors confirm that, 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 4.2.7R 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: wilmingtonplc.com.

By order of the Board

Anthony Foye
Chief Financial Officer
22 February 2017

Officers

Directors:

Mark Asplin
Non-Executive Chairman

Pedro Ros
Chief Executive Officer

Anthony Foye
Chief Financial Officer

Derek Carter
Senior Independent
Non-Executive Director

Nathalie Schwarz
Non-Executive Director

Paul Dollman
Non-Executive Director

Company Secretary:

Daniel Barton

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Shareholder Notes

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