

System1 Group

Press Release

27 October 2017

**System1 Group PLC (AIM: SYS1)
formerly BrainJuicer Group PLC
("System1" or "the Group" or "the Company")**

Unaudited interim results for the six months ended 30 September 2017

System1, the pioneering marketing services group, today announces its results for the six month period ended 30 September 2017 ("H1").

Highlights

- 10% revenue decline to £13.82m (2016/2017: £15.28m), 12% in constant currency
- 9% gross profit decline to £11.39m (2016/2017: £12.54m), 12% in constant currency
- 70% profit before tax decline to £0.85m (2016/2017: £2.79m)
- 70% profit after tax decline to £0.54m (2016/2017: £1.79m)
- 69% fully diluted earnings per share decline to 4.2p (2016/2017: 13.7p)
- £3.50m cash at 30 September 2017 and no debt (31 March 2017: £8.27m and no debt), after paying dividends of £4.05m during the period
- Maintaining interim dividend at 1.1p

Commenting on the Company's results, John Kearon, CEO of System1, said:

"Life as System1 Group has not started as hoped. However the decline in revenue has been a catalyst in accelerating the re-engineering of our product portfolio. We are in a period of change, and with our normal limited revenue visibility we are more cautious than usual on our short-term outlook. The encouraging signs referred to previously continue, but trading in Q3 to date has not yet resulted in a pick-up in our order book. Were the gross profit decline seen in H1 to be repeated in H2, then our profit before tax for the full year would decline by 50% to 60% (2016/17: £6.3m).

Change is never easy but in a rapidly transforming market, it's the only way to get out in front and establish a new industry standard that uses our pioneering System 1, decision-science products to ensure marketing that delivers profitable growth without unnecessary waste. Over our first 16 years, as BrainJuicer, we established a reputation as an industry innovator and built a global footprint and a hugely talented international team of nearly 200. Over the next 16 years, System1 aims to provide the world's most progressive companies with the means of producing marketing that consistently makes a difference. We believe this will have been a pivotal year of change and investment in building a major new marketing services group of the future."

The Company can be found at www.system1group.com.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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INTERIM STATEMENT

After 27% revenue growth last year (year to 31 March 2017), the Company has had a very disappointing six months in financial terms. Revenue declined by 10% (12% in constant currency), and gross profit, our main top line indicator, by 9% (12% in constant currency). With a largely fixed operating cost base, this had a heavy impact on profit before tax, which declined to £0.85m from £2.79m in 2016/17.

These results were as unexpected as they were disappointing.

At the beginning of this financial year, we began a new era as System1 (following our rebranding from BrainJuicer) with enthusiasm: our three main product areas, Innovation, Advertising and Brand Tracking were all growing well; our business in the US (our biggest market) had just finished an uninterrupted 4 year period of annual double digit gross profit growth; we had won the “most innovative agency” award in the annual market research GRIT awards for the 6th year in a row; we had recently launched our new Advertising Agency.

So what happened? At a revenue level, three related things. First, several significant FMCG clients have cut or deferred market research budgets, which impacted our Innovation business in particular. Second, underlying and ongoing shifts within the industry backdrop are resulting in clients moving research spend towards automated lower cost research data. Whilst we have seen this trend over a number of years, it has gathered pace more recently. Third, our rebranding, coupled with some team reorganisation in pursuit of our longer-term positioning, has meant that we spent more time addressing internal issues and less time on clients, compared to normal.

Another over-riding comment about our business. As we have frequently emphasised, we have little revenue visibility and significant variability in revenues from month-to-month and client-to-client. Whilst this variability in individual clients or markets can be marked, the positives and negatives have historically tended broadly to offset each other, and our results in aggregate in any 6 month reporting period have appeared more predictable and stable than in fact they are. Our order book and pipeline can change quickly, both for better or for worse.

Our gross profit comes from four main revenue streams: Innovation Testing, Ad Testing, Brand Tracking, and other ad hoc Research. Gross profit from our Innovation services (Predictive Markets and Concept Testing) comprising 44% of our business (in the last financial year) declined 27%, and it's this that dragged our results down. Ad Testing and Brand Tracking, collectively comprising 43% of our business last year, grew by 17% and 53% respectively, which whilst less than the growth achieved last year, was still strong. Other ad hoc Research services declined significantly but this is now only around 10% of the business, and not of particular ongoing consequence.

In addition to these revenue streams, our new Advertising Agency generated a small amount of gross profit: £0.16m (up from a negligible amount last year). Of more significance, it is building a portfolio of 4 and 5 Star Ads (the highest of our Ad Test scores), including its first Ad broadcast on TV, and is demonstrating the Group's capability to create marketing which generates profitable returns.

In geographic terms, gross profit was down in most of our markets, and the underlying causes were similar. We had some bright spots: gross profit grew well in France, Singapore, China and Australia, but these are currently comparatively small businesses in the context of the Group.

At a profit level, the impact of these declines has been exacerbated by an increase in costs following investment in our US business and new Advertising Agency. The Group invested in its US business on the back of its consistently strong performance, and this in part drove underlying overheads up by 23%.

	6 months to Sep 2017	6 months to Sep 2016	Growth
Research overheads	£9.40m	£7.81m	20%
Advertising Agency overheads	£0.37m	£0.15m	147%
Underlying overheads	£9.77m	£7.96m	23%
Bonus ("Profit Share")	-	£1.43m	-100%
Severance costs	£0.38m	£0.13m	192%
One-off rebranding costs	£0.14m	-	
Overheads excluding share based payments	£10.29m	£9.52m	8%
Share based payments	£0.26m	£0.21m	24%
Total overheads	£10.55m	£9.73m	8%

Our effective tax rate was similar to the prior year, as was our share base, and so profit after tax and earnings per share fell in line with the fall in profit before tax.

We have responded promptly to the poor results and shifting industry backdrop, with fast-tracked product development. We launched two new product iterations in September (a Next Generation Predictive Markets product and a new Digital (Advertising) Content Tracker), and are due to launch our Next Generation Ad Testing product in January 2018.

With each of these, there is a common aim: to automate and separate out provision of our predictive research data (what we call "Core Prediction"), which we can deliver at scale for very much lower cost per unit than historically; and to focus our less scalable account management teams more on improving the marketing content clients are asking us to test ("Marketing Consultancy"). Core Prediction enables clients to predict which ads, concepts or other marketing creative will make a difference in-market and which won't. Marketing Consultancy helps clients improve the marketing outputs that they decide to move ahead with. Core Prediction is low price, but relatively high margin, due to standardisation and automation. Marketing Consultancy is high price, but lower margin, due to the bespoke nature of the work and internal time requirements. Both feed off each other to deliver our value proposition to clients (in simple terms: help them deliver marketing which makes a difference, and reduce wasted costs – which are widely acknowledged to be significant).

The aim is to better position us to win more large-scale work programmes, and to turn occasional ad hoc business with our large clients into regular repeat business. However, the sales cycle with these on-going contracts is long, and it is therefore difficult to predict the extent to which they will make an impact on our financial results this year.

As well as reconfiguring our products, we are also looking carefully at our cost base, and reducing recruitment that we had otherwise planned. Underlying overhead increases in H2 are anticipated to be around 16% increase on the prior year (compared to 23% in H1).

Our cash position remains solid. The business had a relatively small operating cash outflow of £0.61m over H1 and paid dividends of £4.05m during the period, yet had cash of £3.50m at 30 September (31 March 2017: £8.27m), and no debt.

The Company will be maintaining its interim dividend at the 1.1 pence per share level paid last year. The dividend will be paid on 8 December 2017, to shareholders on the register as at 10 November 2017 and the shares will become ex dividend on 9 November 2017. The total cash outflow will be £0.14m.

Outlook

The new Chapter in the life of the Company following its rebranding to System1 has not started as hoped. However the decline in revenue has been a catalyst in accelerating the re-engineering of our product portfolio. Whilst the downturn has taken us by surprise, we remain confident in the value of our proposition for clients, and continue to believe that if we offer high value, distinctive services, revenue will follow. With our new product launches providing a more scalable configuration, we are also optimistic about the potential for profit margin uplift.

Having said that, we are in a period of change, and with our normal limited revenue visibility, we are more cautious than usual on our short-term outlook. The encouraging signs we referred to previously continue, but trading in Q3 to date has not yet resulted in a pick-up in our order book. Were the gross profit decline seen in H1 to be repeated in H2, then notwithstanding the lower rate of underlying overhead increase, our profit before tax (reported) for the full year would decline by 50% to 60% (2016/17: £6.3m). Normalised profit before tax (i.e. profit before tax excluding share based payments) would decline by a similar percentage.

John Kearon
Chief Executive Officer

James Geddes
Chief Financial Officer

5 YEAR SUMMARY – HALF YEAR

(£000s unless specified otherwise)

	6 months to 30 Sep		6 months to 30 Jun				
	2017/18	2016/17	2016	2015	2014	2013	2012
Revenue	13,822	15,281	13,043	11,610	11,197	10,765	10,379
<i>growth</i>	-10%		12%	4%	4%	4%	14%
Gross profit	11,394	12,541	10,685	9,254	8,719	8,455	7,998
<i>growth</i>	-9%		15%	6%	3%	6%	12%
Administrative costs	10,554	9,734	9,018	8,080	7,183	7,157	7,282
<i>growth</i>	8%		12%	12%	-%	-2%	12%
Bonus	-	1,431	796	-	184	559	127
Administrative costs (ex-bonus)	10,554	8,303	8,222	8,080	6,999	6,598	7,155
<i>growth</i>	27%		2%	15%	6%	-8%	11%
Operating profit	840	2,807	1,667	1,174	1,536	1,298	716
<i>growth</i>	-70%		42%	-24%	18%	81%	14%
Pre-tax profit	846	2,790	1,650	1,139	1,520	1,298	717
<i>growth</i>	-70%		45%	-25%	17%	81%	14%
Post-tax profit	542	1,786	1,054	763	1,018	870	481
<i>growth</i>	-70%		38%	-25%	17%	81%	16%
EPS – diluted	4.2p	13.7p	7.9p	5.6p	7.5p	6.7p	3.7p
<i>growth</i>	-69%		41%	-25%	12%	81%	16%
Cash flow pre-financing	(604)	3,468	810	565	(147)	1,948	(714)
Cash balance (no debt)	3,495	7,250	5,183	5,286	2,528	5,460	2,411
Dividend (interim)	1.1p		1.1p	1.0p	1.0p	0.9p	0.85p
<i>growth</i>			10%	-	11%	6%	13%
Special dividend	26.1p		-	-	12.0p	-	-
Share buy-backs*	-	2,586	1,768	-	1,531	29	276
Number of clients	229	231	232	244	225	212	204
<i>growth</i>	-1%		-5%	8%	6%	4%	8%
Average headcount	172	153	155	160	145	137	134
<i>growth</i>	12%		-3%	10%	6%	2%	21%

*Share buy-backs are net of stock option proceeds. In 2014, the amount includes £980,000 for the cash-settling of part of the Company's long-term incentive plan.

5 YEAR SUMMARY – ANNUAL

£000s unless specified otherwise

	12 months to 31 Mar		12 months to 31 Dec				
	2016/17	2015/16	2016	2015	2014	2013	2012
	Unaudited			Audited			
Revenue	32,801	25,917	31,236	25,184	24,645	24,457	20,822
<i>growth</i>	27%		24%	2%	1%	17%	-
Gross profit	26,984	20,989	25,643	20,250	19,410	19,087	16,068
<i>growth</i>	29%		27%	4%	2%	19%	-
Administrative costs	20,676	15,937	19,414	15,704	15,109	15,537	14,555
<i>growth</i>	30%		24%	4%	-3%	7%	9%
Bonus	2,294	88	2,396	63	1,077	1,941	63
Administrative costs (ex-bonus)	18,382	15,849	17,018	15,641	14,032	13,596	14,492
<i>growth</i>	16%		9%	11%	3%	-6%	13%
Operating profit	6,308	5,052	6,229	4,546	4,301	3,550	1,513
<i>growth</i>	25%		37%	6%	21%	135%	-45%
Pre-tax profit	6,279	5,031	6,200	4,501	4,286	3,556	1,515
<i>growth</i>	25%		38%	5%	21%	135%	-45%
Post-tax profit	4,029	3,400	3,968	3,032	2,897	2,435	1,038
<i>growth</i>	19%		31%	5%	19%	135%	-44%
EPS – diluted	31.1p	25.4p	30.3p	22.7p	21.3p	18.7p	7.9p
<i>growth</i>	22%		33%	7%	14%	137%	-44%
Cash flow pre-financing	6,603	2,608	6,337	2,696	3,157	4,466	866
Cash balance (no debt)	8,266	6,555	7,754	6,365	5,347	6,188	3,755
Dividend (interim & final)	7.5p	4.5p	7.5p	4.5p	4.3p	3.9p	3.1p
<i>growth</i>	67%		67%	5%	10%	26%	3%
Special dividend	12.0p	-	12.0p	-	12.0p	12.0p	-
Share buy-backs*	3,141	948	3,195	948	1,938	71	408
Number of clients	224	233	223	243	235	224	217
<i>growth</i>	-4%		-8%	3%	5%	3%	9%
Average headcount	161	157	157	158	152	138	148
<i>growth</i>	3%		-1%	4%	10%	-7%	19%

*Share buy-backs are net of stock option proceeds. In 2014, the amount includes £1,239,000 for the cash-settling of part of the Company's long-term incentive plan.

CONDENSED CONSOLIDATED INCOME STATEMENT

for the 6 months ended 30 September 2017

	Note	6 months to 30 Sep 2017 Unaudited	6 months to 30 Sep 2016 Unaudited	15 months to 31 Mar 2017 Audited
		£000	£000	£000
Revenue	4	13,822	15,281	39,002
Cost of sales		(2,428)	(2,740)	(6,939)
Gross profit		11,394	12,541	32,063
Administrative expenses		(10,554)	(9,734)	(24,803)
Operating profit		840	2,807	7,260
Finance income/(costs)		6	(17)	(35)
Profit before taxation		846	2,790	7,225
Income tax expense		(304)	(1,004)	(2,538)
Profit for the financial period		542	1,786	4,687
Attributable to equity holders of the Company		542	1,786	4,687

Earnings per share attributable to equity holders of the Company

Basic earnings per share	5	4.4p	14.4p	37.8p
Diluted earnings per share	5	4.2p	13.7p	35.9p

All of the activities of the Group are classed as continuing.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the 6 months ended 30 September 2017

	6 months to 30 Sep 2017 Unaudited	6 months to 30 Sep 2016 Unaudited	15 months to 31 Mar 2017 Audited
	£000	£000	£000
Profit for the financial period	542	1,786	4,687
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations	(89)	331	563
Other comprehensive income for the period, net of tax	(89)	331	563
Total comprehensive income attributable to equity holders	453	2,117	5,250

CONDENSED CONSOLIDATED BALANCE SHEET
as at 30 September 2017

	Note	30 Sep 2017 Unaudited	30 Sep 2016 Unaudited	31 Mar 2017 Audited
		£000	£000	£000
ASSETS				
Non-current assets				
Property, plant and equipment		327	306	360
Intangible assets		78	305	207
Deferred tax asset		546	776	984
		951	1,387	1,551
Current assets				
Inventories		147	248	95
Trade and other receivables		6,955	7,365	6,439
Income tax recoverable		420	-	-
Cash and cash equivalents		3,495	7,250	8,266
		11,017	14,863	14,800
Total assets		11,968	16,250	16,351
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	8	132	132	132
Share premium account		1,601	1,601	1,601
Merger reserve		477	477	477
Foreign currency translation reserve		322	326	411
Retained earnings		4,322	7,062	7,728
Total equity		6,854	9,598	10,349
LIABILITIES				
Non-current liabilities				
Provisions		544	566	505
		544	566	505
Current liabilities				
Provisions		308	329	288
Trade and other payables		4,262	5,639	4,715
Current income tax liabilities		-	118	494
		4,570	6,086	5,497
Total liabilities		5,114	6,652	6,002
Total equity and liabilities		11,968	16,250	16,351

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 September 2017

	Note	6 months to 30 Sep 2017 Unaudited	6 months to 30 Sep 2016 Unaudited	15 months to 31 Mar 2017 Audited
		£000	£000	£000
Net cash generated from operations	7	365	3,997	9,093
Tax paid		(907)	(479)	(2,055)
Net cash (used by)/generated from operating activities		(542)	3,518	7,038
Cash flows from investing activities				
Purchase of property, plant and equipment		(62)	(50)	(258)
Purchase of intangible assets		-	-	(32)
Net cash used by investing activities		(62)	(50)	(290)
Net cash flow before financing activities		(604)	3,468	6,748
Cash flows from financing activities				
Interest		6	(17)	(35)
Proceeds from issue of new shares		-	2	2
Proceeds from sale of treasury shares		-	241	395
Purchase of own shares		-	(2,827)	(3,536)
Dividends paid to owners		(4,051)	(445)	(2,052)
Net cash used by financing activities		(4,045)	(3,046)	(5,226)
Net (decrease)/increase in cash and cash equivalents		(4,649)	422	1,522
Cash and cash equivalents at beginning of period		8,266	6,555	6,365
Exchange (losses)/gains on cash and cash equivalents		(122)	273	379
Cash and cash equivalents at end of period		3,495	7,250	8,266

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 months ended 30 September 2017

	Share capital	Share premium account	Merger reserve	Foreign currency translation reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2017	132	1,601	477	411	7,728	10,349
Profit for the financial period	-	-	-	-	542	542
Other comprehensive income:						
- currency translation differences	-	-	-	(89)	-	(89)
Total comprehensive income	-	-	-	(89)	542	453
Transactions with owners:						
Employee share options scheme:						
- value of employee services	-	-	-	-	229	229
- current tax credited to equity	-	-	-	-	309	309
- deferred tax debited to equity	-	-	-	-	(435)	(435)
Dividends paid to owners	-	-	-	-	(4,051)	(4,051)
	-	-	-	-	(3,948)	(3,948)
At 30 September 2017	132	1,601	477	322	4,322	6,854
At 1 April 2016	132	1,599	477	(5)	7,810	10,013
Profit for the financial period	-	-	-	-	1,786	1,786
Other comprehensive income:						
- currency translation differences	-	-	-	331	-	331
Total comprehensive income	-	-	-	331	1,786	2,117
Transactions with owners:						
Employee share options scheme:						
- new shares issued on exercise	-	2	-	-	-	2
- value of employee services	-	-	-	-	32	32
- current tax credited to equity	-	-	-	-	166	166
- deferred tax credited to equity	-	-	-	-	299	299
Dividends paid to owners	-	-	-	-	(445)	(445)
Sale of treasury shares	-	-	-	-	241	241
Purchase of treasury shares	-	-	-	-	(2,827)	(2,827)
	-	2	-	-	(2,534)	(2,532)
At 30 September 2016	132	1,601	477	326	7,062	9,598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the 6 months ended 30 September 2017

1. General information

System1 Group PLC (“the Company”) is United Kingdom resident, and its subsidiaries (together “the Group”) provide marketing and market research services. The Company’s shares are listed on the Alternative Investment Market of the London Stock Exchange (“AIM”). The address of the Company’s registered office is Russell Square House, 10-12 Russell Square, London WC1B 5EH.

The Board of Directors approved this condensed consolidated interim financial information for issue on 27 October 2017.

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006 and is unaudited. The Group’s latest statutory financial statements were for the 15 month period ended 31 March 2017 and these have been filed with the Registrar of Companies. The auditor’s report on those financial statements was unqualified and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with IAS 34, ‘Interim financial reporting’ as adopted by the European Union. This financial information should be read in conjunction with the financial statements for the 15 month period ended 31 March 2017, which have been prepared in accordance with IFRSs as adopted by the European Union.

This is the first set of interim financial information to be published since the Company’s change of year-end from 31 December to 31 March. These include financial information for the 6 months to 30 September 2016 that has not previously been published.

3. Principal accounting policies

The principal accounting policies adopted are consistent with those of the financial statements for the 15 month period ended 31 March 2017, as described in those annual financial statements.

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

4. Segment information

The financial performance of the Group's geographic operating units ("**Reportable Segments**") is set out below.

	6 months to 30 Sep 2017			6 months to 30 Sep 2016		
	Revenue	Gross profit	Operating profit/(loss)	Revenue	Gross Profit	Operating Profit/(loss)
	£000	£000	£000	£000	£000	£000
Research						
US	5,868	5,202	2,592	6,708	5,843	3,453
United Kingdom	2,886	2,404	911	3,654	2,943	1,422
Continental Europe	2,789	2,235	1,106	3,018	2,301	1,190
Asia	729	617	142	677	482	66
Brazil	324	289	(130)	777	660	328
Australia	568	486	401	319	274	168
	13,164	11,233	5,022	15,153	12,503	6,627
Advertising Agency	658	161	(213)	128	38	(166)
United Kingdom						
	13,822	11,394	4,809	15,281	12,541	6,461

Segmental revenue is revenue generated from external customers and so excludes intercompany revenue and is attributable to geographical areas based upon the location in which the service is delivered. Segmental operating profit excludes allocation of central overheads relating to the Group's Operations, IT, Marketing, HR, Legal and Finance teams and Board of Directors.

The split of business by research solution is set out below.

	6 months to 30 Sep 2017		6 months to 30 Sep 2016	
	Revenue	Gross Profit	Revenue	Gross Profit
	£000	£000	£000	£000
Research				
Ad Testing	3,960	3,582	3,465	3,056
Brand Tracking	2,598	2,102	1,822	1,373
Communications and brand	6,558	5,684	5,287	4,429
Predictive Markets	3,436	3,061	4,944	4,353
Concept Testing	1,635	1,320	1,971	1,633
Innovation	5,071	4,381	6,915	5,986
Total core products	11,629	10,065	12,202	10,415
Other services	1,535	1,168	2,951	2,088
	13,164	11,233	15,153	12,503
Advertising Agency	658	161	128	38
	13,822	11,394	15,281	12,541

A reconciliation of total operating profit for Reportable Segments to total profit before income tax is set out below.

	6 months to 30 Sep 2017	6 months to 30 Sep 2016
	£000	£000
Operating profit for Reportable Segments	4,809	6,461
Central overheads	(3,969)	(3,654)
Operating profit	840	2,807
Finance income/(costs)	6	(17)
Profit before income tax	846	2,790

5. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period:

	Six months ended 30 Sep	
	2017	2016
Profit attributable to equity holders of the Company (£000)	542	1,786
Weighted average number of Ordinary Shares in issue	12,414,650	12,382,415
Basic earnings per share	4.4p	14.4p

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding assuming conversion of all dilutive share options to Ordinary Shares:

	Six months ended 30 Sep	
	2017	2016
Profit attributable to equity holders of the Company and profit used to determine diluted earnings per share (£000)	542	1,786
Weighted average number of Ordinary Shares in issue	12,414,650	12,382,415
Share options	465,980	696,625
Weighted average number of Ordinary Shares for diluted earnings per share	12,880,630	13,079,040
Diluted earnings per share	4.2p	13.7p

6. Dividends

On 23rd August 2017 the Company paid a final dividend of 6.4 pence per share, amounting to £0.80m in respect of the 15 month period ended 31 March 2017 and a special dividend of 26.1 pence per share amounting to £3.25m. In December 2017, the Company will pay an interim dividend of 1.1 pence per share, amounting to £0.14m, in respect of the year ending 31 March 2018. This interim dividend is not recorded in these interim accounts.

The interim dividend of 1.1 pence per share will be paid on 8 December 2017, to shareholders on the register as at 10 November 2017 and the shares will become ex dividend on 9 November 2017.

7. Net cash generated from operations

	Six months ended 30 Sep	
	2017	2016
	£000	£000
Profit before taxation	846	2,790
Depreciation	89	81
Amortisation	129	142
Interest (received)/paid	(6)	17
Share-based payment expense	229	32
(Increase)/decrease in inventory	(52)	62
Increase in receivables	(516)	(1,021)
(Decrease)/increase in payables	(395)	1,844
Exchange differences on operating items	41	50
Net cash generated from operations	365	3,997

8. Share capital

During the reporting period the Company transferred 199,641 Ordinary Shares (“shares”) out of treasury to satisfy the exercise of employee share options at a weighted average exercise price of Nil pence per share for cash consideration of £Nil. The weighted average share price at exercise date was 776.7 pence per share.

Following these transactions, at 30 September 2017, the Company had 13,226,773 shares in issue (31 March 2017: 13,226,773) of which 762,348 were held in treasury (31 March 2017: 961,989), and the Company had 925,868 stock options outstanding of which 478,613 are fully vested.

9. Related party transactions

During the period the Company paid the following dividends to directors:

	Six months ended 30 Sep	
	2017	2016
	£	£
John Kearon	1,079,068	135,100
James Geddes	62,506	5,541
Alex Batchelor	43,761	3,565
Ken Ford	6,500	700
Robert Brand	9,750	1,050
Graham Blashill	1,625	175
	1,203,210	146,131