



22 November 2016

**ULS Technology plc  
(The "Group" or the "Company")**

**Half Yearly Report**

ULS Technology plc (AIM: ULS), the provider of online B2B platforms for the UK conveyancing and financial intermediary markets, announces its half yearly results for the six months to 30 September 2016.

During the period the Company has further increased its market share, resulting in increased revenue, profits and dividend payments.

**Financial Highlights**

- Revenue increased slightly to £9.78m (H1 2016: £9.76m)
- Underlying Operating Profit<sup>1</sup> increased by 4% to £1.95m (H1 2016: £1.88m)
- Adjusted EPS<sup>1,2</sup> increased by 5% to 2.40p (H1 2016: 2.28p)
- Net cash and equivalents of £3.7m as at 30 September 2016 (FY 2016: £2.7m)
- Interim dividend of 1.10p per share, an increase of 5% on the same period last year

*1. Before acquisition intangibles, amortisation and exceptional costs relating to the acquisition of Legal-Eye Limited*

*2. Based on the number of shares in issue at the end of the period*

**Operating Highlights**

- Increased market share in difficult market conditions
- Signed a number of new customer contracts, with both financial intermediaries and mortgage lenders
- Appointment of new Managing Director for Legal Eye
- Estate agency performance comparison service (estateagent4me) now promoted by HomeOwners Alliance

***Ben Thompson, Chief Executive of ULS Technology plc, commented:***

"I am pleased that we have made good progress in the first half of the year, especially given the unusual market challenges we faced, firstly due to the changes made to the Buy to Let market and secondly the EU referendum.

"We successfully outperformed our competition in the conveyancing comparison market, growing both our B2B customer base and our direct to consumer channels.

"Market conditions have recovered well after the initial referendum shock, and although much remains unknown about the wider economic environment, we are expecting stronger activity in the second half of the year.

"I am very pleased by our strong performance during the period and remain excited by our growth prospects with an encouraging pipeline of new activity. I am therefore confident that we will continue to grow our existing customer relationships while adding further new channels to market to expand our market share. I remain excited about the Group's future and its scope to continue to grow profitably."

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Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

## **Chief Executive's Report**

This was a successful period for the Company, improving on all its headline financial metrics despite a difficult market backdrop. The UK government's changes to the taxation of buy-to-let properties and landlords' income led to a slow-down in that part of the market at the start of the year, and the EU referendum led to a quiet summer, with transaction volumes reduced significantly.

Given the volatile market environment, the Board is delighted that the Company has outperformed its competitors and secured new relationships that lay the foundations for further growth in market share.

The Company has recently had success in winning new work from mortgage lenders; this is an area that the Company intends to expand further into, by helping lenders reduce their risk exposure and costs, and through tailoring a better all-round experience for their customers.

### **Legal Eye**

Paul Saunders commenced his role as Managing Director of Legal Eye this month and will immediately focus on growing Legal Eye's pipeline of new business opportunities. Paul's strong background and experience will help to further strengthen quality and risk management as a central element of ULS's eConveyancing value proposition.

### **HomeOwners Alliance**

Since investing in HomeOwners Alliance ("HOA") in March 2016, the Company has successfully completed the integration of a tailored version of eConveyancer into HOA's website. The relationship with HOA has opened up the potentially highly lucrative direct-to-customer sales channel for ULS and there is significant scope to build on the strong traction achieved to date.

In addition, Estateagent4me, the first website to rank the performance of all types of estate agencies, has been embedded into the HOA website and HOA will start to promote this more widely throughout the second half of the year.

### **Strategy**

The Company continues to focus on securing new relationships for its core conveyancing comparison service, and growing market share. The Company is committed to retaining and growing its existing relationships, which remain strong. This organic growth strategy is embedded throughout ULS and the Board believes that there is significant upside potential from both existing and pipeline relationships.

The Company's efforts continue to be prioritised around tailoring technology solutions that its existing and prospective business partners require, as well as continually refining its solutions to ensure that its end customers receive the best possible experience when moving home. Conveyancing today still requires a degree of paperwork and manual intervention and the Board is determined to simplify this as much as possible to ensure that customers benefit from a process that they properly understand, and one that ideally can be completed more quickly and painlessly than is the case across the wider sector today.

The Company will continue to consider potential acquisitions that would either directly or indirectly accelerate the Board's growth strategy.

## **Interim Dividend**

The Company is pleased to announce that it will pay an interim dividend of 1.10 pence per share; this is a five per cent increase on the dividend paid for the six months to 30 September 2015. The dividend record date is 2 December 2016 and the dividend is expected to be paid on 16 December 2016.

## **Board Changes**

Nigel Hoath stepped down as Non-Executive Director at this year's AGM in August.

## **Outlook**

Market conditions have improved after the initial referendum shock, and although much remains unknown about the wider economic environment, the Board is expecting a more normal level of activity in the second half of the year.

The Company will continue to target market share growth, both via new relationships and securing increased work from existing customers. The Board remains excited about the Company's future and expects it to meet the Board's expectations for the full year.

**Ben Thompson**  
**Chief Executive Officer**

**UNAUDITED INCOME STATEMENT**  
**Six months to 30 September 2016**

	Note	6 months to 30 Sep 2016 Unaudited £'000s	6 months to 30 Sep 2015 Unaudited £'000s	Year ended 31 Mar 2016 Audited £'000s
<b>Revenue</b>	<b>3</b>	9,778	9,755	20,658
Cost of sales		(5,577)	(5,408)	(11,997)
<b>Gross profit</b>		4,201	4,347	8,661
Administrative expenses		(2,291)	(2,509)	(4,901)
<b>Operating profit before exceptional expenses</b>		1,910	1,838	3,760
Exceptional administrative expenses	<b>4</b>	-	(204)	(385)
<b>Operating profit</b>	<b>3</b>	1,910	1,634	3,375
Finance income		7	3	9
Finance costs		(22)	(34)	(63)
Share of loss of associate		(10)	-	-
Exceptional Finance costs	<b>4</b>	(143)	(116)	(240)
<b>Profit on ordinary activities before taxation</b>		1,742	1,487	3,081
Tax on profit on ordinary activities		(328)	(368)	(704)
<b>Profit for the financial period</b>		1,414	1,119	2,377
Basic earnings per share (£)	<b>5</b>	0.0218	0.0173	0.0367
Diluted earnings per share (£)	<b>5</b>	0.0208	0.0165	0.0351

**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**Six months to 30 September 2016**

	6 months to 30 Sep 2016 Unaudited £'000s	6 months to 30 Sep 2015 Unaudited £'000s	Year ended 31 Mar 2016 Audited £'000s
Profit for the period	1,414	1,119	2,377
Total comprehensive income for the period	1,414	1,119	2,377

**UNAUDITED BALANCE SHEET**  
**At 30 September 2016**

	Note	30 Sep 2016 Unaudited £'000s	30 Sep 2015 Unaudited £'000s	31 Mar 2016 Audited £'000s
<b>NON-CURRENT ASSETS</b>				
Intangible assets		3,025	3,059	2,945
Goodwill		4,524	4,524	4,524
AFS financial assets		100	100	100
Investment in Associates		565	-	575
Property, plant and equipment		601	568	485
Long-term receivables		100	-	100
Prepayments		112	204	181
		<u>9,027</u>	<u>8,455</u>	<u>8,910</u>
<b>CURRENT ASSETS</b>				
Inventory		40	32	22
Trade and other receivables		1,642	874	1,301
Cash and cash equivalents		3,710	3,969	3,781
		<u>5,392</u>	<u>4,875</u>	<u>5,104</u>
<b>TOTAL ASSETS</b>	<b>3</b>	<u>14,419</u>	<u>13,330</u>	<u>14,014</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>				
Share capital	6	259	259	259
Share premium account		4,585	4,530	4,585
Capital redemption reserve		113	113	113
Share based payment reserve		100	50	80
Retained earnings		3,394	2,081	2,148
<b>TOTAL EQUITY</b>		<u>8,451</u>	<u>7,033</u>	<u>7,185</u>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings		-	530	170
Contingent consideration	8	918	1,588	852
Deferred taxation		468	479	438
		<u>1,386</u>	<u>2,597</u>	<u>1,460</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		4,210	2,540	4,234
Borrowings		-	720	720
Current tax payable		372	440	415
		<u>4,582</u>	<u>3,700</u>	<u>5,369</u>
<b>TOTAL LIABILITIES</b>	<b>3</b>	<u>5,968</u>	<u>6,297</u>	<u>6,829</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>14,419</u>	<u>13,330</u>	<u>14,014</u>

**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**Six months to 30 September 2016**

	Share capital £'000s	Share premium £'000s	Capital redemption reserve £'000s	Share based payment reserve £'000s	Retained earnings £'000s	Total equity £'000s
<b>For the period ended 30 September 2016</b>						
At 1 April 2016	259	4,585	113	80	2,148	7,185
Profit for the period	-	-	-	-	1,414	1,414
Share-based payments	-	-	-	20	-	20
Dividends paid	-	-	-	-	(168)	(168)
At 30 September 2016	259	4,585	113	100	3,394	8,451
<b>For the period ended 30 September 2015</b>						
At 1 April 2015	259	4,530	113	23	1,609	6,534
Profit for the period	-	-	-	-	1,119	1,119
Share-based payments	-	-	-	27	-	27
Dividends paid	-	-	-	-	(647)	(647)
At 30 September 2015	259	4,530	113	50	2,081	7,033
<b>For the year ended 31 March 2016</b>						
At 1 April 2015	259	4,530	113	23	1,609	6,534
Profit for the year	-	-	-	-	2,377	2,377
Issue of shares	-	55	-	-	-	55
Share-based payments	-	-	-	57	-	57
Payment of dividends	-	-	-	-	(1,838)	(1,838)
At 31 March 2016	259	4,585	113	80	2,148	7,185

**UNAUDITED STATEMENT OF CASH FLOWS**  
**Six months to 30 September 2016**

	6 months to 30 Sep 2016 Unaudited £'000s	6 months to 30 Sep 2015 Unaudited £'000s	Year ended 31 Mar 2016 Audited £'000s
<b>Cash flows from operating activities</b>			
Profit before taxation	1,742	1,487	3,081
Finance income	(7)	(3)	(9)
Finance costs	165	150	303
Loss/(profit) on disposal of plant and equipment	2	-	(1)
Amortisation	234	232	486
Depreciation	131	115	228
Share of loss of associate	10	-	-
Share-based payments	20	27	57
Tax paid	(342)	(276)	(678)
	<u>1,955</u>	<u>1,732</u>	<u>3,467</u>
<b>Changes in working capital</b>			
(Increase) / decrease in inventories	(18)	(3)	7
(Increase) / decrease in trade and other receivables	(272)	(189)	(693)
Increase in trade and other payables	42	936	1,894
	<u>1,707</u>	<u>2,476</u>	<u>4,675</u>
<b>Cash inflow from operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of intangible software assets	(313)	(145)	(285)
Purchase of property, plant and equipment	(253)	(18)	(51)
Disposal of property, plant and equipment	4	-	4
Acquisition of associates/ investments	-	-	(575)
Interest received	7	3	9
	<u>(555)</u>	<u>(160)</u>	<u>(898)</u>
<b>Net cash used in investing activities</b>			
<b>Cash flows from financing activities</b>			
Share issue proceeds	-	-	55
Dividends paid	(168)	(647)	(1,838)
Interest paid	(165)	(150)	(303)
Repayment of loans	(890)	(360)	(720)
	<u>(1,223)</u>	<u>(1,157)</u>	<u>(2,806)</u>
<b>Net cash used in from financing activities</b>			
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(71)</u>	<u>1,159</u>	<u>971</u>
Cash and cash equivalents at beginning of period	<u>3,781</u>	<u>2,810</u>	<u>2,810</u>
<b>Cash and cash equivalents at end of period</b>	<u>3,710</u>	<u>3,969</u>	<u>3,781</u>



**Notes to the financial information**  
**Six months to 30 September 2016**

**1. GENERAL**

The interim financial information for the six months to 30 September 2016 is unaudited and was approved by the Directors of the Company on 21 November 2016. The condensed financial information set out above does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The Company's operations are not subject to seasonality or cyclicity.

A dividend of £168,101 has been paid in the six months ended 30 September 2016 (six months to 30 September 2015: £647,279).

**2. ACCOUNTING POLICIES**

The interim financial information in this report has been prepared on the basis of the accounting policies set out in the Group's most recent annual financial statements for the year ended 31 March 2016.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission.

The financial information has been prepared using accounting policies that the Directors expect to be applicable as at 31 March 2017, with the exception of IAS 34.

The Directors have adopted the going concern basis in preparing the financial information. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the foreseeable future.

The condensed financial information for the period ended 31 March 2016 set out in this interim report does not comprise the Group's statutory accounts as defined in section 434 of the Companies Act 2006.

**3. SEGMENT REPORTING**

Management identifies its operating segments based on the Group's service lines, which represent the main product and services provided by the Group. The Group's three main operating segments are:

- Comparison services
- Compliance consultancy for the legal sector
- All other segments which includes head office functions

Any inter-segment indebtedness is excluded when arriving at the assets and liabilities for each segment. Consolidation items such as goodwill and intangibles sit within 'Other'.

	Comparison £'000s	Compliance £'000s	Other £'000s	Total £'000s
<b>For the period ended 30 September 2016</b>				
Revenue	9,327	451	-	9,778
Operating Profit	1,951	121	(162)	1,910
Total Assets	7,155	616	6,648	14,419
Total Liabilities	3,470	186	2,312	5,968
<b>For the period ended 30 September 2015</b>				
Revenue	9,263	492	-	9,755
Operating Profit	2,084	197	(647)	1,634
Total Assets	5,502	473	7,355	13,330
Total Liabilities	2,589	189	3,519	6,297
<b>For the year ended 31 March 2016</b>				
Revenue	19,657	1,001	-	20,658
Operating Profit	4,191	394	(1,210)	3,375
Total Assets	5,745	604	7,665	14,014
Total Liabilities	3,280	168	3,381	6,829

#### 4. EXCEPTIONAL EXPENSES

##### Exceptional Administrative Expenses

	6 months to 30 Sep 2016 £'000	6 months to 30 Sep 2015 £'000	Year to 31 Mar 2016 £'000
Adjustment to expected deferred consideration	-	204	333
Acquisition expenses	-	-	52
	<u>204</u>	<u>204</u>	<u>385</u>

##### Exceptional Finance Costs

	6 months to 30 Sep 2016 £'000	6 months to 30 Sep 2015 £'000	Year to 31 Mar 2016 £'000
Change in NPV of contingent consideration	143	116	240
	<u>143</u>	<u>116</u>	<u>240</u>

## 5. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

### Basic and diluted earnings per share

	6 months to 30 Sep 2016 £	6 months to 30 Sep 2015 £	Year to 31 Mar 2016 £
Total basic earnings per share	<u>0.0218</u>	<u>0.0173</u>	<u>0.0367</u>
Total diluted earnings per share	<u>0.0208</u>	<u>0.0165</u>	<u>0.0351</u>

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	6 months to 30 Sep 2016 £'000s	6 months to 30 Sep 2015 £'000s	Year to 31 Mar 2016 £'000s
Earnings used in the calculation of total basic and diluted earnings per share	<u>1,414</u>	<u>1,119</u>	<u>2,377</u>

<b>Number of shares</b>	6 months to 30 Sep 2016 Number	6 months to 30 Sep 2015 Number	Year to 31 Mar 2016 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>64,828,057</u>	<u>64,727,875</u>	<u>64,735,539</u>

Taking the Group's dilutive potential ordinary shares into consideration in respect of the Group's weighted average number of ordinary shares for the purposes of diluted earnings per share, is as follows:

<b>Number of shares</b>	6 months to 30 Sep 2016	6 months to 30 Sep 2015	Year to 31 Mar 2016
Potential dilutive effect of share options and warrants	<u>3,150,171</u>	<u>2,936,732</u>	<u>3,039,893</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>67,978,228</u>	<u>67,664,607</u>	<u>67,775,432</u>

## 6. SHARE CAPITAL

### a) Share Capital

The Company has one class of Ordinary share with 0.4p nominal value per share which carries no right to fixed income nor has any preferences or restrictions attached. No new shares were issued in the period

**Issued and fully paid:**

	30 Sep 2016 £'000s	30 Sep 2015 £'000s	31 Mar 2016 £'000s
Ordinary shares of 0.40p each	<u>259</u>	<u>259</u>	<u>259</u>

	30 Sep 2016 Number	30 Sep 2015 Number	31 Mar 2016 Number
At beginning of the period	64,828,057	64,727,875	64,727,875
New Share Issue	<u>-</u>	<u>-</u>	<u>100,182</u>
	<u>64,828,057</u>	<u>64,727,875</u>	<u>64,828,057</u>

**b) Share based payments**

During the period the Group granted no new options.

All options in issue vest in 3 equal tranches, three, four, and five years after date of grant. The options are settled in equity once exercised. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

At the end of the period, there were 2,802,800 options outstanding with a weighted average exercise price of £0.43 per share

**7. BORROWINGS**

In July 2014, the Group took out a bank loan of £4 million, of which £1,850,000 was repaid in August 2014. The remaining balance was repayable in quarterly instalments of £180,000 with quarterly interest payments charged at 2.75% over base rate. During the period, the Group took the decision to make early repayment and the facility was repaid in full on 30 September 2016.

**8. DEFERRED CONSIDERATION**

On 27 February 2015, the Group acquired 100% of the issued ordinary share capital of Legal-Eye Limited, a company incorporated in England and Wales. Part of the consideration was deferred with payments of £1,080,000 due in each of October 2016 and October 2017. The amounts shown in the balance sheet are at net present value and the movement arising on this is shown below

	30 Sep 2016 £'000s
At beginning of the period	1,841
Change in NPV due to movement in time	143
	<u>1,984</u>
At end of the period	<u>1,984</u>