



3 December 2018

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

Half Yearly Report

"Gains in market share drive increases in revenue, profits and dividends"

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 2018.

The Group continued to increase its market share and grow revenue and profits during the period despite housing market transactions being lower year-on-year.

Financial Highlights

- Revenue increased by 3% to £15.79m (H1 2017: £15.28m)
- Underlying Profit before Tax¹ increased by 6% to £2.89m (H1 2017: £2.74m)
- Adjusted basic EPS¹ increased by 7% to 3.73p (H1 2017: 3.49p)
- Net debt and equivalents of £3.4m as at 30 September 2018 (FY 2017: £2.3m)
 - Payment of contingent consideration of £2.9m in the period
- Interim dividend of 1.20p per share, an increase of 4% on the same period last year

¹. Before acquisition intangibles, amortisation and exceptional costs. Exceptional costs of £0.32m relate to the NPV movement in the estimated earn-out payable for the acquisition of CAL.

Operating Highlights

- Further growth in market share particularly, within the re-mortgage transaction segment
- Continued expansion of the sales team, focusing on intermediary market
- Key elements of "DigitalMove" project fully developed and ready for launch in January 2019

Post Period Events

- New conveyancing Services agreed with Hunters Estate Agents and Which? Mortgage Advisers
 - Further strengthening customer base and routes to market
- Strengthening of the Board with Martin Rowland joining as a NED
 - Adds significant expertise and knowledge base

Steve Goodall, Chief Executive of ULS Technology plc, commented:

"We are pleased with our performance in the first half of the year especially given the wider economic environment. We once again outperformed the market in both transactional and re-mortgage volumes.

"We also increased our sales resource during the period and have concentrated both on increasing the number of advisers who use our systems and how often they use them. We will continue to focus in this area over the coming months and expect these efforts to continue to deliver new contract wins.

"We have a number of new products in development and have many active conversations with various parties throughout the industry, where there is widespread interest in how to improve the customer journey. We are particularly excited about DigitalMove, which will be launched in January 2019 and will be a major step forward in the way that many consumers interact with their conveyancer."

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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 has been my first reporting period as CEO of the Group and it has been a successful one in the face of market uncertainty on many fronts. Over the last decade or so, we have forged close working relationships with a growing number of the most successful mortgage intermediaries and lenders. These relationships, together with our continued investment in technology and customer service, have underpinned our strong performance during the period.

It has therefore been an exciting time to take on the CEO role. There is a real desire in the markets in which we operate to make the home-moving experience better for everyone. We are helping to drive this process and are having discussions with a variety of parties across the industry as to how we can make this happen. These developments have the potential to underpin organic growth and the overall health of the Group for many years to come.

A prime driver behind this will be our launch of DigitalMove in January 2019. DigitalMove is a customer focussed online platform that enables the customer to communicate with their conveyancer in a user-friendly, digital environment which is safe and secure with the potential to take weeks off the house-moving process. Following the planned launch, we are working to a roadmap of product enhancements that will be rapidly delivered and rolled out across all of our distribution base and beyond as DigitalMove has the potential to open up new markets and new customers for the Group as well as enhancing the home-moving experience for our existing customers.

Strategy

The Group's strategy remains to grow market share and value though focusing on continual improvement, innovation and quality, while being alive to potential acquisitions.

The tactics to achieve this strategy are:

- **Focus on our distribution.** We have an enviable list of distributors who promote our platforms and we have increased resource to ensure there is complete focus on our distribution. This guarantees that we are in regular contact with them and that they receive the service and products that they need and expect.
- **Product development.** The Group has always been innovative. However, during this year we have significantly increased resource in our product development team as we look to accelerate delivery of new products. This will accelerate the launch and development of DigitalMove, as well as other new products for lenders and New Build, without compromising enhancements to our existing comparison platforms.
- **Acquisitions.** Although not completing any acquisitions in the reporting period it remains a key part of our growth strategy and we will continue to seek and pursue opportunities.

Non-IFRS Profit Measures

In the Financial Highlights above we show the movement in Underlying Profit before Tax. This is a non-IFRS profit measure and the table below shows how that measure is arrived at from IFRS profit.

Underlying Profit before Tax

	6 months to 30 Sep 2018 £'000	6 months to 30 Sep 2017 £'000	Year to 31 Mar 2018 £'000
Reported PBT	2,296	626	2,735
Amortisation of intangible assets arising on acquisition	270	240	540
<u>Exceptional costs</u>			
Acquisition activity costs	-	77	85
Adjustment of contingent consideration	323	1,795	2,153
	<u>2,889</u>	<u>2,738</u>	<u>5,513</u>

Underlying Profit after Tax

	6 months to 30 Sep 2018 £'000	6 months to 30 Sep 2017 £'000	Year to 31 Mar 2018 £'000
Underlying Profit before tax	2,889	2,738	5,513
Tax on profit on ordinary activities	(434)	(438)	(769)
Tax relating to amortisation of intangibles arising on acquisition	(48)	(42)	(96)
	<u>2,407</u>	<u>2,258</u>	<u>4,648</u>

We believe that providing details of how these non-IFRS profit measures are calculated by reference to the IFRS profit number helps aid the understanding of the movement in the IFRS number as well as giving an indication to the long-term profitability and cash generating ability of the Group.

Interim Dividend

The Company is pleased to announce that it will pay an interim dividend of 1.20 pence per share; this is a four per cent increase on the dividend paid for the six months to 30 September 2018. The dividend record date is 14 December 2018, and the dividend is expected to be paid on 4 January 2019.

Board Changes

We have recently announced the appointment of Martin Rowland as Non-Executive Director. Martin will Chair the Audit Committee as well as being a member of the Remuneration and Nominations Committees.

Outlook

The macro-economic environment for the last few months has been uncertain. This has fed through to a reduction in housing activity. The feeling in the market is that some potential house buyers are sitting on their hands until there is greater clarity over economic prospects and house prices before

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entering the market. It seems certain that Brexit is the main driver behind this uncertainty. As things become clearer during 2019, we expect market activity to return to normal levels.

The medium-term prospects for technology providers to the housing market remain positive and therefore we will continue to invest in both sales and product to deliver long-term profitable growth.

Steve Goodall
Chief Executive Officer

UNAUDITED INCOME STATEMENT
Six months to 30 September 2018

	Note	6 months to 30 Sep 2018 Unaudited £'000s	6 months to 30 Sep 2017 Unaudited £'000s	Year ended 31 Mar 2018 Audited £'000s
Revenue		15,795	15,282	30,672
Cost of sales		(9,189)	(8,908)	(18,192)
Gross profit		6,606	6,374	12,480
Administrative expenses		(3,928)	(3,805)	(7,378)
Operating profit before exceptional expenses		2,678	2,569	5,102
Exceptional administrative expenses	4	(323)	(1,795)	(2,147)
Operating profit		2,355	774	2,955
Finance income		5	2	6
Finance costs		(64)	(73)	(135)
Exceptional finance costs	4	-	(77)	(91)
Profit on ordinary activities before taxation		2,296	626	2,735
Tax on profit on ordinary activities		(434)	(438)	(769)
Profit for the financial period		1,862	188	1,966
Basic earnings per share (£)	5	0.0289	0.0029	0.0305
Diluted earnings per share (£)	5	0.0274	0.0027	0.0284

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
Six months to 30 September 2018

	6 months to 30 Sep 2018 Unaudited £'000s	6 months to 30 Sep 2017 Unaudited £'000s	Year ended 31 Mar 2018 Audited £'000s
Profit for the period	1,862	188	1,966
Total comprehensive income for the period	1,862	188	1,966

UNAUDITED BALANCE SHEET
At 30 September 2018

	Note	30 Sep 2018 Unaudited £'000s	30 Sep 2017 Unaudited £'000s	31 Mar 2018 Audited £'000s
NON-CURRENT ASSETS				
Intangible assets		6,510	6,890	6,720
Goodwill		11,008	11,008	11,008
AFS financial assets		100	100	100
Investment in Associates		566	543	547
Property, plant and equipment		380	387	272
Long-term receivables		200	200	200
Prepayments		182	127	153
		<u>18,946</u>	<u>19,255</u>	<u>19,000</u>
CURRENT ASSETS				
Inventory		46	43	55
Trade and other receivables		2,160	2,758	1,511
Cash and cash equivalents		1,828	2,899	2,889
		<u>4,034</u>	<u>5,700</u>	<u>4,455</u>
TOTAL ASSETS		<u>22,980</u>	<u>24,955</u>	<u>23,455</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY				
Share capital	6	259	259	259
EBT reserve		(484)	(474)	(527)
Share premium account		4,585	4,585	4,585
Capital redemption reserve		113	113	113
Share based payment reserve		223	207	267
Retained earnings		5,603	3,573	4,643
TOTAL EQUITY		<u>10,299</u>	<u>8,263</u>	<u>9,340</u>
NON-CURRENT LIABILITIES				
Borrowings	7	2,250	3,250	2,750
Contingent consideration	8	-	1,991	2,100
Deferred taxation		695	1,059	747
		<u>2,945</u>	<u>6,300</u>	<u>5,597</u>
CURRENT LIABILITIES				
Trade and other payables		6,422	7,888	6,184
Borrowings	7	3,000	2,000	2,000
Current tax payable		314	504	334
		<u>9,736</u>	<u>10,392</u>	<u>8,518</u>
TOTAL LIABILITIES		<u>12,681</u>	<u>18,692</u>	<u>14,115</u>
TOTAL EQUITY AND LIABILITIES		<u>22,980</u>	<u>24,955</u>	<u>23,455</u>

UNAUDITED STATEMENT OF CHANGES IN EQUITY
Six months to 30 September 2018

	Share capital £'000s	EBT reserve £'000s	Share premium £'000s	Capital redemption reserve £'000s	Share-based payment reserve £'000s	Retained earnings £'000s	Total equity £'000s
For the period ended 30 September 2018							
At 1 April 2018	259	(527)	4,585	113	267	4,643	9,340
Profit for the period	-	-	-	-	-	1,862	1,862
Total comprehensive income	-	-	-	-	-	1,862	1,862
Purchase of shares by EBT	-	(207)	-	-	-	-	(207)
Exercise of options	-	250	-	-	(16)	(161)	73
Share-based payments	-	-	-	-	(28)	-	(28)
Dividends paid	-	-	-	-	-	(741)	(741)
Total transactions with owners	-	43	-	-	(44)	(902)	(903)
At 30 September 2018	259	(484)	4,585	113	223	5,603	10,299
For the period ended 30 September 2017							
At 1 April 2017	259	-	4,585	113	151	4,145	9,253
Profit for the period	-	-	-	-	-	188	188
Total comprehensive income	-	-	-	-	-	188	188
Purchase of shares by EBT	-	(618)	-	-	-	-	(618)
Exercise of options	-	144	-	-	(17)	(49)	78
Share-based payments	-	-	-	-	73	-	73
Dividends paid	-	-	-	-	-	(711)	(711)
Total transactions with owners	-	(474)	-	-	56	(760)	(1,178)
At 30 September 2017	259	(474)	4,585	113	207	3,573	8,263

**For the year ended 31
March 2018**

At 1 April 2017	259	-	4,585	113	151	4,145	9,253
Profit for the year	-	-	-	-	-	1,966	1,966
Total comprehensive income	-	-	-	-	-	1,966	1,966
Purchase of shares by EBT	-	(1,050)	-	-	-	-	(1,050)
Exercise of options	-	523	-	-	(25)	(293)	205
Share-based payments	-	-	-	-	141	-	141
Deferred tax share options	-	-	-	-	-	277	277
Payment of dividends	-	-	-	-	-	(1,452)	(1,452)
Total transactions with owners	-	-	-	-	116	(1,468)	(1,879)
At 31 March 2018	259	(527)	4,585	113	267	4,643	9,340

UNAUDITED STATEMENT OF CASH FLOWS
Six months to 30 September 2018

	6 months to 30 Sep 2018 Unaudited £'000s	6 months to 30 Sep 2017 Unaudited £'000s	Year ended 31 Mar 2018 Audited £'000s
Cash flows from operating activities			
Profit before taxation	2,296	626	2,735
Finance income	(3)	(2)	(6)
Finance costs	64	150	226
Loss on disposal of plant and equipment	-	-	-
Share of (profit) / loss of associate	(19)	6	2
Amortisation	531	484	1,014
Depreciation	110	140	274
Share-based payments	(28)	73	141
Tax paid	(506)	(598)	(1,134)
	<u>2,445</u>	<u>879</u>	<u>3,252</u>
Changes in working capital			
Decrease / (increase) in inventories	9	(3)	(15)
(Increase) / decrease in trade and other receivables	(678)	(1,037)	185
Increase in trade and other payables	1,073	2,960	2,431
	<u>1,073</u>	<u>2,960</u>	<u>2,431</u>
Net cash generated from operating activities	<u>2,849</u>	<u>2,799</u>	<u>5,853</u>
Cash flows from investing activities			
Purchase of intangible software assets	(319)	(309)	(670)
Purchase of property, plant and equipment	(219)	(11)	(30)
Payment of deferred and contingent consideration	(2,935)	-	(1,080)
Interest received	3	2	6
	<u>(3,470)</u>	<u>(318)</u>	<u>(1,774)</u>
Net cash used in investing activities	<u>(3,470)</u>	<u>(318)</u>	<u>(1,774)</u>
Cash flows from financing activities			
Dividends paid	(741)	(711)	(1,452)
Interest paid	(64)	(73)	(135)
Repayment of term loan	(500)	(500)	(1,000)
Movement on rolling cash flow facility	1,000	-	-
Share transactions by EBT	(135)	(540)	(845)
	<u>(440)</u>	<u>(1,824)</u>	<u>(3,432)</u>
Net cash used in financing activities	<u>(440)</u>	<u>(1,824)</u>	<u>(3,432)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(1,061)</u>	<u>657</u>	<u>647</u>
Cash and cash equivalents at beginning of period	<u>2,889</u>	<u>2,242</u>	<u>2,242</u>
Cash and cash equivalents at end of period	<u>1,828</u>	<u>2,899</u>	<u>2,889</u>

Notes to the financial information
Six months to 30 September 2018

1. GENERAL

The interim financial information for the six months to 30 September 2018 is unaudited and was approved by the Directors of the Company on 28 November 2018. 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 significant seasonality or cyclicity.

A dividend of £741,273 has been paid in the six months ended 30 September 2018 (six months to 30 September 2017: £711,195).

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 2018.

IFRS 15 'Revenue from Contracts with Customers' is effective for annual periods beginning on or after 1 January 2018 and is therefore applicable to these accounts. However, the change in accounting standard from IAS 18 has had no impact on these accounts.

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 2019, 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 2018 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 of similar services which makes up the Group's Comparison Services segment represents more than 95% of the total business. Additionally, the Board reviews Group consolidated numbers when making strategic decisions and, as such, the Group considers that it has one reportable operating segment. All sales are made in the UK.

4. EXCEPTIONAL EXPENSES

Exceptional Administrative Expenses

	6 months to 30 Sep 2018 £'000	6 months to 30 Sep 2017 £'000	Year to 31 Mar 2018 £'000
Acquisition related expenses	-	77	85
Adjustment to expected contingent consideration	323	1,718	2,062
	<u>323</u>	<u>1,795</u>	<u>2,147</u>

Exceptional Finance Costs

	6 months to 30 Sep 2018 £'000	6 months to 30 Sep 2017 £'000	Year to 31 Mar 2018 £'000
Change in NPV of deferred consideration	-	77	91
	<u>-</u>	<u>77</u>	<u>91</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 2018 £	6 months to 30 Sep 2017 £	Year to 31 Mar 2018 £
Total basic earnings per share	<u>0.0289</u>	<u>0.0029</u>	<u>0.0305</u>
Total diluted earnings per share	<u>0.0274</u>	<u>0.0027</u>	<u>0.0284</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 2018 £'000s	6 months to 30 Sep 2017 £'000s	Year to 31 Mar 2018 £'000s
Earnings used in the calculation of total basic and diluted earnings per share	<u>1,862</u>	<u>188</u>	<u>1,966</u>

Number of shares	6 months to 30 Sep 2018 Number	6 months to 30 Sep 2017 Number	Year to 31 Mar 2018 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>64,459,290</u>	<u>64,828,057</u>	<u>64,549,992</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:

Number of shares	6 months to 30 Sep 2018	6 months to 30 Sep 2017	Year to 31 Mar 2018
Potential dilutive effect of share options and warrants	<u>3,550,829</u>	<u>4,770,506</u>	<u>4,589,034</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>68,010,119</u>	<u>69,598,563</u>	<u>69,139,026</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 2018 £'000s	30 Sep 2017 £'000s	31 Mar 2018 £'000s
Ordinary shares of 0.40p each	<u>259</u>	<u>259</u>	<u>259</u>

	30 Sep 2018 Number	30 Sep 2017 Number	31 Mar 2018 Number
At beginning & end of the period	<u>64,828,057</u>	<u>64,828,057</u>	<u>64,828,057</u>

b) Share based payments

During the period the Group granted 527,500 options with an exercise price of £1.3425 per share and 637,500 options with an exercise price of £1.3325 per share.

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.

	Number of options	Weighted average exercise price £
Outstanding at 1 April 2018	4,309,785	0.62
Granted	1,165,000	1.34
Forfeited prior to vesting	(1,769,828)	0.51
Exercised	(175,802)	0.41
	<u>3,529,155</u>	<u>0.92</u>
Outstanding at 30 September 2018	<u>3,529,155</u>	<u>0.92</u>

7. BORROWINGS

	30 Sep 2018	
	£'000s	£'000s
At 1 April 2018:		
Current		
Term Loan	1,000	
Rolling cash flow facility	<u>1,000</u>	2,000
Non-current		
Term Loan		<u>2,750</u>
		<u>4,750</u>
Movements during the period:		
Repayments of term loan		(500)
Movement on		<u>1,000</u>
		500
At 30 September 2018:		
Current		
Term Loan	1,000	
Rolling cash flow facility	<u>2,000</u>	3,000
Non-current		
Term Loan		<u>2,250</u>
		<u><u>5,250</u></u>

In December 2016, the Group took out a 5-year term loan for £5 million and a £2 million revolving cash flow facility. Both had an initial interest rate of 1.90% above LIBOR but this has reduced to 1.55% above LIBOR during the period as certain financial criteria were met. The term loan is subject to repayments of £250,000 plus accrued interest quarterly.

Loans are secured by way of fixed and floating charges over all assets of the Group.

8. CONTINGENT CONSIDERATION

In December 2016, the Group acquired 100% of the issued ordinary share capital of Conveyancing Alliance Holdings Limited and its 100% subsidiary Conveyancing Alliance Limited (together referred to as "CAL"), companies incorporated in England and Wales. Part of the consideration is contingent based on a range of between 0.5 and 1.75 times annualised PBT of CAL for the period between completion to 31 March 2018 and also for the 12 months ending 31 March 2019. A first payment of £2,935,000 relating to this contingent consideration was paid in July 2018. The estimated remaining undiscounted value of this element of the consideration is £2,337,000 (£5,272,000 as at 31 March 2018). There is a cap on the contingent consideration payable and the current estimate is for the cap to be reached.

The amounts shown in the balance sheet are at net present value and the movement arising on this is shown below

	30 Sep 2018 £'000s
At 1 April 2018:	
Current (included in trade and other payables)	2,575
Non-current	2,100
	<hr/> 4,675
Movements during the period:	
Payments of contingent consideration	(2,935)
Change in NPV due to movement in time	323
	<hr/>
At 30 September 2018:	
Current (included in trade and other payables)	<u>2,063</u>

The end of period contingent consideration liability of £2,063,000 is all included within trade and other payables as a current liability.