28 June 2018

Electronic Data Processing PLC (EDP)

Half-year results – 6 months to 31 March 2018

EDP is an IT solution provider to the UK wholesale distribution industry and a supplier of Sales Intelligence software solutions more widely.

Financial Highlights

- Turnover £2.55 million (2017: £2.54 million)
- Adjusted operating profit £250,000 (2017: £260,000), resulting in an operating margin of 9.8% (2017: 10.2%)
- Statutory pre-tax loss of £12,000 (2017: profit of £180,000) after providing for £269,000 of exceptional legal and professional costs in relation to the strategic review
- Hosting revenues represent 63% of total revenues (2017: 61%)
- Contracted recurring revenues represent 80% of total revenues (2017: 80%)
- R&D expenditure amounted to £484,000 in first half (2017: £461,000)
- Strong, debt-free balance sheet with total cash balances of £6.5 million
- The strategic review of the business is continuing. Should the process not result in an acceptable offer being made for the Company, the Board confirms that it intends to consider returning an amount of cash to shareholders subject to any constraints on distributable reserves and the rules of the Takeover Code. As a result, the Directors are not currently recommending the payment of an interim dividend pending the outcome of the strategic review

Sir Michael Heller, Chairman of EDP, said:

“Whilst trading conditions remain competitive, we remain confident about the outlook for the future.”

-Ends-

For further information please contact:

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Chairman's Statement

Turnover for the six months ended 31 March 2018 was £2.55 million (2017: £2.54 million).

Adjusted operating profit at £250,000 was also broadly in line with the prior period (2017: £260,000). This represents an operating margin of 9.8% compared with 10.2% in the prior period.

Adjusted operating profit excludes one-off costs and non-cash IFRS adjustments and is the measure the Directors use to monitor the performance of the business on a day to day basis.

There was a statutory pre-tax loss for the six months ended 31 March 2018 of £12,000 which is stated after providing for £269,000 of exceptional legal and professional costs in relation to the strategic review. This compares with a profit of £180,000 in the prior year. A reconciliation of adjusted operating profit to statutory pre-tax profit is shown in note 5.

Overall revenues have remained steady as we continue to transition the business away from our traditional ERP software products, which we continue to maintain and support, to our newer products, Quantum VS and Vecta.

R&D expenditure during the period, which was focused mainly on these new products, was £484,000 (2017: £461,000).

Revenues delivered through the Group's hosting centre during the period represented 63% of total sales, up from 61% in the same period last year. The business model is underpinned by the strong contracted recurring revenue streams arising from annual software licences and hosting charges. During the period under review, these represented 80% of total revenues (2017: 80%) providing the business with excellent visibility.

The tax charge for the period was £50,000. This gives an effective tax rate of 19.4% on the profits of the business before deducting the exceptional costs relating to the strategic review.

Group net assets were £6.0 million at 31 March 2018 compared with £6.4 million at the end of the previous financial year, 30 September 2017. The principal factors behind the decrease being dividends approved of £381,000 and the exceptional costs in relation to the strategic review. At 31 March 2017 net assets were £3.7 million. The main reason for the increase since that time was, as previously reported, a significant improvement in the position on the Group's defined benefit pension scheme under IAS 19.

Cash and cash equivalents at 31 March 2018 were £6.5 million compared with £6.4 million at 30 September 2017.

We have previously announced that we are carrying out a strategic review of the business and that process is continuing. Should the strategic review process not result in an acceptable offer being made for the Company, the Board confirms that it intends to consider returning an amount of cash to shareholders subject to any constraints on distributable reserves and the rules of the Takeover Code. As a result, the Directors are not currently recommending the payment of an interim dividend pending the outcome of the strategic review. The Company will update shareholders further when it is in a position to do so.

As ever, I would like to thank our staff for their hard work and commitment.

Whilst trading conditions remain competitive, we remain confident about the outlook for the future.

Sir Michael Heller 28 June 2018

Chairman

Principal Risks and Uncertainties

We operate in a changing economic and technological environment that presents risks, many of which are driven by factors that we cannot control or predict. The key risks and uncertainties facing EDP and the measures taken to mitigate these risks are as follows:

Systems and networks

Risk

EDP's business operations rely significantly on the efficient and uninterrupted operation of its information technology systems and networks.

Our computer network may be vulnerable to unauthorised access, viruses and other disruptive problems.

Potential impact

Any damage or interruption to EDP's networks, however caused, could have a material adverse effect on the delivery of our products and services.

A party that is able to override security measures could misappropriate proprietary information or cause disruption to our operations.

Mitigation

We continually review and test the security of internal systems and networks and have developed recovery plans in the event of systems disruption. We use a third party to internally and externally scan our network to identify any potential vulnerability.

Where reliance is placed upon externally provided systems and networks we undertake regular performance ability reviews and ensure that contracts provide for an appropriate level of service maintenance.

Product technology advances

Risk

The markets in which EDP operates are characterised by evolving technology, market practices and industry standards.

Potential impact

Competitors could develop superior products or more cost-effective techniques which could render our products uncompetitive or less acceptable to the market. This could result in the loss of new revenue opportunities, the non-renewal of contracts by existing customers or the failure of users of our legacy applications to migrate to Quantum VS.

Mitigation

We have an ongoing commitment to research and development which allows us to identify and adapt to any technological and market changes that do occur thereby ensuring that our products continue to meet the demands of our customers.

External economic factors

Risk

As with most other businesses in the UK, our operations can be adversely affected by a significant downturn in the economy. The UK economy faces considerable uncertainty over the coming years and most of our customers, the majority of whom import and are therefore exposed to exchange rate movements, are directly impacted by Brexit. Furthermore, the uncertainties caused by Brexit could have a significant impact on discretionary capital expenditure decisions including IT projects.

Potential impact

Restricted availability of finance for businesses and a stagnant or recessionary economy could have an adverse effect on the prospects for EDP, as potential customers, particularly in the builders and timber merchants sectors may scale back their IT plans in response to funding difficulties and/or reduced prospects for their businesses.

Mitigation

We seek to ensure that a significant proportion of our revenues are derived from long-term contracts with our customers, that our products appeal to businesses operating in a range of business sectors and that payments for our recurring fees are received annually in advance.

Competitor activity

Risk

EDP operates in a competitive environment.

Potential impact

New entrants to our marketplace and actions taken by existing competitors could have an impact on our levels of business activity and product pricing in the market generally.

Mitigation

We endeavour to provide excellent customer support together with high quality products at a competitive price in order to develop and protect strong customer relationships.

Key employees

Risk

In common with all people-based businesses, our success will, to a significant extent, be dependent on the experience of the Board and senior management. The retention of the services of EDP's key employees cannot be guaranteed.

Potential impact

The loss of key employees could have a material adverse effect on EDP.

The failure to retain and develop key technical skills and product knowledge could hinder EDP's future prospects.

Mitigation

We are continually focused on the need to recruit, retain, reward and motivate staff with the appropriate skills.

Responsibility Statement of the Directors in Respect of the Half-Yearly Financial Report

We confirm that, to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 '*Interim Financial Reporting'* as adopted by the European Union;

- the half-yearly management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being 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 year; and

(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the enterprise during that period; and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

By order of the Board

J M Storey

Secretary

28 June 2018

The Directors at the date of this half-yearly financial report are:

Sir Michael Heller	Chairman (Non-Executive)
J.H. Wassell	Chief Executive
A.R. Heller	Non-Executive Director
C.R. Spicer	Network Services Director
J.M. Storey	Finance Director

Condensed Consolidated Income Statement

For the six months ended 31 March 2018

	Unaudited six months to 31 March 2018 £'000	Unaudited six months to 31 March 2017 £'000	Audited full year to 30 September 2017 £'000
Revenue	**2,547**	2,538	5,108
Gross profit	**2,401**	2,388	4,787
Administrative expenses	**(2,423)**	(2,226)	(4,397)
Operating (loss)/profit	**(22)**	162	390
Finance income	**10**	18	27
(Loss)/profit before tax	**(12)**	180	417
Income tax expense	**(50)**	(34)	(23)
(Loss)/profit for the period attributable to equity holders of the parent	**(62)**	146	394
(Loss)/earnings per share			
- Basic	**(0.49)p**	1.16p	3.11p
- Diluted	**(0.48)p**	1.14p	3.09p

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 31 March 2018

	Unaudited six months to 31 March 2018	Unaudited six months to 31 March 2017	Audited full year to 30 September 2017
	£'000	£'000	£'000
(Loss)/profit for the period	**(62)**	146	394
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement (losses)/gains on defined benefit pension scheme	**(49)**	809	4,209
Income tax on other comprehensive income	**17**	(137)	(760)
Other comprehensive income for the period, net of tax	**(32)**	672	3,449
Total comprehensive income for the period attributable to equity holders of the parent	**(94)**	818	3,843

Condensed Consolidated Balance Sheet

at 31 March 2018

	Unaudited at 31 March 2018	Unaudited at 31 March 2017	Audited at 30 September 2017
	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	**1,247**	1,277	1,265
Deferred tax asset	**-**	530	-
Employee benefits	**194**	-	240
Intangible assets	**404**	428	414
	1,845	2,235	1,919
Current assets			
Inventories	**77**	93	68
Trade and other receivables	**1,461**	1,444	1,139
Cash and cash equivalents	**6,494**	6,682	6,360
	8,032	8,219	7,567
Total assets	**9,877**	10,454	9,486
Current liabilities			
Deferred income	**(1,939)**	(1,963)	(1,856)
Income tax payable	**(170)**	(130)	(59)
Trade and other payables	**(1,606)**	(1,436)	(948)
	(3,715)	(3,529)	(2,863)
Non-current liabilities			
Deferred income	**(56)**	(57)	(27)
Employee benefits	**-**	(3,116)	-
Deferred tax liability	**(141)**	(86)	(160)
	(197)	(3,259)	(187)
Total liabilities	**(3,912)**	(6,788)	(3,050)
Net assets	**5,965**	3,666	6,436
Equity			
Share capital	**689**	689	689
Share premium	**119**	119	119
Capital redemption reserve	**625**	625	625
Treasury shares	**(542)**	(542)	(542)
Retained earnings	**5,074**	2,775	5,545
Total equity attributable to equity holders of the parent	**5,965**	3,666	6,436

Condensed Consolidated Cash Flow Statement

for the six months ended 31 March 2018

	Unaudited six months to 31 March 2018	Unaudited six months to 31 March 2017	Audited full year to 30 September 2017
	£'000	£'000	£'000
Cash flows from operating activities			
(Loss)/profit for the period	**(62)**	146	394
Adjustments for:			
Depreciation	**99**	110	214
Amortisation	**73**	75	149
Net loss/(profit) on disposal of property, plant and equipment	**4**	(5)	(9)
Defined benefit pension (credit)/charge net of employer contributions	**(3)**	42	86
Finance income	**(10)**	(18)	(27)
Income tax expense	**50**	34	23
Change in inventories net of transfers to property, plant and equipment	**(20)**	(24)	(20)
Change in receivables	**(323)**	(243)	59
Change in payables	**277**	46	(61)
Change in deferred income	**112**	(77)	(214)
Cash received from operations	**197**	86	594
Interest received	**11**	54	63
Income taxes received/(paid)	**62**	-	(77)
Net cash received from operating activities	**270**	140	580
Cash flows from investing activities			
Cash transferred from fixed-term deposit investments	**-**	3,500	3,500
Purchase of property, plant and equipment	**(73)**	(39)	(118)
Purchase of intangible assets	**(13)**	(2)	(10)
Capitalised development expenditure	**(50)**	(37)	(89)
Net proceeds from sale of property, plant and equipment	**-**	1,177	1,189
Net cash (used in)/generated by investing activities	**(136)**	**4,599**	**4,472**
Cash flows from financing activities			
Issue of shares out of treasury	-	41	41
Dividends paid	-	-	(635)
Net cash generated by/(used in) financing activities	-	41	(594)
Net increase in cash and cash equivalents	134	4,780	4,458
Cash and cash equivalents at beginning of period	6,360	1,902	1,902
Cash and cash equivalents at end of period	**6,494**	6,682	6,360

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 March 2018

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
At 1 October 2017 (audited)	689	119	625	(542)	5,545	6,436
Loss for the period	-	-	-	-	(62)	(62)
Other comprehensive income:						
- remeasurement loss on defined benefit pension scheme net of tax	-	-	-	-	(32)	(32)
Total comprehensive income	-	-	-	-	(94)	(94)
Transactions with owners:						
- share-based payment transactions	-	-	-	-	4	4
- dividends approved	-	-	-	-	(381)	(381)
Total transactions with owners	-	-	-	-	(377)	(377)
At 31 March 2018 (unaudited)	689	119	625	(542)	5,074	5,965

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
At 1 October 2016 (audited)	689	119	625	(587)	2,348	3,194
Profit for the period	-	-	-	-	146	146
Other comprehensive income:						
- remeasurement gain on defined benefit pension scheme net of tax	-	-	-	-	672	672
Total comprehensive income	-	-	-	-	818	818
Transactions with owners:						
- issue of shares out of treasury	-	-	-	45	(4)	41
- share-based payment transactions	-	-	-	-	(6)	(6)
- dividends approved	-	-	-	-	(381)	(381)
Total transactions with owners	-	-	-	45	(391)	(346)
At 31 March 2017 (unaudited)	689	119	625	(542)	2,775	3,666

Notes

1 Interim financial information

Electronic Data Processing PLC is a public limited company listed on the London Stock Exchange and incorporated and domiciled in England.

The condensed consolidated interim financial information was approved for issue on 28 June 2018.

The condensed financial information is not the Company's statutory accounts. The interim financial information for the six-month periods ended 31 March 2017 and 31 March 2018 has not been audited. The comparative figures for the financial year ended 30 September 2017 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

2 Basis of preparation

The unaudited condensed consolidated interim financial information for the six months ended 31 March 2018 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the EU. The half-yearly condensed consolidated financial report should be read in conjunction with the annual financial statements for the year ended 30 September 2017, which have been prepared in accordance with IFRSs as adopted by the EU.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2017, as described in those financial statements.

The following new standards and amendments to existing standards became effective during the period to 31 March 2018 but had no material impact on this consolidated financial information:

- IAS 7 (amended) 'Statement of Cash Flows'; and
- IAS 12 (amended) 'Income Taxes'.

The following new standards, amendments to existing standards and interpretations are not yet effective and have not been early adopted by the Group:

- IFRS 2 (amended) 'Share-based Payment';
- IFRS 4 (amended) 'Insurance Contracts';
- IFRS 9 'Financial Instruments';
- IFRS 15 'Revenue from Contracts with Customers';
- IFRS 16 'Leases';
- IFRS 17 'Insurance Contracts';
- IAS 19 (amended) 'Employee Benefits';
- IAS 28 (amended) 'Long-term Interests in Associates and Joint Ventures';
- IAS 40 (amended) 'Investment Property';
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration';
- IFRIC 23 'Uncertainty over Income Tax Treatments';
- amendments resulting from Annual Improvements 2014-2016 Cycle; and
- amendments resulting from Annual Improvements 2015-2017 Cycle.

4 Significant judgements, assumptions and risks

In preparing these interim results the main areas of significant judgements and estimates made by management in applying the Group's accounting policies are the same as those that applied to the accounts for the year ended 30 September 2017, namely:

- employee benefits;
- development costs; and
- revenue recognition.

These estimates and associated assumptions are based on historical experience and other reasonable factors which form the basis of determining the reported values of assets and liabilities.

In the six months to 31 March 2018 there have been no changes to the estimates applied to the areas identified above that have materially affected the half-yearly financial information.

5 Segment information

The Group has identified its reportable segment based on the financial reports that internally are provided to the Group's Chief Operating Decision Maker ('CODM'). In line with its management structure, the Executive Directors collectively make the key operating decisions and review internal monthly management accounts and budgets as part of this process. Accordingly, the Executive Directors collectively are considered to be the CODM. The information reported regularly to the CODM presents the Group as a single segment supplying software and related services to customers operating in similar markets. The Group's software products share a common sales, development and implementation resource. Consequently the Group has determined that there is one operating segment and therefore one reportable segment, Software.

Segment performance is measured based on segment profit before tax excluding IAS 19 defined benefit pension scheme adjustments and profits or losses on property disposals or revaluations.

	Unaudited six months to 31 March 2018 Software £'000	Unaudited six months to 31 March 2017 Software £'000
Revenue - external customers	**2,547**	2,538
(Loss)/profit		
Adjusted operating profit	**250**	260
Exceptional legal and professional costs	**(269)**	(39)
Segment non-cash IFRS (charges)/credits:		
- Amortisation of capitalised development expenditure	**(52)**	(55)
- Capitalised development expenditure	**50**	37
- Change in provision for holiday pay	**(4)**	1
Interest revenue	**10**	18
Segment (loss)/profit before tax	**(15)**	222
Defined benefit pension scheme credit/(charge) net of employer contributions	**3**	(42)
Consolidated (loss)/profit before tax	**(12)**	180

6 Adjusted operating profit

	Unaudited six months to 31 March 2018 £'000	Unaudited six months to 31 March 2017 £'000
Operating (loss)/profit	**(22)**	162
Exceptional legal and professional costs	**269**	39
Adjustments for non-cash items:		
- Amortisation of capitalised development expenditure under IFRS	**52**	55
- Capitalisation of current year development expenditure under IFRS	**(50)**	(37)
- Defined benefit pension scheme (credit)/charge under IFRS	**(3)**	42
- Increase/(decrease) in provision for holiday pay under IFRS	**4**	(1)
Adjusted operating profit	**250**	260

The exceptional legal and professional costs shown in both 2018 and 2017 relate to expenditure associated with the Group's strategic review. In the opinion of the Directors, these costs, due to their specific nature, are added back to statutory operating profit when assessing the trading performance of the Group.

7 Taxation

The current period taxation charge is derived from the Directors' best estimate of the annual tax rate applied to the result for the period.

8 Loss per share

Loss per share is calculated by dividing the loss after tax of £62,000 (2017: profit of £146,000) by 12,700,976 (2017: 12,621,855) being the weighted average number of shares in issue during the period.
Basic loss per share is 0.49p (2017: earnings of 1.16p).

For diluted loss per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one class of dilutive potential ordinary share, share options granted to employees under its Enterprise Management Incentive Share Option Plan. These shares have been included in the diluted loss per share calculation.

Diluted loss per share is calculated by dividing the loss after tax of £62,000 (2017: profit of £146,000) by 12,819,850 (2017: 12,781,537) being the weighted average number of shares in issue adjusted for the effects of all dilutive potential ordinary shares. Diluted loss per share is 0.48p (2017: earnings of 1.14p).

9 Dividends

The 2017 final dividend of 3.0p per share was approved by shareholders during the period to 31 March 2018 and a liability of £381,000 has been recognised in this half-yearly report.