



xafinity

Interim condensed consolidated financial
statements for the period ended 30 September 2017

**We believe
in better**

Xafinity is an independent, FTSE listed, UK pensions specialist.

We are actuaries, consultants and administrators working to protect and enhance the benefits of hundreds of thousands of pension scheme members. We bring cutting edge solutions for the benefit of pension scheme trustees, members and sponsoring employers.

We believe that we should all expect more from the pensions market.

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Chairman's Statement

A better way for sustainable growth



Tom Cross Brown
Chairman

By focusing on our strategic objectives, Xafinity has delivered a consistent first half performance despite prevailing macroeconomic uncertainties. The Company's core markets remain healthy and offer exciting opportunities for growth as the challenges facing defined benefit schemes continue to drive demand for de-risking advice.

The Group's performance since March 31, 2017 has been in line with the Board's expectations. During the first six months of the financial year 2018 ("H1 2018 or HY18"), revenues were up 2% at £26.6m (HY17: £26.0m) while adjusted EBITDA increased 2% to £8.7m (HY17: £8.5m), and pre-tax profit was up 188% at £4.9m (HY17: £1.7m). Cash conversion during H1 2018 was an impressive 75%.

The Company has maintained a strong balance sheet with net assets of £32.1m as at 30 September 2017, compared to net assets of £28.9m as at 31 March 2017. The increase reflects continued profitable growth of the group. Net debt decreased during the period to £23.1m (HY17: £79.8m).

Progress on strategic objectives

Management has continued to implement the strategy for organic growth outlined at the IPO in February 2017, resulting in 5 new annuity client wins in the last six months and one annuity client loss. The period has also seen the Company start to realise an increasing number of H2 2017 annuity contract wins.

H1 2018 New Business Wins

Type of business	Month	Scheme size
Full services	May 2017	£100m - £250m
Pension administration	May 2017	£250m - £500m
Corporate pensions advisory	June 2017	£100m - £250m
Scheme actuary	August 2017	Sub £100m
Actuarial	September 2017	£250m - £500m

The demand for de-risking advice has continued into the first half of the year, with significant progress being made in Trivial Commutation. Elsewhere, while industry adoption of MasterTrusts remains slow, National Pension Trust ("NPT") has achieved solid growth through H1 2018 and continues to gain acclaim in the market with £292m of assets under management ("AUM") as at 30 September 2017. Post period, this growth has continued and AUM now stands in excess of £320m.

We have maintained our investment in people during the period and are continuously developing and expanding our offering to clients through improved technology and new products. We have been delighted with the reaction to Radar, our new technology offering, that empowers clients with the information necessary to create a truly collaborative and beneficial relationship with Xafinity.

The proposed acquisition of the actuarial consulting, pensions administration and investment consulting businesses of PS Group is a very exciting step for the Company, and is one that we believe has a compelling strategic rationale for Xafinity. Ben Bramhall and Paul Cuff, co-CEOs, have a longstanding professional and personal history with Punter Southall, having been given their first jobs by Jonathan Punter as trainee actuaries. We believe that a successful combination of these two premier mid-tier providers would create the pre-eminent mid-tier firm in the pensions consultancy market, with significantly stronger growth prospects than each business would possess individually.

Regulation

The CMA investigation into the investment consultancy sector is an initiative that has our full support. All industry participants must shape its future, rather than a handful that already dominate the market. We look forward to the outcome of the CMA investigation

and are confident that it will be beneficial to pension schemes. Our approach and our actions demonstrate that we continually focus on the interests of schemes and members, and have offered our assistance to the regulator in setting out high standards in this important area.

Dividend

The Board is pleased to declare an interim dividend of 2.1p per share. The interim dividend will be paid on 8 February 2018 to those shareholders on the Company's register as of 29 December 2017.

Outlook

The trading environment for Xafinity remains strong, with our new business performance during the period having undoubtedly been supported by our post-IPO profile. The Company expects strong growth in H2 2018, as the revenues gained from recent contract wins starts to feed through into the business and the pipeline of opportunities strengthens. Xafinity continues to gain momentum in the market, with the proposed combination of the actuarial, consulting and pensions administration divisions of Punter Southall establishing the Company as the clear alternative to the Big Three in the pensions consultancy sector.

We are entering an exciting time for the Company as it continues to grow both organically and via acquisition. The core pensions market that Xafinity operates in continues to be driven by the need for de-risking advice and other services, and the Board is confident about the future prospects of the Company.

Tom Cross Brown
Chairman
7 December 2017

Interim Management Report

A better way to deliver expectations



Mike Ainslie
Chief Financial Officer

Revenue compared to the same period in the previous year (i.e. the 6 months to 30 September 2016) was up 2.2% to £26.6m (2016: £26.0m) with a positive underlying trend. Pensions Advisory and Administration and SSAS / SIPP continue to win new clients and grow revenue. Revenue growth was strongest in NPT at 27%. Profit before taxation increased by 183.7% to £4.9m (2016: £1.7m). The most notable difference being the interest charge of £0.4m compared to 2016: £3.8m. This is a result of the lower level of borrowing in the group of £28.6m compared to a year ago £83.6m. The proceeds of the IPO in February 2017 were used to pay down the Company's pre-IPO debt. As a result of the IPO the Group has strengthened its balance sheet with net assets of £32.1m as at 30 September 2017 (30 September 2016: net liabilities £20.4m). Group headcount now stands at 427 (30 September 2016: 415).

Revenue in the Pensions Advisory and Administration division (80% of group revenue) increased by 2% to £21.5m (2016: £21.2m). Growth has accelerated through the period due to the impact of new client wins in the last quarter of the previous year which have started to come on-stream. Given the lag between winning new business and generating revenue, which can be 6 months or more for certain types of contracts, the first half of the year does not reflect the full value of the contracts won in the previous year.

Financial Highlights

£'millions (EPS in pence)	Period ended 30 September 2017	Period ended 30 September 2016	Change
Revenue	26.6	26.0	2%
Basic Earnings per share	2.9	1.0	190%
Adjusted Basic Earnings per share	4.6	3.0	53%

Furthermore, it is pleasing to note that client wins have continued during this period – both for full-service recurring business as well as corporate advisory appointments which should start to come on-stream during the remainder of the financial year.

Within the Pensions Advisory business, the investment practice continues to perform strongly. In addition, toward the end of the period, the roll-out of our proprietary pensions modelling software "Radar" commenced. This brings our clients better insight into what is happening and why, and so helping them make informed and efficient decisions about how to improve their pension schemes through highly tech-enabled actuarial and investment advice (giving rise to project work). The Group believes this will lead to an increase in the volume of de-risking projects.

NPT revenue (2% of group revenue) increased by 27% to £0.4m (2016: £0.3m) The NPT product continues to grow and by the end of the period had £292m of assets under management, which belong to 26,000+ members from 102 sponsoring employers.

Other revenue (18% of group revenue) increased by 3% to £4.7m (2016: £4.5m) driven in particular by the HR Trustees, Independent Trustee business which grew by 12% driven by previous new wins and winning three new appointments in the period.

Cash flow

The Group maintained a strong cash position of £5.7m as at 30 September 2017 (30 September 2016: £6.2m). Working capital in the period has decreased by £1.1m and notable cash outflows included repayment of loans £4.3m, a dividend of £1m, capital expenditure of £0.9m and £0.6m of tax payment.

EPS

The Company's EPS for 30 September 2017 was 2.9p (2016: 1.0p).

Dividend

An interim dividend of 2.1p per share (2016: nil) will be paid on 8 February 2018 to those shareholders on the Company's register as at 29 December 2017.

Principal risks and uncertainties affecting the business

The principal risks and uncertainties affecting the Group's business activities remain those detailed within the Principal Risks and Uncertainties section of the Annual Report and Accounts for the year ended 31 March 2017, namely Staff Retention, Reputation, Data loss/security breach, Errors, Competition/Client retention, and crime/external events/market, economic, political.

Outlook

Current trading since 30 September 2017 has remained in line with the Board's expectations, with a number of new client wins built on robust trading momentum and delivery of the Company's strategy to build market share in the pensions advisory sphere. The revenues from these new client wins are expected to have a positive incremental effect on the Company through the remainder of the current financial year. Trading conditions remain strong and, with a strong pipeline of visible new opportunities, the Board looks forward to the rest of the financial year with confidence.

Condensed Consolidated Statement of Comprehensive Income for the period ended 30 September 2017

	Note	Period ended 30 September Unaudited 2017 £'000	Period ended 30 September Audited 2016 £'000	Year ended 31 March Audited 2017 £'000
Revenue	4	26,592	26,017	52,038
Administrative expenses		(21,288)	(20,568)	(56,556)
Profit/(loss) from operating activities		5,304	5,449	(4,518)
Finance income		21	77	475
Finance costs		(418)	(3,797)	(9,121)
Profit/(loss) before tax		4,907	1,729	(13,164)
Income tax (expense)/credit	5	(1,056)	(775)	373
Profit/(loss) and total comprehensive (loss)/income for the period/year		3,851	954	(12,791)
		Pence	Pence	Pence
Earnings/(loss) per share attributable to the ordinary equity holders of the Company:				
Basic earnings/(loss) per share	8	2.9	1.0	(12.5)
Diluted earnings/(loss) per share	8	2.8	1.0	(12.5)
Adjusted basic earnings per share	8	4.6	3.0	8.1
Adjusted diluted earnings per share	8	4.5	3.0	8.0

Condensed Consolidated Statement of Financial Position as at 30 September 2017

	Note	30 September Unaudited 2017 £'000	30 September Audited 2016 £'000	31 March Audited 2017 £'000
Assets				
Non-current assets				
Property, plant and equipment		1,173	1,314	1,342
Intangible assets		57,439	60,130	58,595
Deferred tax assets		112	36	36
		58,724	61,480	59,973
Current assets				
Trade and other receivables		12,287	12,454	12,320
Current income tax asset		-	-	597
Cash and cash equivalents		5,666	6,164	4,880
		17,953	18,618	17,797
Total assets		76,677	80,098	77,770
Equity and liabilities				
Equity attributable to owners of the parent				
Share capital		68	40	68
Share premium		49,958	-	49,958
Investment in own shares held in trust		(465)	(2,717)	(465)
Accumulated deficit		(17,420)	(17,715)	(20,612)
Total equity/(deficit)		32,141	(20,392)	28,949
Liabilities				
Non-current liabilities				
Loans and borrowings	6	28,592	83,623	32,829
Derivative financial liabilities		-	422	-
Deferred income tax liabilities		6,245	6,895	6,542
		34,837	90,940	39,371
Current liabilities				
Loans and borrowings	6	24	19	22
Provisions for other liabilities and charges		1,130	1,038	1,069
Trade and other payables	7	7,127	7,173	8,359
Current income tax liabilities		1,418	928	-
Derivative financial liabilities		-	392	-
		9,699	9,550	9,450
Total liabilities		44,536	100,490	48,821
Total equity and liabilities		76,677	80,098	77,770

Condensed Consolidated Statement of Changes in Equity for the period ended 30 September 2017

	Share capital £'000	Share premium £'000	Investment in own shares £'000	Accumulated deficit £'000	Total equity/ (deficit) £'000
Balance at 1 April 2016	40	–	(2,717)	(18,669)	(21,346)
Comprehensive profit and total comprehensive income for the period	–	–	–	954	954
Audited balance at 30 September 2016	40	–	(2,717)	(17,715)	(20,392)
Comprehensive loss and total comprehensive loss for the period	–	–	–	(13,745)	(13,745)
Contributions by and distributions to owners					
Bonus issue of shares	10	–	–	(10)	–
Share capital issued	18	51,267	–	–	51,285
Share issue costs	–	(1,309)	–	–	(1,309)
Shares sold by Employee Benefit Trust for cash	–	–	86	519	605
Share-based payment expense – equity settled from Employee Benefit Trust	–	–	2,166	10,310	12,476
Share-based payment expense – IFRS2 charge in respect of long-term incentives	–	–	–	29	29
Total contributions by and distributions to owners	28	49,958	2,252	10,848	63,086
Audited balance at 31 March 2017	68	49,958	(465)	(20,612)	28,949
Balance at 1 April 2017	68	49,958	(465)	(20,612)	28,949
Comprehensive profit and total comprehensive profit for the period	–	–	–	3,851	3,851
Dividends paid	–	–	–	(986)	(986)
Share-based payment expense – IFRS2 charge in respect of long-term incentives	–	–	–	321	321
Tax recognised directly in equity	–	–	–	6	6
Total contributions by and distributions to owners	–	–	–	(659)	(659)
Unaudited balance at 30 September 2017	68	49,958	(465)	(17,420)	32,141

Condensed Consolidated Statement of Cash Flows for the period ended 30 September 2017

	Period ended 30 September 2017 Unaudited £'000	Period ended 30 September 2016 Audited £'000	Year ended 31 March 2017 Audited £'000
Cash flows from operating activities			
Profit/(loss) for the period/year	3,851	954	(12,791)
<i>Adjustments for:</i>			
Depreciation	288	341	631
Amortisation	1,916	2,030	4,077
Finance income	(21)	(77)	(475)
Finance costs	418	3,797	9,121
Share-based payment expense	321	–	12,505
Income tax expense/(credit)	1,056	775	(373)
	7,829	7,820	12,695
Decrease/(increase) in trade and other receivables	27	56	(458)
Decrease in trade and other payables	(1,156)	(1,473)	(189)
Increase in provisions	61	647	678
	6,761	7,050	12,726
Income tax received/(paid)	596	(596)	(1,327)
Net cash inflow from operating activities	7,357	6,454	11,399
Cash flows from investing activities			
Finance income received	21	14	11
Purchases of property, plant and equipment	(118)	(126)	(444)
Purchases of software	(761)	(220)	(732)
Net cash outflow from investing activities	(858)	(332)	(1,165)
Cash flows from financing activities			
Proceeds from the issue of share capital	–	–	49,976
Repayment of financial derivative	–	–	(504)
Repayment of loans	(4,250)	–	(53,261)
Repurchase of own shares	–	–	605
Interest paid	(467)	(2,689)	(4,876)
Payment of finance lease liabilities	(10)	(9)	(34)
Dividends paid	(986)	–	–
Net cash outflow from financing activities	(5,713)	(2,698)	(8,094)
Net increase in cash and cash equivalents	786	3,424	2,140
Cash and cash equivalents at start of the period/year	4,880	2,740	2,740
Cash and cash equivalents at end of period/year	5,666	6,164	4,880

Notes to the Condensed Consolidated Financial Statements

for the period ended 30 September 2017

1 Accounting policies

Xafinity plc (the "Company") is a public limited company incorporated in the UK. The principal activity of the Group is employee benefit consultancy and related business services. The registered office is Phoenix House, 1 Station Hill, Reading RG1 1NB. The Condensed Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation and statement of compliance with IFRS

The annual financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS - IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. These financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

After making enquiries, the Directors have formed a judgement, at the time of approving the half-yearly financial results, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months. For this reason the Directors continue to adopt the going concern basis in preparing the condensed set of financial statements.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2017.

Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Functional and presentation currency

The Financial Statements are presented in British Pounds which is the Group's functional currency. Figures are rounded to the nearest thousand.

New standards and interpretations not yet adopted

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted.

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

The Company plans to adopt the new standard on the required effective date. The Company is still assessing the impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9 although it does not expect it to have a significant impact.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Company plans to adopt the new standard on the required effective date. The Company has started a review of the impact of IFRS 15 with the help of a third party. Once the analysis is completed, the transition method will be chosen. Based on the current sales contracts, both methods are feasible from an implementation perspective. Furthermore, the Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

Notes to the Condensed Consolidated Financial Statements continued for the period ended 30 September 2017

1 Accounting policies continued

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, subject to endorsement by the European Union. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group has entered into a number of long term leases in respect of land and buildings. The Group has assessed the leases under IFRS 16 and expects a significant impact as the right of use assets and lease liabilities will come onto the consolidated statement of financial position for the first time in respect of its current operating leases. IFRS 16 will therefore have an impact on the financial statements of the Group, however the Group are still assessing the quantum. To see the volume of operating leases please see Note 29 to the Group's consolidated financial statements for the year ended March 31, 2017 for more information.

Xafinity is currently reviewing the impact of the above-mentioned Standards and Interpretations and is yet to conclude on whether any such standards will have a significant impact on the financial statements of the Group in the year of initial application other than in respect of IFRS16 as noted above.

The other standards, interpretations and amendments issued by the IASB (of which some still subject to endorsement by the European Union), but not yet effective are not expected to have a material impact on the Group's consolidated financial statements.

2 Financial information

The financial information in this report was formally approved by the Board of Directors on 7 December 2017. The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

Statutory accounts prepared under IFRSs for the year ended 31 March 2017 for Xafinity plc have been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The financial information in respect of the period ended 30 September 2017 is unaudited but has been reviewed by the Group's auditor. Their report is included at the end of this document. The financial information in respect of the period ended 30 September 2016 was audited for the purpose of the Group's admission to the London Stock Exchange and was contained within the Group's Prospectus dated 13 February 2017. The Accountant's Report on the 30 September 2016 financial information was not qualified, did not draw attention to any matters by way of emphasis and did not contain any statements under section 498(2) or (3) of the Companies Act 2006.

3 Adjusted EBITDA and adjusted profit after tax

	Period ended 30 September 2017 £'000	Period ended 30 September 2016 £'000	Year ended 31 March 2017 £'000
Profit/(loss) from operating activities	5,304	5,449	(4,518)
Adjustments to administrative expenses			
Exceptional costs	425	639	2,959
Share-based payment cost	367	36	14,314
Bonuses to be equity settled by EBT	353	-	-
Amortisation of acquired intangible assets	1,680	1,857	3,716
Depreciation of tangible assets	288	341	631
Amortisation of software	236	173	361
	3,349	3,046	21,981
Adjusted EBITDA – Earnings before interest, tax, depreciation and amortisation, share-based payment costs, exceptional costs and bonuses to be equity settled	8,653	8,495	17,463
Adjustments to administrative expenses			
Depreciation of tangible assets	(288)	(341)	(631)
Amortisation of software	(236)	(173)	(361)
Finance income	21	77	475
Finance costs	(418)	(3,797)	(9,121)
Add back unamortised loan arrangement fees written-off as part of re-financing exercises	-	-	2,892
Adjusted profit before tax, amortisation of acquired intangible assets, share-based payment costs and exceptional costs	7,732	4,261	10,717
Tax	(1,056)	(775)	373
Adjustments to tax			
Tax on exceptional costs	-	(128)	(204)
Tax on share-based payment costs equity settled from EBT	(106)	-	(2,863)
Tax on written-off loan arrangement fees	-	-	(579)
Less deferred tax not recognised	-	-	1,477
Deferred tax related to acquired intangibles	(309)	(324)	(648)
Adjusted profit after tax	6,261	3,034	8,273

4 Operating segments

In accordance with IFRS 8 'Operating Segments', an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision maker ('CODM') and for which discrete information is available. The Group's CODM is the Board of Directors.

The Group has several operating segments based on geographical location and revenue streams, but one reporting segment due to the nature of services provided across the whole business being the same pension and employee benefit solutions. The Group's revenues, costs, assets, liabilities and cash flows are therefore totally attributable to this reporting segment.

Operating segments

	Period ended 30 September 2017 £'000	Period ended 30 September 2016 £'000	Year ended 31 March 2017 £'000
Revenue from external customers			
Pensions Advisory and Administration	21,479	21,151	42,808
National Pension Trust	431	340	682
SSAS and SIPP	2,568	2,491	4,967
HR Trustees	1,338	1,199	2,548
Healthcare	776	836	1,033
Total	26,592	26,017	52,038

Notes to the Condensed Consolidated Financial Statements continued for the period ended 30 September 2017

5 Taxation

	Period ended 30 September 2017 £'000	Period ended 30 September 2016 £'000	Year ended 31 March 2017 £'000
Current tax	1,420	1,099	304
Deferred tax	(364)	(324)	(677)
Total tax expense/(credit) for the period	1,056	775	(373)

6 Loans and borrowings

On 17 February 2017, as part of the IPO related re-financing exercise, the Group repaid its existing £86.0m bank loan and replaced it with new senior debt of £15.0m and a drawn revolving credit facility of £18.0m. Total debt was £28.6m at 30 September 2017 (30 September 2016: £83.6m). During the period the Group repaid £4.25m of its revolving credit facility. At 30 September 2017, £13.7m (31 March 2017: £18.0m) was drawn down under this facility.

7 Trade and other payables

	30 September 2017 £'000	30 September 2016 £'000	31 March 2017 £'000
Trade payables	420	257	1,821
Accrued expenses	2,875	3,046	3,294
Interest payable	–	199	80
Total financial liabilities excluding loans and borrowings, classified as financial liabilities at amortised cost	3,295	3,502	5,195
Other payables – tax and social security payments	662	662	636
Other payables – VAT	1,519	1,407	1,072
Deferred income	1,373	1,362	1,207
Other payables	278	240	249
Total Trade and other payables	7,127	7,173	8,359

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates to fair value.

8 Earnings per share

	30 September 2017 £'000	30 September 2016 £'000	31 March 2017 £'000
Profit/(loss) for the period/year	3,851	954	(12,791)
Weighted average number of shares:	'000	'000	'000
For basic earnings/(loss) per share	135,059	96,615	102,510
Outstanding share options	3,031	–	896
For diluted earnings/(loss) per share	138,090	96,615	103,406
Basic earnings/(loss) per share (pence)	2.9	1.0	(12.5)
Diluted earnings/(loss) per share (pence)	2.8	1.0	(12.5)

A further 729,000 share options are in issue which are not currently dilutive.

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. In accordance with IAS 33 the weighted average number of shares in issue during the prior period has been retrospectively adjusted for the proportionate change in the number of the shares outstanding as a result of the bonus issue and share sub-division, as if the event had occurred at the beginning of the earliest period presented.

Adjusted earnings per share

	30 September 2017 £'000	30 September 2016 £'000	31 March 2017 £'000
Adjusted profit after tax (note 3)	6,261	3,034	8,273
Adjusted earnings per share (pence)	4.6	3.0	8.1
Diluted adjusted earnings per share (pence)	4.5	3.0	8.0

9 Dividends

Amounts recognised as distributions to equity holders of the parent in the period

	30 September 2017 £'000	30 September 2016 £'000	31 March 2017 £'000
Final dividend for 2016/17 of 0.73p (2015/16: Nil) per ordinary share was paid during the period	986	–	–
Proposed interim dividend for 2017/18 of 2.1p (2016/17: Nil)	2,875	–	–

The final dividend for 2016/17 was paid on 29 September 2017. The final dividend has been reflected in the Statement of Changes in Equity.

The proposed interim dividend was approved by the Board on 6 December 2017 and has not been included as a liability at 30 September 2017.

10 Related party transactions

There have been no related party transactions during the first six months of the financial year. In the period ending 30 September 2016 there were £69,000 in respect of fees for non-executive directors.

11 Post balance sheet events

On 7 December 2017 Xafinity entered into a conditional agreement with, among others, Punter Southall to acquire three significant divisions from Punter Southall for a total consideration of approximately up to £153 million. The consideration for the acquisition will be satisfied through a payment of approximately £92.5 million in cash and the issue of shares. In addition, Xafinity will transfer to Punter Southall the entire issued share capital of HR Trustees Limited at an agreed value, such amount being set off against the aggregate consideration payable. The cash element of the consideration and associated transaction fees will be financed through the net proceeds of a firm placing and placing and open offer (the "Capital Raising") of £70 million and drawdown on new debt facilities which comprise two RCFs totalling £80 million and which will also replace existing indebtedness of the Group.

The acquisition is conditional upon, among other things, Xafinity shareholder approval, receipt of proceeds from the Capital Raising, and is expected to complete in Q1 2018.

Responsibility Statement

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';
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of the important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report and note 10 includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

On behalf of the Board,



Mike Ainslie
Chief Financial Officer
7 December 2017

Independent Review Report to Xafinity plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes In Equity, and related notes 1 to 11.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP

Chartered Accountants

Reading

United Kingdom

Date: 7 December 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).





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