Velocity Composites plc Interim Report

24 June 2019

VELOCITY COMPOSITES PLC

("Velocity", the "Company" or the "Group")

2019 Interim Results, half year ended 30 April 2019

Velocity Composites plc, the leading supplier of advanced composite material kits, providing engineering value-solutions for the global aerospace industry, today announces its unaudited interim results for the six months ending 30 April 2019 (the "Period" or "H1 FY19").

Highlights:

- Revenue increased 5.3% to £12.2m (H1 FY18: £11.6m)
- Significant improvement in Gross Margin (GM%), increasing to 20.9% (H1 FY18: 15.2%), and at the upper end of GM% achieved in H2 FY18 (21.1%)
- Gross profit increased as a result by 45% to £2.6m (H1 FY18: £1.8m)
- Adjusted profit[1] of £0.3m (H1 FY18: loss £0.5m), reflects GM% gains and reductions in overheads delivered in H2 FY18 offset by continued investment aimed at delivering international growth
- Cash remains strong with net cash of £4.2m (Oct FY18: £4.1m) which comprises gross cash of £4.37m of which £1.8m is earmarked for EIS/VCT qualifying expenditure and is deemed to be 'employed' for those purposes in accordance with the relevant regulations
- The recertification of Nadcap Special Process accreditation for both UK sites with zero audit findings.

Brian Tenner, Senior Independent Director, commented:
"We are pleased with the performance of the business during a period of uncertainty at Board level. Revenues grew and excellent GM% performance gains drove the business back into profit and allowed a cash break even Period. The Board remains confident of meeting its full year expectations for revenue while GM% will be at the upper end of expectations, subject to customer demand fluctuations.

The ongoing discussions with the Founders regarding the re-constitution of the Board are undoubtedly disappointing following what was thought to be an agreed process at the AGM. However, as announced today, the Board is hopeful of reaching a successful resolution to the dispute with the Founders in the short term that will avoid the risk of a disorderly transition.

Despite the distractions, exciting new investment opportunities are coming to fruition that allowed the Group to fully employ the EIS / VCT funds by the due date. These opportunities will allow the Group to build on the current recovery to deliver long term value. If the re-constitution of the Board can be agreed and put behind us, this will assist greatly in allowing the business to focus on achieving its true potential based on Velocity's core strengths."

=== Ends ===

The information communicated in this announcement contains inside information for the purposes of Atricle 7 of the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement via regulatory news service this inside information is now considered to be in the public domain.

[1]**Adjusted profit** takes the (loss)/profit for the period and adjusts for the impact of one-off exceptional costs and the expenditure on growth opportunities both in the UK and Overseas

Velocity Composites plc Interim Report

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Velocity
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About Velocity Composites

Velocity Composites is a manufacturer of advanced composite material kits for the aerospace industry disrupting the composites supply chain to deliver engineered waste reduction solutions for its customers to build aircraft components using less time and material. The Company's customers include multi-national manufacturers of composite parts and assemblies, who in turn deliver to the world's leading civil and military aircraft manufacturers. The Airbus A320, A330, A350, A380, Eurofighter Typhoon, F35 Joint Strike Fighter and Boeing 737, 787 and V22 Osprey are all constructed using parts manufactured from Velocity's kits. The Company's business model reduces the operating costs of preparing composite materials ahead of their usage in the construction of an aircraft part and as such, its offering is disposed to being self-financing for aircraft parts' manufacturers. Velocity's services are seeing increased demand as the global aircraft industry enters a more-for-less era. Velocity currently has customers in the UK and Continental Europe.

Introduction

The performance of the business in the Period was reassuringly healthy. This was all the more pleasing because it was delivered against a background of significant levels of continuing uncertainty regarding Board and Founder shareholder relations. This undoubtedly distracted the Board and Executive management from focussing on improving the business after a period of disappointing results following the Initial Public Offering in May 2017. The business improvements therefore serve to emphasise that the underlying markets remain attractive and that the core service offering of Velocity retains significant potential.

The return to profitability and a cash neutral outcome for the Period have allowed the Group to progress a collaboration agreement with a key US partner ('Wesco') which should see the Group's first US operations and distribution facility opened in the next twelve months. This will provide crucial proximity to potentially significant opportunities in the US that are currently being pursued. A European site is also being planned. The addition of new revenues will allow the Group to leverage its capabilities to the full.

Financial Review

Revenue for the six months ended 30 April 2019 was £12.2m (H1 FY17: £11.6m), an increase of 5.3%.

Gross Margins (GM%) improved significantly to 20.9% (H1 FY18 15.2%) which in turn led to a 45% increase in gross profit to £2.6m (H1 FY18: £1.8m). Improvements in revenue and GM% were both delivered in what is typically the quieter half of our financial year.

Administrative expenses excluding exceptional items at £2.6m (H1 FY18: £2.7m) decreased in H1 FY19 as a result of people-based cost reductions initiated in H2 FY18, offset by some additional investments in international growth opportunities.

The impact of one-off exceptional costs and the expenditure on growth opportunities both in the UK and Overseas, means that underlying trading can be better understood when one considers the alternative performance metric (APM) of Adjusted Profit before tax of £0.3m (H1 FY18 Adjusted Loss before tax: £0.5m) which excludes the impact of exceptional items that are deemed not to be reflective of underlying trading performance.

	Half year ended 30 April 2019 (unaudited) £'000	**Half year ended 30 April 2018 (unaudited)** £'000	**Year ended 31 October 2018 (audited)** £'000
Loss for the period	(430)	(812)	(994)
Adjustments:			
Future growth expenditure relating to UK and overseas	391	332	675
Exceptional restructuring costs	377	-	252
Adjusted profit/ (loss) for the period	338	(480)	**(67)**

The loss before tax from continuing operations reduced to £0.4m (H1 FY18: £1.0m loss) and the EPS loss has reduced to 1.2p (H1 FY18: 2.3p loss). The loss before tax was after charging £0.4m of exceptional restructuring costs. These primarily related to costs associated with the dispute between the Company and some of its stakeholders and other costs linked to the departure and recruitment of senior staff.

Net cash (before finance leases (£0.4m)) was £4.2m compared to £4.1m at the end of Oct FY18. We reduced the level of invoice discounting being used to £0.2m at 30 April 2019 (Oct FY18: £0.6m). The net cash balance includes an amount of £1.8m of EIS/VCT funds that have been earmarked for investment in new production facilities in the USA, mainland Europe and the UK (and hence are deemed to be 'employed' for those purposes in accordance with the relevant regulations). Those funds, while accessible to the Group, are maintained in a separate bank facility to facilitate management and tracking of expenditure. The employment of these funds on these projects will not significantly reduce the Group's ability to invest in other potentially attractive opportunities as they arise.

Operational review

The first six months of the year has been focused around consolidating the existing business, progressing bids awaiting customer decision and building the partnerships described above in preparation for the next phase of growth.

The Company continues to safeguard itself against currency fluctuations, the uncertainty surrounding Brexit, customer dependency and delays to aircraft programmes. We are therefore careful in selecting new sites, whilst remaining confident that its own growth ambitions can be achieved, profitably, in the long term.

Highlights include:

- The recertification of Nadcap Special Process accreditation in January and April 2019 for Composites scope KSP (Kitting Service Provider), for both sites with zero findings.
- The collaboration with WesCo, a large industry leader, to develop key customer relationships and foster bids in several large customers in North America. Work is already underway on the project to open the Group's first operational site which will be integrated with the partner's existing facilities.
- A partnership with a large industry leader to bid on a programme direct with a global OEM in Europe. This project has the potential to see the opening of an operational site in Europe.

In the UK the Group has committed to a new and dedicated Technical Centre in Burnley to develop the next generation of products and processes for the industry. The construction of the facility is already underway and commissioning is expected to complete in early 2020. This new facility will allow us to develop new products and services and respond more effectively to more customer opportunities. The new building will also house the new ambient temperature Stores environment to facilitate further growth.

Business Model

In addition to the specific highlights above, we have continued to enhance our market intelligence, identified and visited a number of key aerospace manufacturing clusters in EMEA, North America and Asia where we strongly believe we can replicate our business model. In addition to this we have engaged with key partners in these territories who already have the business relationships, infrastructure and facilities to allow the Velocity model to be rolled out with less risk and cost.

A Business Development Team has been appointed alongside a New Product Development team and a reorganisation to focus on both gross margin and revenue growth has been undertaken.

Board and People

The Board undertook to implement the process that was publicly announced and agreed on the day of the AGM for the re-constitution of its membership. At that time, it was agreed that Mark Mills would step down from the Board and his role of Executive Chairman. At the same time, Jon Bridges (former CEO and Board member) was appointed as the Interim CEO and Andrew Hebb was confirmed as continuing as the Interim CFO and Company Secretary. Neither of the interim roles are members of the Board and both report directly to the Board.

It was also announced that the remaining members of the Board would appoint independent search consultants to identify a new independent Non-Executive Chairman. Brian Tenner was appointed as the Group's Senior Independent Director to lead this process. The new Chairman would in turn then be charged with leading the Board in identifying a permanent CEO and a permanent CFO to replace the two current interim office holders. An additional Non-Executive Director would also be appointed. Independent search consultants were appointed in early May following a competitive process and the search for a new Chairman then began in earnest.

However, the Founders have made clear that they do not support the Board's process and instead have proposed an alternative approach to re-constituting the Board which involves their two nominees being appointed to the Board before resolving the permanent posts of Chairman, CEO and CFO. The Board had offered to appoint one of the Founder nominees during the search process but this offer was rejected.

While disappointed by this turn of events, the Board had no choice but to engage with the Founders and are currently in active discussions to attempt to resolve matters in the interests of all stakeholders in the short term and in an orderly fashion. In light of those discussions, the independent search for a new Chairman has been temporarily put on hold. The Board hopes to be able to update the market in the very short term with a resolution that will negate the risk of a disorderly transition if it is prevented from being able to re-constitute itself.

The Board remains committed to operating to high standards of corporate governance, as we believe that doing so will contribute to the delivery of long-term shareholder value. The Board operated independent process noted above was considered to be an important part of that effort to maintain governance within the Group.

The Board would like to extend its thanks to Mark Mills for his contribution to the Group, leading the transition of Velocity from the operating environment and processes of a private business to a publicly listed company in a period of significant growth. We wish him well in his future endeavours.

We would also like to thank all our staff for their continued hard work and commitment to Velocity Composites' success during this unsettling period. It is their dedication that has enabled the business to remain focussed on delivering excellent customer service that has under-pinned our growth and improving margins. We aim to re-constitute the board as quickly as possible to put the uncertainty of the past behind us, to allow the Group to go from strength to strength building on the capabilities of the Velocity team.

Risk

In preparing these interim financial statements, management are required to make accounting assumptions and estimates. The assumptions and estimation methods are consistent with those applied to the Annual Report and financial statements for the year ended 31 October 2018. With one exception, the principal risks and uncertainties that may have a material impact on activities and results of the Group remain materially unchanged from those described in the Annual Report. The exception is the additional risk of a disorderly transition which has come about following the Founders objection to the independent search process for a new Chairman (as agreed at the AGM) that has now been put on hold.

The directors have undertaken an assessment of the impact of IFRS 15 and the implementation of IFRS 15 has not had a material impact on the interim financial statements. There will be no adjustment to the current and previous financial period.

For many businesses, the ongoing negotiations between the United Kingdom and European Union for its future relationship give cause for uncertainty and concern. Whilst the present uncertainty is a natural cause for concern, the aerospace sector is a global market which unlike many other sectors is largely tariff free. The UK is the second largest aerospace market in the world and works in global alliance on long term projects which last for many years. For Velocity, its strategy remains to be country agnostic and to co-locate in aerospace clusters alongside its customers, which helps to mitigate some of the risk that Brexit may otherwise bring to the Group.

Outlook

The customer and aircraft programme pipeline remains strong as customers look to reduce costs and simplify the supply chain. The message from the industry around waste / cost reduction continues to be reinforced by the prime contractors looking to be able to deliver more for less in order to meet the order backlog and market dynamics.

Revenue and margins in the second half are expected to be similar to the first half year, based on current demand signals from our customers (these can fluctuate). In the medium-term, we are working hard on a number of opportunities in new overseas markets that would increase growth more significantly, and when combined with the leverage on our existing cost base and facilities, can materially increase shareholder value. Net cash flow is expected to be modestly consumptive in the second half year due to capex, exceptional costs and changing the payroll date to month end from mid following month.

The unsettled Board and shareholder relations have undoubtedly been a distraction. A swift resolution to the orderly re-constitution of the Board will be in all stakeholders' best interests. With committed and capable staff delivering excellent service to a high-quality client base, operating within the expanding aerospace composites market, the Group has a great potential future if we can focus on capturing the opportunities that present themselves to us.

Brian Tenner
Senior Independent Director
24 June 2019

Meera Menon Parmar
Non-Executive Director

Condensed consolidated statement of total comprehensive income
For the six months ended 30 April 2019

	Note	Half year ended 30 April 2019 (unaudited) £'000	Half year ended 30 April 2018 (unaudited) £'000	Year ended 31 October 2018 (audited) £'000
Revenue	3	12,243	11,622	24,478
Cost of sales		(9,679)	(9,856)	(19,991)
Gross profit		2,564	1,766	4,487
Administrative expenses excluding exceptional costs	4	(2,571)	(2,694)	(5,322)
Exceptional administrative expenses		(377)	-	(252)
Other operating income		4	9	15
Operating loss		(380)	(919)	(1,072)
Finance expense		(50)	(68)	(135)
Loss before tax from continuing operations		(430)	(987)	(1,207)
Income tax income / (expense)		-	175	213
Loss for the period and total comprehensive loss		(430)	(812)	(994)
Losses per share - Basic (pence per share) from continuing operations	4	(1.2p)	(2.3p)	(3.0p)
Losses per share - Diluted (pence per share) from continuing operations	4	(1.2p)	(2.3p)	(3.0p)

The notes on pages 11 to 14 form part of this interim report.

Condensed consolidated statement of financial position
At 30 April 2019

	Note	As at 30 April 2019 (unaudited)	As at 30 April 2018 (unaudited)	As at 31 October 2018 (audited)
		£'000	£'000	£'000
Non-current assets				
Intangible assets		350	355	362
Property, plant and equipment		1,130	1,123	1,080
Total non-current assets		1,480	1,478	1,442
Current assets				
Inventories		3,048	2,982	2,744
Trade and other receivables		4,639	4,781	5.727
Corporation tax		113	-	113
Cash and cash equivalents		4,371	5,754	4,726
Total current assets		12,171	13,517	13,310
Total assets		13,651	14,995	14,752
Current liabilities				
Trade and other payables		4,386	5,266	5,197
Grant income deferred		3	13	7
Corporation tax		-	-	-
Net obligations under finance leases		144	132	116
Total current liabilities		4,533	5,411	5,320
Non-current liabilities				
Deferred tax liabilities		-	-	-
Net obligations under finance leases		224	225	171
Total non-current liabilities		224	225	171
Total liabilities		4,757	5,636	5,491
Net assets		8,894	9,359	9,261
Equity attributable to equity holders of the company				
Share capital	5	90	89	89
Share premium		9,791	9,727	9,727
Share-based payments reserve		534	452	536
Retained earnings		(1,521)	(909)	(1,091)
Total equity		8,894	9,359	9,261

The notes on pages 11 to 14 form part of this interim report.

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2019 and were signed on its behalf by

Andrew Hebb
Company Secretary Co No: 06389233

Condensed consolidated statement of changes in equity
For the six months ended 30 April 2019

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Share-based payments Reserve £'000	Total equity £'000
As at 31 October 2017		89	9,727	(97)	367	10,086
Loss for the period		-	-	(812)	-	(812)
		89	9,727	(909)	367	9,274
Transactions with shareholders:						
Share-based payments		-	-	-	85	85
As at 30 April 2018		89	9,727	(909)	452	9,359
Loss for the period		-	-	(182)	-	(182)
		89	9,727	(1,091)	452	9,177
Transactions with shareholders:						
Share-based payments		-	-	-	84	84
As at 31 October 2018		89	9,727	(1,091)	536	9,261
Loss for the period		-	-	(430)	-	(430)
		89	9,727	(1,521)	536	8,831
Transactions with shareholders:						
Share-based payments		-	-	-	62	62
Vesting of share options		1	64	-	(64)	1
As at 30 April 2019		90	9,791	(1,521)	534	8,894

The notes on pages 11 to 14 form part of this interim report.

Condensed consolidated statement of cash flows
For the six months ended 30 April 2019

	Half year ended 30 April 2019 (unaudited)	Half year ended 30 April 2018 (unaudited)	Year ended 31 October 2018 (audited)
	£'000	£'000	£'000
Operating activities			
Loss for the period	(430)	(812)	(994)
Taxation	-	(175)	(213)
(Loss)/ Profit on disposal of assets	(1)	-	7
Finance costs	50	68	135
Amortisation of intangible assets	64	44	107
Depreciation of property, plant and equipment	155	152	306
Share-based payments	62	84	169
Grant income amortisation	(4)	(9)	(15)
	(104)	(648)	(498)
Decrease/(Increase) in trade and other receivables	1,088	428	424
Decrease/(Increase) in inventories	(304)	284	522
(Decrease)/Increase in trade and other payables	(392)	147	98
Cash generated from operations	288	211	546
Income taxes received/ (paid)	-	34	(40)
Net cash inflow/(outflow) from operating activities	288	245	506
Investing activities			
Purchase of property, plant and equipment	(59)	(102)	(220)
Development expenditure capitalised	(52)	(82)	(152)
Proceeds from disposal of property, plant and equipment	-	-	-
Net cash used in investing activities	(111)	(184)	(372)
Financing activities			
Proceeds from issue of shares	-	-	-
Payment of share issue costs	-	-	-
Finance costs paid	(50)	(68)	(135)
(Decrease)/ Increase in invoice discounting	(418)	436	(528)
Repayment of finance lease capital	(64)	(89)	(159)
Net cash (used in)/ generated from financing activities	(532)	279	(822)
Net (decrease)/ increase in cash and cash equivalents	(355)	340	(688)
Cash and cash equivalents at beginning of period	4,726	5,414	5,414
Cash and cash equivalents at end of period	4,371	5,754	4,726

Notes to Interim Report

1. General information

Velocity Composites plc (the 'Company') is a public limited company incorporated and domiciled in England and Wales. The registered office of the company is AMS Technology Park, Billington Road, Burnley, Lancashire, BB11 5UB, United Kingdom. The registered company number is 06389233.

The Company holds shares in a wholly owned subsidiary company, Velocity Composites Sendirian Berhad, which is domiciled in Malaysia. This subsidiary company has not traded at the reporting date, but together with Velocity Composites plc, now forms the Velocity Composites Group ('the Group').

The Group's principal activity is that of the sale of kits of composite material and related products to the aerospace industry.

The condensed consolidated interim financial statements are unaudited and do not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006. The review report on these interim financial statements is set out on page 13. The financial information for the year ended 31 October 2018 has been derived from the published statutory financial statements for the Company. A copy of the full accounts for that period, on which the auditor issued an unmodified report that did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006, has been delivered to the Registrar of Companies.

These interim financial statements will be posted to the Company's shareholders and are available from the Registered Office at AMS Technology Park, Billington Road, Burnley, Lancashire, BB11 5UB or from our website at www.velocity-composites.com.

2. Accounting policies

Basis of preparation

These condensed consolidated interim financial statements are for the six months ended 30 April 2019. This interim financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union, and has been prepared using consistent accounting policies as applied in the Company's full year accounts to 31 October 2018 and as expected to be applied in the full year accounts to 31 October 2019. They have therefore been prepared in compliance with the measurement and recognition criteria of IFRS as adopted by the European Union.

These financial statements have been prepared on a going concern basis and using the historical cost convention, as modified by the revaluation of certain items, as stated in the accounting policies. These policies have been consistently applied to all periods presented, unless otherwise stated.

The financial statements are presented in sterling and have been rounded to the nearest thousand (£'000) except where otherwise indicated.

The following standards have been adopted for the first time in the current financial year.

IFRS 15 Revenue from Contracts with Customers

This standard is effective for accounting periods beginning on or after 1 January 2018 and is applied to the Group's financial reporting for these interim financial statements and the year ending 31 October 2019. The directors have undertaken an assessment of the impact of IFRS 15. Goods are delivered to customers, and, on their acceptance by the customer, revenue is recognised. At this point, the Group does not have any continued involvement or control over the goods delivered. Customers rarely place specific orders on the Group, and when this occurs will normally take the delivery once available. There will be no adjustment to the current and previous financial period. The implementation of IFRS 15 has not had a material impact on the interim financial statements.

Notes to Interim Report

2. Accounting policies (Cont)

Going concern
Having made reasonable enquiries, the Directors are of the opinion that the Company has sufficient resources to continue in operational existence for the foreseeable future and hence these financial statements have been prepared on a going concern basis. This assessment has been supported by the preparation and consideration of forecasts and projections through to 31 October 2021 to project the future growth of the Company, and flexing these forecasts through sensitivity analyses.

The forecasts include consideration of the cash position of the Company and the appropriate utilisation of the various facilities available for funding this growth. We have also discussed with our bankers and other financial advisers the resultant trading performance and they have indicated a strong desire to continue to support the funding of these growth activities.

3. Segmental analysis

The Group supplies a single range of kitted products into a single industry and so has a single segment. Additional information is given below regarding the revenue receivable based on geographical location of the customer.

	Half year ended 30 April 2019 (unaudited) £'000	Half year ended 30 April 2018 (unaudited) £'000	Year ended 31 October 2018 (audited) £'000
Revenue			
United Kingdom	11,116	11,552	23,984
Rest of Europe	1,115	70	494
Rest of World	12	-	-
	12,243	11,622	24,478

Four customers of the Group are responsible for over 10% of the total revenue in each of the periods presented. The majority of revenue arises from the sale of goods. Where engineering services form a part of revenue it is only in support of the development or sale of the goods.

Notes to Interim Report

4. Reconciliation of reported and adjusted profit

	Half year ended 30 April 2019 (unaudited) £'000	Half year ended 30 April 2018 (unaudited) £'000	Year ended 31 October 2018 (audited) £'000
Loss for the period	(430)	(812)	(994)
Adjustments:			
Future growth expenditure relating to UK and overseas	346	332	675
Exceptional restructuring costs	377	-	252
Adjusted earnings/ (loss) for the period	293	(480)	(67)

Exceptional expenses reflect costs associated with the dispute between the Company and some of its stakeholders and other costs linked to the exit and recruitment of staff.

Weighted average number of shares	**Shares**	**Shares**	**Shares**
Weighted average number of shares in issue	35,803,582	35,795,539	35,795,539
Weighted average number of share options	630,157	638,200	638,200
Weighted average number of shares (diluted)	36,433,739	36,433,739	36,433,739

Share options have not been included in the Diluted calculation as they would be anti-dilutive with a loss being recognised.

	Half year ended 30 April 2019 (unaudited) £	Half year ended 30 April 2018 (unaudited) £	Year ended 31 October 2018 (audited) £
Loss per share			
Basic & Diluted	(£0.01)	(£0.02)	(£0.03)
Adjusted earnings/ (loss) per share			
Basic & Diluted	£0.01	(£0.01)	(£0.00)

Notes to Interim Report

5. Share capital of the Company

	Number of shares	Share Capital	Share Premium
		£	£
Share capital issued and fully paid	89,791	89,489	89,489
Ordinary shares of £0.0025 each as at 1 November 2017, 30 April 2018 & 31 October 2018	35,795,539	89,489	9,727,158
Shares issued to satisfy exercise of share options on 18 April 2019	120,640	302	64,844
Ordinary shares of £0.0025 each as at 30 April 2019	35,916,179	89,791	9,792,002

Ordinary shares carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up.

On 18 April 2019, the Company issued 120,640 new ordinary shares of £0.0025 each to satisfy the exercise of options granted under the Group's 2017 Share Option Scheme at £0.54 per ordinary share.

6. Capital Commitments

At 30 April 2019 the Group had £21,950 (30 April 2018 - £nil) of capital commitments relating to the purchase of plant and machinery.

Independent Review Report to the members of Velocity Composites plc

Introduction

We have reviewed the consolidated, condensed set of financial statements in the half-yearly financial report of Velocity Composites PLC (the 'group') for the six months ended 30 April 2019 which comprises consolidated statement of total comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes. 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.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards 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 a conclusion to the company on the condensed set of financial statements in the half-yearly financial report based on our review.

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'. 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 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 April 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Use of our report

This report is made solely to the company, as a body, 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'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company as a body, for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
24 June 2019