SCISYS

SCISYS PLC

Interim Report

For the 6 months ended 30 June 2018

Stock Code: SSY

18

Welcome to our 2018 Interim Report



SCISYS is a leading developer of IT services. We develop robust, real-world application solutions and products, and provide supporting services that create real business benefit.

Financial and Operational Highlights:

- Adjusted operating profit up to £2.5m (2017: £1.2m restated).
- Revenues up 13% to £28.7m (2017: £25.3m restated).
- Half-year order book approaching £100m (2017: £64m).
- Net debt reduced to £3.3m (2017: net debt £9.0m).
- Interim dividend up 10% at 0.65 pence per share (2017: 0.59p).
- Adjusted basic earnings per share 6.1p (2017: 1.4p).
- ESD division had a particularly strong first half year, with a number of key contract extensions.
- M&B division renewed a long-term BBC maintenance contract extension by at least 7 years.
- Early termination of Annova ring-fencing arrangements agreed with former owners to close out the earnout period and accelerate potential integration gains.
- BBC's flagship TV news programmes now running live on OpenMedia software.
- Space division had an excellent first half year and secured a €3.9m contract for the EGNOS programme.

Mike Love, Chairman of SCISYS, commenting on the results, said:

"We are delighted by our continued solid operational performance and key contract renewals. In particular, our Space division's contract win with Airbus for developing the global navigational EGNOS V3 ground segment is encouraging evidence of our ability to continue participation in EU-funded programmes. Cash flow is healthy and our balance sheet increasingly strong. We expect our financial results to be more evenly spread over the year. The board also expects, based on current performance, to deliver further year-on-year growth for 2018."

For more information visit www.scisys.co.uk

Chairman's Statement

Introduction

The Board of SCISYS is pleased with the Group's results for the first half of 2018. In particular – in contrast to the trend of previous years, where performance has weighed heavily towards the second half of the year – we expect 2018 revenues and profits to be more evenly spread throughout the year due to the anticipated phasing of order intake and the increasing proportion of time & materials contract work in the revenue mix.

Key financials

The Group's revenue totalled £28.7m (2017: £25.3m restated under IFRS 15). In the 6 months ended 30 June 2018, the Group's adjusted operating profit was £2.5m (2017: £1.2m restated). Adjusted basic earnings per share were 6.1p (2017: 1.4p). A fuller explanation is available in the Finance Review section.

Operating Review

Introduction

All divisions performed ahead of, or in line with, management's expectation during the first half of 2018, delivering contracts on time and within budget and generating improved operating cash flows. Across the Group we have secured important contract extensions for our support work with key customers, including the BBC, Vodafone, Siemens and several defence primes. We are seeing an increase in the number of contracts performed on a time & materials basis.

We still do not expect any adverse operational consequences as a result of Brexit. However, we continue to progress our contingency planning, including any re-domiciliation, in order to protect shareholder value and cement the Group's position when carrying out and bidding for both UK and EU-funded work after Brexit. We currently expect these contingency plans to be put into effect during the course of 2018.

Enterprise Solutions & Defence (ESD) division

ESD delivered an excellent first half year performance. The division continues to work on ongoing defence projects for the Ministry of Defence (MoD), as well as in the maritime sphere, securing key long-term support contract extensions with major primes. Current projects are running to plan and resulted in a contribution margin of 29%.

ESD secured a key systems-integration framework with UK Power Networks, a long-standing customer, for whom SCISYS also carries out support services for its billing systems.

The division won a new contract to develop a dashboard and reporting tool for Vodafone, for the 111 non-emergency number. It also signed a separate contract extension with Vodafone for continued non-emergency telecommunications work.

The division's other projects span a wide range of commercial and public-sector customers and varied software projects, including ongoing work for the RNLI, Coal Authority, Public Health England and Edmundson Electrical. Our work with Siemens continues to expand in the arena of software engineering for automatic train controls and signalling systems. This has built a pipeline of opportunities in the transport and logistics sector, part of which crystallised with the recent Future Bus Systems win secured with Trapeze for Transport for London. ESD has successfully maintained its roster of existing, long-term customers.

The division continues to support the MoD with its Waterguard Project, enabling the MoD to be tax efficient and comply with HMRC regulations for military equipment export/import. Xibis, our web and mobile-app specialist subsidiary, now reports into the ESD division. Its revenues and margin targets remain on track. Xibis and ESD continue to collaborate on ongoing mobile-app development work for Pets at Home and Angel Trains.

ESD	6 months ended 30 June 2018 £'000	Restated 6 months ended 30 June 2017 £'000	Restated Year ended 31 December 2017 £'000
Revenue	9,556	8,113	16,978
Contribution value [1]	2,790	1,853	4,307
Contribution margin [2]	29%	23%	25%

Space division

Our Space division made an excellent start to 2018. It secured a key €3.9m win with Airbus Defence and Space (Airbus) for developing the global navigation EGNOS V3 ground segment infrastructure. Airbus is the prime contractor to the European Space Agency (ESA) and the European GNSS Agency. This regional satellite-based augmentation system is used to improve the performance of global navigational satellite systems. The division also secured contract extensions for its existing work for the EU-funded Galileo programme, and continued its ongoing work for ESA at the European Space Operations Centre in Darmstadt. The division's programme of work on Germany's flagship Heinrich Hertz satellite mission continues to perform to schedule.

The Space division also secured contract wins with the UK Space Agency for autonomous robotics software development and Earth Observation projects. Our robotics team has won a contract with a UK commercial customer for a remote tunnel inspection project, extending its robotics software platform.

Chairman's Statement

It has made further inroads into the commercial space sector, for example by delivering simulation software to Astroscale Limited. The division is also developing fuel consumption optimisation algorithms and simulation software for Sky and Space Global and its Pearls nano-satellite project.

The Space division's projects ran well during the first 6 months of the year, including the Galileo programmes, where we are well positioned to secure new contracts in the second half of the year.

SPACE	6 months ended 30 June 2018 £'000	Restated 6 months ended 30 June 2017 £'000	Restated Year ended 31 December 2017 £'000
Revenue	11,184	9,845	20,023
Contribution value [1]	3,349	2,420	4,845
Contribution margin [2]	30%	25%	24%

Media & Broadcast (M&B) division

M&B renewed its long-standing maintenance contract with the BBC in February, cementing its strong relationship. M&B continues to support the BBC by providing radio audio editing, production and archiving systems, and is also working towards closer integration of dira! with the OpenMedia solution provided by Annova to the BBC. The roll out of its ViLoR solution is progressing well, through which local radio is hosted virtually using central datacentres.

The delivery of dira! radio production and playout systems to the South African Broadcasting Corporation (SABC) is on schedule and two channels went live at RTL, the French commercial network. M&B won a key contract with the British Library, under which SCISYS will deliver a national Digital Radio Archive Management solution that will capture and preserve a representative part of the UK's radio output. This demonstrates the adaptability of dira! beyond the broadcasting arena, as this project will use dira! modules.

As anticipated, the first half year's contribution was behind 2017 on higher revenues but M&B's performance is expected to improve in the second half year despite slow progress with the recently won weConnect project.

M&B	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Revenue	3,848	3,539	8,715
Contribution value [1]	604	728	2,635
Contribution margin [2]	16%	21%	30%

ANNOVA Systems

Annova has performed solidly during the first half of 2018 and the deployment of its OpenMedia software to the BBC's operation continued over the summer. Installation into the BBC's London W1 newsroom was successful, marking a key milestone in this flagship project.

The division continues to make advances on current projects, including those with the ARD group of German broadcasters, of which the recently won customer Radio Bremen is a member. It has maintained solid operational progress for its growing roster of clients, such as the German broadcasters MDR and NDR, Czech Radio, Radio France and Corus in Canada.

In common with M&B, Annova anticipated that it would report a weaker first six months than in 2017, although the division expects a significant improvement in performance in the second half of the year.

ANNOVA Systems	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Revenue	3,957	3,610	7,291
EBITA*	206	283	510
EBITA margin*	5%	8%	7%

While both M&B and Annova's first-half revenues are somewhat behind the board's expectations, the overall outlook for both divisions remains in line with Group expectations.

Financial Review

Results for the half year to 30 June 2018 show a significant step up from the comparative period for 2017. This was foreseen in the June AGM trading update, when the Directors signalled that financial results for the full year 2018 would be more balanced between the two halves than in recent years.

Total revenues were up 13% to £28.7m (2017: £25.3m as restated in accordance with IFRS 15 – see next page) and the professional-fees component increased by 24% to £27.6m (2017: £22.3m). The underlying measure of trading performance, adjusted operating profit – which excludes the

[1] Contribution value is revenue less divisional costs (i.e. before central overheads deducted)
[2] Contribution margin is contribution value as a percentage of revenue
* other divisions are measured on their contribution to shared Group overheads whereas Annova currently remains largely independent, allowing the computation of a representative EBITA

Chairman's Statement

costs of the Group's long-term share-incentive schemes, exceptional items and amortisation of intangible assets arising on business acquisition – more than doubled to £2.5m (2017: £1.2m restated). Adjusted basic EPS, calculated on the profit for the period before post-tax exceptional items, share-based payments and amortisation of acquisition-related intangible assets, were 6.1 p (2017: 1.4p).

IFRS 15: *Revenue from contracts with customers* has been implemented with effect from 1 January 2018 and comparative figures for 2017 have been restated to reflect retrospective application of this new standard. Under IFRS 15, only the mark-up on pass-through costs of third-party products and services – where SCISYS acts as an "Agent" rather than a "Principal" – is reported as revenue, whereas previously the revenues and the related third-party cost of sales were reported gross. The reduction in previously reported revenues for the first half of 2017 was £1.9m (2017 full year: £3.8m) while the impacts on reported professional fees and profits were negligible.

The statutory operating profit was £1.2m (2017: £1.3m loss) after bearing amortisation costs relating to the December 2016 ANNOVA Systems GmbH ("Annova") acquisition of £0.6m (2017: £1.0m) and an exceptional charge of £0.7m (2017: £1.6m net).

The exceptional charge comprised two components. The first element recognised the contractual liability for a fixed and final earnout payment of £0.6m to Annova's former owners. This sum is consideration for early termination of the acquisition ring-fence agreement, enabling accelerated achievement of potential medium-term benefits in our combined media-sector operations by the removal of constraints on collective management. Second, there was a £0.1m exceptional charge for external professional advice in relation to the development and implementation of the Group's contingency plans to mitigate any adverse impact of Brexit on cross-border operations, particularly in the space sector.

Exceptional charges in the comparative 2017 period comprised a one-off R&D tax credit of £0.2m and a £1.8m charge to reflect increased contingent consideration payable to Annova's former owners.

Basic earnings per share were 2.6p (2017: Loss per share 4.9p).

Net cash flow from operations increased to £3.1m (2017: £2.7m). At the end of the reporting period, the Group had bank deposits of £9.4m (2017: £7.2m). Unutilised working capital facilities totalled £4.2m (30 June 2017: £4.7m). Group debt at the period end was £12.7m (2017: £16.2m). The resulting net debt was £3.3m, a reduction of £2.6m from the 2017 year-end position of £5.9m net debt (30 June 2017: £9.0m).

Following a buoyant sales performance in the final quarter of 2017, order intake for the first six months of 2018 has remained strong. The M&B division's renewal of its BBC maintenance contract announced in February lifted the order book value over £100m for the first time and the level has been maintained marginally below this threshold throughout the first half of the year (2017: £64m).

The effective tax rate for the period of 21% reflects the anticipated rate for 2018 as a whole (2017: 17%).

The half-year accounts are presented on a basis consistent with policies to be adopted for the Annual Report & Accounts for the year ending 31 December 2018.

Dividend

Our dividend for the full year to 31 December 2017 was 2.16 pence per share, in line with our strategy of progressive dividend growth. I can now confirm that an interim dividend of 0.65 pence per share will be paid on 8 November 2018 to shareholders on the register as at 12 October 2018. The shares are expected to go ex-dividend on 11 October 2018.

Outlook

The second half of 2018 has started with strategic contract wins and solid performances delivered on key projects. We are seeing healthy revenue growth, while cash flows remain strong.

Following the early end of the ring-fencing agreement with Annova's former owners, we have started the internal integration project of our Annova and M&B divisions, which are planned to operate as one division from 2019 onwards.

Based on current performance on projects, a buoyant order book and our new business pipeline, the Directors are confident that SCISYS will achieve year-on-year growth in 2018 and that the future prospects of the Group continue to look highly encouraging.

Chairman,
Mike Love

Consolidated Income Statement

	Unaudited 6 months to 30 June 2018 £'000	Restated Unaudited 6 months to 30 June 2017 £'000	Restated Unaudited Year ended 31 December 2017 £'000
Revenue (note 2)	**28,721**	25,269	53,337
Operating costs	**(27,509)**	(26,601)	(48,792)
Share of results of associates	**-**	15	39
Operating profit/(loss)	**1,212**	(1,317)	4,584
"Adjusted operating profit" being operating profit before share based payments, exceptional charges and amortisation arising on business combinations	**2,526**	1,249	4,491
Exceptional items	**(666)**	(1,561)	2,075
Amortisation of Intangibles	**(626)**	(991)	(1,982)
Share based payments	**(22)**	(14)	-
Operating profit/(loss)	**1,212**	(1,317)	4,584
Finance costs	**(232)**	(388)	(718)
Finance income	**(5)**	6	8
Profit/(loss) before tax	**975**	(1,699)	3,874
Tax (charge)/credit	**(200)**	282	(593)
Profit/(loss)for the period attributable to equity holders of the parent	**775**	(1,417)	3,281
Earnings/(loss) per share (note 5)			
Basic	**2.6p**	(4.9p)	11.3p
Diluted	**2.6p**	(4.8p)	11.0p

Consolidated Statement of Comprehensive Income

	Unaudited 6 months to 30 June 2018 £'000	Restated Unaudited 6 months to 30 June 2017 £'000	Restated Unaudited Year ended 31 December 2017 £'000
Profit/(loss) for the period	**775**	(1,417)	3,281
Other comprehensive income not recycling through the Income Statement			
Currency translation differences on foreign currency investments	**57**	54	369
Total comprehensive income/(expense) for the period attributable to equity holders of the parent	**832**	(1,363)	3,650

Consolidated Statement of Changes in Equity

For the 6 months ended 30 June 2018 (unaudited)	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Adjusted balance as at 1 January 2018	7,329	268	943	83	1,890	15,133	25,646
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	775	775
Other comprehensive income							
Foreign currency translation	-	-	-	-	57	-	57
Total comprehensive income for the period	-	-	-	-	57	775	832
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share based payments	-	-	-	-	-	22	22
Treasury shares	-	-	-	-	-	-	-
Share options	-	-	-	-	-	57	57
Total contributions by and distributions to owners	-	-	-	-	-	79	79
Balance as at 30 June 2018	**7,329**	**268**	**943**	**83**	**1,947**	**15,987**	**26,557**

Restated

For the 6 months ended 30 June 2017 (unaudited)	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2017	7,272	143	943	83	1,521	12,751	22,713
Adjustment on initial application of IFRS15 (net of tax)	-	-	-	-	-	(3)	(3)
Adjusted balance as at 1 January 2017	7,272	143	943	83	1,521	12,748	22,710
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(1,414)	(1,414)
Other comprehensive income							
Foreign currency translation	-	-	-	-	54	-	54
Total comprehensive income for the period	-	-	-	-	54	(1,414)	(1,360)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share based payments	-	-	-	-	-	14	14
Treasury shares	-	-	-	-	-	(361)	(361)
Share options	-	-	-	-	-	74	74
Total contributions by and distributions to owners	-	-	-	-	-	(273)	(273)
Balance as at 30 June 2017	**7,272**	**143**	**943**	**83**	**1,575**	**11,061**	**21,077**

Consolidated Statement of Changes in Equity continued

Restated

For the year ended 31 December 2017 (unaudited)	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2017	7,272	143	943	83	1,521	12,751	22,713
Adjustment on initial application of IFRS15 (net of tax)	-	-	-	-	-	(68)	(68)
Adjusted balance as at 1 January 2017	7,272	143	943	83	1,521	12,683	22,645
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	3,349	3,349
Other comprehensive income							
Foreign currency translation	-	-	-	-	369	-	369
Total comprehensive income for the period	-	-	-	-	369	3,349	3,718
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(586)	(586)
Issue of new shares	57	125	-	-	-	-	182
Treasury shares	-	-	-	-	-	(471)	(471)
Exercise of share options	-	-	-	-	-	158	158
Total contributions by and distributions to owners	57	125	-	-	-	(899)	(717)
Balance as at 31 December 2017	7,329	268	943	83	1,890	15,133	25,646

Consolidated Statement of Financial Position

	Unaudited 30 June 2018 £'000	Restated Unaudited 30 June 2017 £'000	Restated Unaudited 31 December 2017 £'000
Non-current assets			
Property, plant and equipment	**9,165**	9,295	9,261
Goodwill	**15,902**	15,950	15,913
Other intangible assets	**4,467**	5,810	5,173
Other receivables	**94**	87	92
Interests in associates	**-**	108	-
Deferred tax assets	**23**	311	26
	29,651	31,561	30,465
Current assets			
Inventories	**133**	434	321
Contract assets	**12,795**	10,478	10,256
Trade and other receivables	**12,415**	10,043	11,091
Corporation tax receivable	**500**	1,027	450
Cash and cash equivalents	**9,394**	7,166	8,021
	35,237	29,148	30,139
Total assets	**64,888**	60,709	60,604
Equity			
Issued share capital	**7,329**	7,272	7,329
Share premium account	**268**	143	268
Merger reserve	**943**	943	943
Retained earnings	**15,987**	11,061	15,133
Translation reserve	**1,947**	1,575	1,890
Other reserves	**83**	83	83
Equity attributable to equity holders of the parent	**26,557**	21,077	25,646
Current liabilities			
Trade and other payables	**11,944**	11,995	10,452
Contract liabilities	**10,010**	5,831	7,026
Bank overdrafts and loans	**2,469**	3,707	2,290
Corporation tax payable	**731**	31	347
Deferred income	**211**	245	240
	25,365	21,809	20,355
Non-current liabilities			
Bank loans	**10,263**	12,514	11,667
Other payables	**914**	3,627	-
Provisions	**929**	-	1,572
Deferred tax	**860**	1,682	1,364
	12,966	17,823	14,603
Total liabilities	**38,331**	39,632	34,958
Total equity and liabilities	**64,888**	60,709	60,604

Consolidated Statement of Cash Flows

	Unaudited 6 months to 30 June 2018 £'000	Restated Unaudited 6 months to 30 June 2017 £'000	Restated Unaudited Year ended 31 December 2017 £'000
Cash flow from operating activities			
Profit/(loss) before tax	**975**	(1,699)	3,874
Net finance costs	**237**	382	710
Operating profit/(loss)	**1,212**	(1,317)	4,584
(Increase)/decrease in trade receivables	**(1,068)**	9,404	8,520
Increase in contract assets	**(2,539)**	(10,478)	(10,256)
Increase/(decrease) in trade payables	**1,055**	(4,114)	(921)
Increase in contract liabilities	**2,983**	5,831	7,026
Deferred consideration	**616**	1,561	(1,626)
Depreciation and amortisation	**1,224**	1,515	3,081
Share of profit of associate	**-**	(15)	(39)
Share based payments	**22**	14	-
Tax (payments)/credits	**(371)**	296	147
Net cash flow from operating activities	**3,134**	2,697	10,516
Cash flow from investing activities			
Investment in associate	**(20)**	-	82
Proceeds from disposal of property, plant and equipment	**-**	1	4
Purchase of plant, property and equipment	**(244)**	(789)	(1,259)
Exercise of share options	**57**	74	158
Interest received	**(5)**	6	8
Net cash flow from investing activities	**(212)**	(708)	(1,007)
Cash flows from financing activities			
Dividends paid	**-**	-	(586)
Interest paid	**(232)**	(388)	(718)
Issue of new shares	**-**	-	182
Investment in own shares	**-**	(361)	(471)
Loans received	**-**	260	262
Debt repayments	**(1,244)**	(1,308)	(3,716)
Net cash flow from financing activities	**(1,476)**	(1,797)	(5,047)
Net increase in cash and cash equivalents	**1,446**	192	4,462
Cash and cash equivalents at the start of the period	**8,021**	6,666	6,666
Exchange and other movements	**(73)**	308	(3,107)
Cash and cash equivalents at the end of the period	**9,394**	7,166	8,021
Cash and cash equivalent deposits held in non-UK based banks	**9,025**	5,522	6,435
Net bank deposit with UK based banks	**369**	1,644	1,586
	9,394	7,166	8,021

Notes to the Unaudited Interim Report for the 6 months to 30 June 2018

1 Basis of preparation of Interim Financial Information & Statement of Compliance

SCISYS PLC (the "Company") is a UK company incorporated in England & Wales. The entities consolidated in the half year financial statements of the Company for the 6 months to 30 June 2018 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group reports its financial results in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

This interim results announcement is prepared in accordance with the IFRS accounting policies expected to be applied by the Group at 31 December 2018. These policies are set out by the Group in its consolidated financial statements for the year ended 31 December 2017 and available on the Group's website at www.scisys.co.uk. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 'Interim Financial Reporting' and is therefore not fully compliant with IFRS. There are two new standards or interpretations endorsed by the EU during 2018. IFRS 15: *Revenue from contracts with customers* (see Note 8) has had an impact on the financial results and presentation whereas IFRS 9: *Financial Instruments* has been adopted but has not had an impact on either measurement or disclosures.

The interim financial information for the 6 months ended 30 June 2018 is unaudited and does not include all of the information required to constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. It should therefore be read in conjunction with the audited financial statements for the year ended 31 December 2017. These published accounts have been reported on by KPMG, the Group's previous auditors, and have been delivered to the Registrar of Companies. The report of the auditors was (1) unqualified, (2) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (3) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The preparation of these consolidated half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key areas of estimation were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

The Interim Report was approved by the Directors on 19 September 2018.

2 Segmental analysis

The management structure and reporting of financial information to the chief operating decision maker (the Board) is the basis used to define operating segments.

The Group provides IT services to commercial and public sector organisations through the following four divisions:

Space
Enterprise Solutions & Defence (ESD) (Includes Xibis from 1 January 2018)
Media & Broadcast (M&B)
ANNOVA Systems (Annova)

Divisional results, assets and liabilities represent items directly attributable to a division. Unallocated expenses comprise central overheads and corporate expenses. Assets and liabilities that are allocated to operating divisions comprise trade receivables, contract assets, inventories and contract liabilities.

Notes to the Unaudited Interim Report for the 6 months to 30 June 2018

2 Segmental analysis continued

Information about reportable segments

External revenues	Space £'000	ESD £'000	M&B £'000	Annova £'000	Total £'000
6 months ended 30 June 2018 (unaudited)					
Professional fees revenue	**11,100**	**8,862**	**3,678**	**3,957**	**27,597**
Other revenue	**84**	**694**	**170**	**-**	**948**
External revenue for reportable segments	**11,184**	**9,556**	**3,848**	**3,957**	**28,545**
Other external revenue					**176**
Consolidated revenue					**28,721**
6 months ended 30 June 2017 (unaudited)					
Professional fees revenue	8,631	6,762	3,326	3,610	22,329
Other revenue	2,930	1,541	213	-	4,684
IFRS 15 Adjustment	(1,716)	(190)	-	-	(1,906)
Restated other revenue	1,214	1,351	213	-	2,778
External revenue for reportable segments	9,845	8,113	3,539	3,610	25,107
Other external revenue					162
Consolidated revenue					25,269
Year ended 31 December 2017 (unaudited)					
Professional fees revenue	18,629	14,164	7,958	7,291	48,042
Other revenue	4,842	3,193	757	-	8,792
IFRS 15 Adjustment	(3,448)	(379)	-	-	(3,827)
Restated other revenue	1,394	2,814	757	-	4,965
External revenue for reportable segments	20,023	16,978	8,715	7,291	53,007
Other external revenue					330
Consolidated revenue					53,337

Notes to the Unaudited Interim Report for the 6 months to 30 June 2018

2 Segmental analysis continued

Information about reportable segments continued

Profit/(loss) before tax	Space £'000	ESD £'000	M&B £'000	Annova £'000	Total £'000
6 months ended 30 June 2018 (unaudited)					
Reportable segment contribution	**3,311**	**2,790**	**604**	**206**	**6,911**
Other contribution	**38**	**-**	**-**	**-**	**38**
Contribution	**3,349**	**2,790**	**604**	**206**	**6,949**
Central overheads					**(4,423)**
Total adjusted EBITA					**2,526**
Exceptional items and share based payments					**(688)**
EBITA					**1,838**
Amortisation of intangible assets comprising acquired software solution					**(258)**
Amortisation of intangible assets comprising acquired order book					**(368)**
Operating profit					**1,212**
Finance costs					**(232)**
Finance income					**(5)**
Profit before tax					**975**
6 months ended 30 June 2017 (unaudited)					
Reportable segment contribution	2,087	1,853	728	283	4,951
IFRS 15 adjustment	(3)	-	-	-	(3)
Restated reported segmental contribution	2,084	1,853	728	283	4,948
Other contribution	336	-	-	-	336
Contribution	2,420	1,853	728	283	5,284
Central overheads					(4,035)
Total adjusted EBITA					1,249
Exceptional items and share based payments					(1,575)
EBITA					(326)
Amortisation of intangible assets comprising acquired software solution					(368)
Amortisation of intangible assets comprising acquired order book					(623)
Operating loss					(1,317)
Finance costs					(388)
Finance income					6
Loss before tax					(1,699)
Year ended 31 December 2017 (unaudited)					
Reportable segment contribution	4,891	4,274	2,625	510	12,300
IFRS 15 adjustment	(68)	-	-	-	(68)
Restated reported segmental contribution	4,823	4,274	2,625	510	12,232
Other contribution	22	33	10	-	65
Contribution	4,845	4,307	2,635	510	12,297
Central overheads					(7,806)
Total adjusted EBITA					4,491
Exceptional items and share based payments					2,075
EBITA					6,566
Amortisation of intangible assets comprising acquired software solution					(1,246)
Amortisation of intangible assets comprising acquired order book					(736)
Operating profit					4,584
Finance costs					(718)
Finance income					8
Profit before tax					3,874

Notes to the Unaudited Interim Report for the 6 months to 30 June 2018

2 Segmental analysis continued

Information about reportable segments continued

Group assets	Space £'000	ESD £'000	M&B £'000	Annova £'000	Total £'000
As at 30 June 2018 (unaudited)					
Reportable segment – non-current assets	**3,507**	**1,110**	**3,380**	**7,905**	**15,902**
Reportable segment – current assets	**9,905**	**7,659**	**2,938**	**3,045**	**23,547**
	13,412	**8,769**	**6,318**	**10,950**	**39,449**
Other – non-current assets					**13,749**
Other – current assets					**11,690**
Total assets					**64,888**
As at 30 June 2017 (unaudited)					
Reportable segment – non-current assets	3,500	1,090	3,380	7,980	15,950
Reportable segment – current assets	9,093	4,113	1,139	5,163	19,508
IFRS 15 adjustments	(3)	-	-	-	(3)
Restated reportable segments - current assets	9,090	4,113	1,139	5,163	19,505
	12,590	5,203	4,519	13,143	35,455
Other – non-current assets					15,611
Other – current assets					9,643
Total assets					60,709
As at 31 December 2017 (unaudited)					
Reportable segment – non-current assets	3,511	1,090	3,380	7,931	15,912
Reportable segment – current assets	9,185	6,633	1,446	2,862	20,126
IFRS 15 adjustments	(68)	-	-	-	(68)
Restated reportable segments - current assets	9,117	6,633	1,446	2,862	20,058
	12,628	7,723	4,826	10,793	35,970
Other – non-current assets					14,553
Other – current assets					10,081
Total assets					60,604

Group liabilities	Space £'000	ESD £'000	M&B £'000	Annova £'000	Total £'000
As at 30 June 2018 (unaudited)					
Reportable segment – current liabilities	**2,533**	**4,191**	**699**	**2,576**	**9,999**
Other – non-current liabilities					**12,966**
Other – current liabilities					**15,366**
Total liabilities					**38,331**
As at 30 June 2017 (unaudited)					
Reportable segment – current liabilities	1,773	1,549	375	2,133	5,830
Other – non-current liabilities					17,823
Other – current liabilities					15,979
Total liabilities					39,632
As at 31 December 2017 (unaudited)					
Reportable segment – current liabilities	1,164	3,231	727	1,905	7,027
Other – non-current liabilities					14,603
Other – current liabilities					13,328
Total liabilities					34,958

Notes to the Unaudited Interim Report for the 6 months to 30 June 2018

2 Segmental analysis continued

Information about reportable segments continued

Geographical split	UK £'000	Rest of Europe £'000	Other £'000	Total £'000
6 months ended 30 June 2018 (unaudited)				
Revenue from external customers by location of customers	**15,438**	**12,206**	**1,077**	**28,721**
As at 30 June 2018				
Non-current assets:				
Intangible assets	**-**	**20,369**	**-**	**20,369**
Tangible assets	**5,917**	**3,248**	**-**	**9,165**
Other long term assets	**-**	**117**	**-**	**117**
6 months ended 30 June 2017 (unaudited)				
Revenue from external customers by location of customers	12,299	14,319	557	27,175
IFRS 15 adjustment	(190)	(1,716)	-	(1,906)
Restated revenue from external customers by location of customers	12,109	12,603	557	25,269
As at 30 June 2017				
Non-current assets:				
Intangible assets	-	21,760	-	21,760
Tangible assets	5,910	3,385	-	9,295
Interests in associates	-	108	-	108
Other long term assets	-	398	-	398
Year ended 31 December 2017 (unaudited)				
Revenue from external customers by location of customers	28,485	27,273	1,406	57,164
IFRS 15 adjustment	(379)	(3,448)	-	(3,827)
Restated revenue from external customers by location of customers	28,106	23,825	1,406	53,337
As at 31 December 2017				
Non-current assets:				
Intangible assets	-	21,086	-	21,086
Tangible assets	5,847	3,414	-	9,261
Other long term assets	-	118	-	118

3 Exceptional items

	Unaudited 6 months to 30 June 2018 £'000	Unaudited 6 months to 30 June 2017 £'000	Unaudited Year ended 31 December 2017 £'000
R&D tax credits	**-**	225	450
Contingent consideration	**(616)**	(1,786)	1,625
Other	**(50)**	-	-
Exceptional items	**(666)**	(1,561)	2,075

Contingent consideration payable for the Annova acquisition is linked both to average profitability over a 3-year earn out period and achievement of key commercial milestones. The exceptional charge recognised in 2018 represents the contractual liability for a fixed and final earn out payment to Annova's former owners. The sum is consideration for early termination of the acquisition ring-fence agreement enabling accelerated achievement of potential medium-term benefits in combined media-sector operations by the removal of constraints on collective management. The anticipated total contingent consideration payable is reassessed at the end of each half-year reporting period based on the latest trading forecasts.

Notes to the Unaudited Interim Report for the 6 months to 30 June 2018

3 Exceptional items continued

The "Other" exceptional item relates to charges for external professional advice regarding the development and implementation of the Group's contingency plans to mitigate any adverse impact of Brexit on cross-border operations, particularly in the space segment.

Up to and including 2016 R&D tax credits were incorporated into the net tax charge but from 2017 these are treated as deductions from operating expenses. 2017 was also the final year in which the Company qualified for the SME tax credit scheme as it has subsequently exceeded the headcount threshold for eligibility. Consequently the non-recurring high credit in 2017 was treated as an exceptional item.

4 Taxation

	Unaudited 6 months to 30 June 2018 £'000	Unaudited 6 months to 30 June 2017 £'000	Unaudited Year ended 31 December 2017 £'000
Current tax charge/(credit)	**702**	(114)	617
Deferred tax credit	**(502)**	(168)	(24)
Total tax charge/(credit)	**200**	(282)	593

The charge for taxation for the 6 months ended 30 June 2018 reflects an effective rate for the period consistent with the anticipated rate for the full year.

5 Earnings/(Loss) per share

The calculation of the Group basic and diluted earnings/(loss) per ordinary share is based on the following data:

	Unaudited 6 months to 30 June 2018 £'000	Restated Unaudited 6 months to 30 June 2017 £'000	Restated Unaudited Year ended 31 December 2017 £'000
Profit/(loss) attributable to shareholders	**775**	(1,414)	3,349
IFRS15 adjustment	**-**	(3)	(68)
Restated profit/(loss) attributable to shareholders	**775**	**(1,417)**	**3,281**
Number of shares	**'000**	'000	'000
Basic weighted average number of shares	**29,366**	29,005	29,154
Diluted weighted average number of shares	**30,005**	29,677	29,723
Basic	**2.6p**	**(4.9)p**	**11.3p**
Diluted	**2.6p**	**(4.8)p**	**11.0p**

The weighted average number of shares for the calculation of basic earnings/(loss) per share excludes own shares held in treasury.

The weighted average number of shares for the calculation of diluted earnings/(loss) per share includes own shares held in treasury together with CSOP and unapproved share options outstanding during the period.

Notes to the Unaudited Interim Report for the 6 months to 30 June 2018

6 Adjusted earnings per share

	Unaudited 6 months to 30 June 2018	Restated Unaudited 6 months to 30 June 2017	Restated Unaudited Year ended 31 December 2017
Basic	**6.1p**	1.4p	9.8p
Diluted	**5.9p**	1.3p	9.6p

In order to present a measure of earnings per share which is more representative of the Group's underlying operating performance, earnings are adjusted to be net of the post-tax costs shown in the highlighted box on the face of the Income Statement.

The calculation of the Group adjusted basic and diluted earnings per ordinary share is based on the number of shares in Note 5 and the following earnings data:

	Unaudited 6 months to 30 June 2018 £'000	Unaudited 6 months to 30 June 2017 £'000	Unaudited Year ended 31 December 2017 £'000
Profit/(loss) attributable to shareholders	**775**	(1,414)	3,349
IFRS15 adjustment	**-**	(3)	(68)
Restated profit/(loss) attributable to shareholders	**775**	(1,417)	3,281
Adjusted for:			
Exceptional items	**666**	1,561	(2,075)
Corporation tax	**(203)**	(589)	-
Amortisation of intangible assets	**626**	991	1,982
Deferred tax	**(106)**	(168)	(337)
Share based payments	**22**	14	-
Adjusted earnings	**1,780**	392	2,851

The weighted average number of shares for the calculation of basic earnings per share excludes own shares held in treasury.

The weighted average number of shares for the calculation of diluted earnings per share includes own shares held in treasury together with CSOP and unapproved share options outstanding during the period.

7 Dividends

For the year ended 31 December 2017 the Company paid a final dividend of 1.57 pence per share in July 2018. The Board is recommending payment of an interim dividend for 2018 of 0.65 pence per share, to be paid on 8 November 2018 to shareholders on the register as at 12 October 2018.

8 Impact of changes in accounting policies

Impact of IFRS 15: *Revenue from contracts with customers*

The Group has initially applied IFRS15 and IFRS 9 with effect from 1 January 2018. Under the transition method chosen, comparative information has been restated following the change in accounting policy. The Group has included additional line items as their omission would make the financial statements potentially misleading.

Notes to the Unaudited Interim Report for the 6 months to 30 June 2018

8 Impact of changes in accounting policies continued

Implementation of the new IFRS 15 standard had a minor impact on the phasing of anticipated operating profits, although reported revenues and costs are more significantly reduced when compared with the previously applied treatment because the Company acts as an agent in certain circumstances.

If IFRS 15 had been applied in 2017, revenues would have been £3,827,000 lower for the full year and £1,906,000 lower for the 6 months ended 30 June 17. Operating profits for 2017 would have been £68,000 lower for the full year and £3,000 lower for the 6 months ended 30 June 2017.

The Group IFRS 15 policy deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entities' contracts with customers.

With effect from 1 January 2018 the Group takes into account principal v agent considerations. In situations where the Group acts in the capacity of an agent, simply passing the third party goods and services to customers through its books, only the mark-up element is disclosed as revenue, whereas previously the full contract value was recognised and included as "Other revenue" in the segmental analysis, Note 2.

Where the customer simultaneously receives and consumes the benefit revenue is recognised in line with performance of the service.

For the delivery of unique customer solutions, recognition of Performance Over Time revenues is subject to an enforceable right to payment (cost plus profit) if the customer were to terminate without the Company's default before expiry of the natural contract term.

Revenue from consultancy and other professional services that have been identified as being Performance Over Time are recognised by reference to the degree of completion of the contract. The input measure used to calculate Performance Over Time for a performance obligation is by reference to own labour costs incurred by the balance sheet date as a percentage of the total estimated own labour costs to completion of the performance obligation. Revenues associated with subcontractors or bought-in goods that contribute to a performance obligation are recognised when the customer's goods are purchased and when the subcontractor's deliverables are accepted.

Where the Company's own licenced products and configuration services are required to create the customer's unique solution, without which the customer obtains no benefit, the licences and services are recognised together as a single performance obligation. If Performance Over Time applies, these revenues are recognised over time as professional service revenues. Licences sold without the need for configuration services (e.g. additional concurrent users) are recognised at the Point in Time when the licences are transferred to the customer.

Maintenance services are considered to be Service Warranty and involve standing ready to provide the services for handling calls, defect fixing and delivery of new releases to the customer on a regular basis. Revenue is recognised evenly over the time period (eg. at one twelfth of the annual charge per month).

Revenues for enhancements to systems already owned by customers are recognised as Performance Over Time as for professional services.

Interim Report

The Interim Report will be posted to shareholders shortly and for those shareholders who have elected to receive communications electronically it will be available to view on the SCISYS website at www.scisys.co.uk/who-we-are/investors.html.
Copies will also be available at SCISYS PLC's Registered Office at Methuen Park, Chippenham, Wiltshire, SN14 0GB.

SCISYS PLC

Directors
Mike Love (Non-Executive Chairman)
David Coghlan (Independent Non-Executive Director)
David Jones (Deputy Chairman)
Klaus Heidrich (Chief Executive Officer)
Chris Cheetham (Finance Director)
Steve Brignall (Technical Director)
Klaus Meng (Executive Director)

Company Secretary
Natasha Laird

Company Registered number 3426416
SCISYS PLC is a company registered in England and Wales

Advisers

Bankers
National Westminster Bank
32 Corn Street
Bristol
BS99 7UG

Solicitors
Burges Salmon
One Glass Wharf
Bristol
BS2 0ZX

Auditors
Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Nominated Adviser and House Brokers
finnCap Limited
60 New Broad Street
London
EC2M 1JJ

Employing around 580 staff, SCISYS group is a leading developer of information and communications technology services, e-business, web and mobile applications, editorial newsroom solutions and advanced technology solutions.

The Company operates in a broad spectrum of market sectors, including Media & Broadcast, Space, Government and Defence and Commercial sectors. SCISYS clients are predominantly blue-chip and public-sector organisations. Customers include the Environment Agency, the Ministry of Defence, Airbus Defence & Space, Thales Alenia Space, Arqiva, Vodafone, the European Space Agency, Eumetsat, the BBC, Radio France, RTL, RNLI, Pets at Home, Siemens and the National Trust.

The Company has UK offices in Chippenham, Bristol, Leicester and Reading and German offices in Bochum, Dortmund, Darmstadt and Munich. More information is available at www.scisys.co.uk.

SCISYS PLC
Methuen Park
Chippenham
Wiltshire
SN14 0GB
UK

www.scisys.co.uk