RNS Number : 2697F
Sophos Group Plc
11 November 2015

Sophos Group plc
September 2015, FY16 Interim Results
Strong momentum and execution in the three-months since IPO
Raising full-year outlook

London, 11 November 2015. Sophos Group plc (the "Group" / LSE: SOPH), a leading provider of cloud enabled enduser and network security solutions, today issues its Interim Results for the six-months to 30 September 2015 ("H1, FY16").

Financial Highlights

- Trading ahead of management expectations in the first half; with an upgrade to both the full-year like-for-like[1] billings growth and cash EBITDA[2] margin outlook

	H1 FY16	H1 FY15	Growth	
			Reported	Like-for-like %
	$M	$M	%	
Non-GAAP measures:				
Billings[3]	242.0	214.5	12.8	24.2
Cash EBITDA	45.5	41.8	8.9	23.0
Unlevered Free Cash flow[4]	19.9	22.3	(10.8)	n/a
GAAP measures:				
Revenue[5]	234.2	215.1	8.9	17.0
Operating (Loss) / Profit	(13.4)	12.1	n/a	n/a
Net Cash Flow from Operating Activities	4.6	20.9	(78.0)	n/a

- H1 like-for-like billings growth of 24.2 percent year-over-year ("YOY") with growth across all major regions and product categories
- Reported billings grew 12.8 percent YOY, reflecting significant currency headwinds including the devaluation of the Euro and Sterling against the US Dollar
- Billings growth driven by both strong new customer wins and an improvement in the retention rate of existing customers
- Reported revenue up 8.9 percent YOY, estimated 17 percent YOY growth at constant currency
- Twelve months to September weighted average contract length6 consistent YOY at 27.9 months
- Reported Cash EBITDA up 8.9 percent, 23.0 percent YOY growth at constant currency
- Operating (Loss) / Profit lower YOY mainly reflecting $17.6 million of exceptional items connected with the Group's initial public offering of shares and a YOY variance in unrealised foreign exchange gains of $7.6 million
- Unlevered Free Cash Flow lower YOY due to phasing of capital expenditure, but above internal expectations
- Net Cash Flow from Operating Activities lower YOY mainly reflecting the $17.6 million of costs incurred on the Group's initial public offering of shares
- Interim dividend of 0.7 US cents per share; the Group is targeting a full year dividend payment of 20 percent of free cash flow

Operational Highlights

- Continued market share gains as Sophos outperformed industry market growth rates in both network security and enduser security
- Robust product delivery in H1 of new products and major version and feature upgrades across the Group's network and enduser security portfolio, as well as adding support for the latest operating system versions of Windows, Mac, Android and iOS

- Early November release of Sophos XG Firewall delivering a Unified Threat Management ("UTM") / Next Generation Firewall product that combines the best of Sophos and Cyberoam; and delivery of Sophos Security Heartbeat™, part f our synchronized security strategy (Project Galileo) to actively share valuable security intelligence between Sophos endpoint and network security products.
- Drove increased brand awareness via continued channel-oriented sales and marketing events, social media initiatives, and extension of Sophos' successful free tools program, including releasing a free Linux server protection pool and a public beta of Sophos Home, a cloud-managed, easy-to-use, no-hassles anti-malware and web filtering solution for PCs and Macs that will be free for home users and families
- Acquired Reflexion Networks Inc., a SaaS-based offering providing security, archiving, encryption and business continuity for email, adding more than 17,000 customers and over 2,200 partners/ managed service providers ("MSPs") to the Sophos ecosystem
- Placed in the "Leaders" quadrant for both UTM and Mobile data protection in latest Gartner Magic Quadrant reports
- Finished first in all three security-related categories, Client Security Software, Network Security Appliances, and Network Security Software, at the Computer Reseller News (CRN) Annual Report Card (ARC) awards for the second straight year

Kris Hagerman, Chief Executive Officer, commented:
"Cybersecurity remains the number one priority for IT executives across enterprises of all sizes, and within an environment of strong secular growth in IT security, Sophos continues to outperform the market in each of our core segments of enduser and network security. The first half has been marked by continued strength across all major regions and product categories, with our performance exceeding our internal expectations. Our leading product portfolio, commitment to "security made simple", and a "channel first" sales strategy enabled us to both attract a significant number of new customers and grow our billings from existing customers. Based on our results in H1 and our confidence in H2, we are raising our full-year outlook for both billings and Cash EBITDA."

Outlook
In the prior year to March 2015, YOY growth of like-for-like quarterly billings was 9 percent in Q1, 16 percent in Q2, 18 percent in Q3 and 24 percent in Q4. YOY growth of like-for-like billings in Q1 FY16 of 25 percent has been followed by 24 percent growth for Q2 FY16. This equates to 24 percent like-for-like billings growth for the first half-year and is ahead of our internal projections.

After this strong start to the year, the Group has improved its outlook for FY16 like-for-like billings growth, to now be in the range of high teens to 20 percent. This reflects a strong performance in the first half of the year and a second half expectation of mid to high teens like-for-like billing growth. In addition, aided by the operating leverage in our model, we expect full-year cash EBITDA margins for FY16 to now slightly exceed the original outlook of 21.3 percent for the year.

Based on current exchange rates, the currency headwind experienced in H1 of 11 percent is expected to reduce to approximately 8 percent for the full year.

At the time of our Q1 trading statement, the Group reported that Cash EBITDA phasing was expected to be approximately one third in the first half and two thirds in the second half; in line with historical trends. Following a strong billings performance, H1 cash EBITDA is now expected to be slightly higher than one third of the full-year. This is despite a more equal spread in marketing costs across the year than in previous periods.

About
The Sophos Group is a leading global provider of cloud-enabled enduser and network security solutions, offering organisations end-to-end protection against known and unknown IT security threats through products that are easy to install, configure, update and maintain. For further information please visit: www.sophos.com. The Group has over 30 years of experience in enterprise security and has built a portfolio of products that protects over 200,000 organisations and over 100 million endusers in 150 countries across a variety of industries.

Forward-looking Statements
Certain statements in this announcement constitute "forward-looking statements". These forward-looking statements involve risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance or programmes, or the delivery of products or services under them; structural change in the security

industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. The Group undertakes no obligation to update or revise any forward-looking statement to reflect any change in expectations or any change in events, conditions or circumstances.

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Management will be hosting an analyst meeting to discuss the Interim Results at 09:30am London time; at 18 Lincoln's Inn Fields, London, WC2A 3ED. An audio webcast will be available on this link: http://cache.merchantcantos.com/webcast/webcaster/4000/7464/16532/54098/Lobby/default.htm and there will be a dial-in facility provided on +44 (0) 20 3003 2666. A recording of the meeting will also be available for one week after the event on the Company's website.

1. Like-for-like billings represent billings on a constant currency basis excluding disposals and including acquisitions from the point of acquisition plus the pre acquisition billings of any acquired companies on a reported basis. Like-for-like billings are presented to enhance comparability.
2. Cash earnings before interest, taxation, depreciation and amortisation ("Cash EBITDA") is defined as the Group's operating (loss)/ profit adjusted for depreciation and amortisation charges, any gain or loss on the sale of tangible and intangible assets, stock option charges, unrealised foreign exchange differences and exceptional items, with billings replacing recognised revenue.
3. Billings represents the value of products and services invoiced to customers after receiving a purchase order from the customer and delivering products and services to them, or for which there is no right to a refund for undelivered items. Billings does not equate to statutory revenue.
4. Unlevered Free Cash Flow represents Cash EBITDA less purchases of property, plant and equipment and intangibles, plus cash flows in relation to changes in working capital and taxation.
5. The majority of billings are for license subscriptions which are recognised as revenue over the period of the contract, revenue growth is primarily a function of prior period billings and hence will not yet reflect the improved billings performance of the current period.
6. Constant currency billings excluding Cyberoam and Reflexion.

CHIEF EXECUTIVE OFFICER'S REVIEW

Operational Review

Sophos continues to outperform market growth rates in both of our core segments: network security and enduser security. We expect this success to continue with strong new product releases and innovations delivered during the first-half to extend and deepen our security portfolio. Among these are a new server lockdown product, a new release of our SafeGuard data encryption product, a new release of Sophos Web Appliance, a new version of Sophos Mobile Control, a new version of our UTM / Next Generation Firewall that supports auto-scaling for Amazon Web Services ("AWS"), and additional Wi-Fi access point offerings. In addition to adding support for the latest Windows, Mac, Android and iOS operating systems to our portfolio, we have also delivered download reputation and malicious traffic detection features to advance our next-generation endpoint security capabilities. Sophos also added significant new capabilities to our cloud-managed security platform, including a Sophos Cloud Web Gateway, Sophos Mobile Security, Linux server protection, and a Sophos Cloud Partner Dashboard to enhance the ability of our channel partners and MSPs to monitor and manage the IT security estates of their customers.

Although outside the first half reporting period, in early November Sophos announced the general availability of Sophos XG Firewall which is an exciting new UTM / next-generation firewall platform that combines the best of Sophos and Cyberoam technologies. At the same time, Sophos announced the availability of Sophos Security Heartbeat™ which is part of our Synchronised Security strategy (project codename "Galileo"). This revolutionary technology actively and continuously shares intelligence between endpoint and network security solutions to find threats faster, identify compromises sooner, and automate the response to an attack. This can reduce the time and resources required from IT organisations in the discovery and remediation of malware and cyber-attacks. Early reports indicate that our partner and customer communities are excited about these two new offerings, due to their capabilities and their differentiation vs. competitors' products.

Sophos continued to work closely with our global network of channel partners and invest to expand Sophos' brand awareness. In addition to numerous channel-oriented sales and marketing events and social media initiatives, we extended our successful free tools portfolio by introducing a new free Linux server protection offering. In October we also began to introduce a public beta of Sophos Home, a cloud-managed, easy-to-use anti-malware and web filtering solution for PCs and Macs that will be free for home users and families. Early beta feedback on Sophos Home has been very positive.

As previously reported, Sophos acquired Reflexion Networks Inc. on 5 June 2015 for cash consideration of $15 million. Reflexion is a leader in cloud-based security, archiving, encryption and business continuity for email services, and brings more than 17,000 additional customers and over 2,200 partners, most of which are MSPs, into the Sophos ecosystem. This acquisition enables Sophos to add software-as-a-service (SaaS) email security to the Sophos Cloud platform and delivers enterprise-grade email security in an affordable and simple-to-manage solution. The acquisition of Reflexion is consistent with Sophos' innovation strategy, in which we continue to innovate both through internal product development and by making selective strategic acquisitions to enhance and expand our product roadmap.

Sophos continued to be recognized as an industry leader by industry publications. At the 2015 SC Magazine awards, Sophos was voted the UTM category winner by a panel of independent judges. Furthermore, in August of 2015, the readers of Computer Reseller News ("CRN"), the leading channel publication, voted Sophos the Annual Report Card ("ARC") winner in all three security-related categories: Client Security Software, Network Security Appliances, and Network Security Software. This is the second year in a row that CRN has named Sophos best in class for all security-related categories, an accomplishment that had never been achieved by any vendor prior to last year.

During the first half Sophos also continued to receive positive recognition and endorsement from industry analysts. Gartner once again recognised Sophos as a "Leader" in both the 2015 Mobile Data Protection Magic Quadrant and the 2015 UTM Magic Quadrant. In addition, Sophos was placed in the "Visionary" quadrant of the Enterprise Mobility Management ("EMM") Magic Quadrant and is the only IT security vendor to appear in the report. Forrester Research also recognised Sophos as "one of the most significant vendors in the EMM space" with "robust endpoint, encryption and EMM products" in the EMM Wave report, published in June.

I thank our employees and partners for helping us deliver a successful first half and for delivering the security and protection technologies our customers demand and deserve.

CHIEF FINANCIAL OFFICER'S REVIEW

Financial Review

The table below presents the Group's financial key performance indicators for the period (in reported currency):

	Six-months ended 30 September 2015	Six-months ended 30 September 2014	Growth	
			Reported	Like-for-like
	$M	$M	%	%
Billings	242.0	214.5	12.8	24.2
Revenue	234.2	215.1	8.9	17.0
Cash EBITDA	45.5	41.8	8.9	23.0
Unlevered Free Cash Flow	19.9	22.3	(10.8)	n/a

Billings

The Group's reported billings increased by $27.5 million from $214.5 million in the period-ended 30 September 2014 to $242.0 million in the period-ended 30 September 2015, representing 12.8 percent reported growth or 24.2 percent on a like-for-like growth basis, with growth in all regions, products and types as detailed below. The significant variance between the reported and like-for-like billing growth rates was predominantly due to the 18 percent devaluation in the Euro which significantly impacted our reported growth rate in the EMEA region.

The Group's billings are primarily composed of subscription agreements, which represent 77 percent of the Group's billings for the half-year to 30 September 2015, resulting in a predictable revenue stream. Subscription agreements are typically paid in full up front with revenue being recognised on a deferred basis over the life of the agreements, which can vary from one to five years.

	H1 FY16 $M	H1 FY15 $M	Growth Reported %	Growth Like-for-like %
Billings by Region:				
- Americas	87.4	68.3	28.0	25.8
- EMEA	115.3	113.7	1.4	19.2
- APJ	39.3	32.5	20.9	36.8
	242.0	214.5	12.8	24.2
Billings by Product:				
- Network	122.9	101.5	21.1	34.3
- Enduser	104.3	100.2	4.1	14.5
- Other	14.8	12.8	15.6	21.3
	242.0	214.5	12.8	24.2
Billings by Type:				
- Subscription	186.4	175.0	6.5	16.6
- Hardware	49.9	34.5	44.6	63.8
- Other	5.7	5.0	14.0	27.3
	242.0	214.5	12.8	24.2

Billings by region

Americas
Reported billings attributable to Americas increased by $19.1 million to $87.4 million in the period-ended 30 September 2015, representing 28.0 percent growth on a reported based and 25.8 percent on a like-for-like growth basis. This increase was driven by new customer growth across both enduser and network, and an increase in the existing customer retention rate. Enduser new customer growth was positively impacted by significant cloud adoption. Enduser and Network like-for-like growth rates were broadly similar. Reported growth includes the impact of billings from Reflexion Inc., a cloud-based Email security company acquired in June 2015; like-for-like billings growth adjusts for this (and currency) to show like-for-like organic period-over-period performance.

EMEA
Billings attributable to EMEA increased by $1.6 million to $115.3 million in the period-ended 30 September 2015, representing 1.4 percent growth on a reported based and 19.2 percent on a like-for-like growth basis. This increase was primarily due to Network growth in new customer business. Enduser billings also continued to grow, albeit more modestly. As anticipated, EMEA's reported billings for the first-half were negatively impacted by the strengthening US Dollar, the impact of which is expected to moderate over the second-half of the year should exchange rates remain at or near their current level.

APJ
Billings attributable to APJ increased by $6.8 million to $39.3 million in the period-ended 30 September 2015, representing 20.9 percent growth on a reported based and 36.8 percent on a like-for-like growth basis. Network billings growth was particularly strong in Japan in the period, but similar to EMEA, currency headwinds from the strengthening dollar impacted on reported billings growth.

Billings by product

Network products
The Group's billings attributable to Network products increased by $21.4 million to $122.9 million in the period-ended 30 September 2015, representing 21.1 percent growth on a reported based and 34.3 percent on a like-for-like growth basis. This was primarily due to 42% like-for-like growth in UTM sales that grew strongly in all regions and across both new and existing customers, with new UTM billings growth particularly strong at 59 percent.

Enduser products
The Group's billings attributable to Enduser products increased by $4.1 million to $104.3 million in the period-ended 30 September 2015, representing 4.1 percent growth on a reported based and 14.5

percent on a like-for-like growth basis. Enduser billings growth was primarily driven by Endpoint and Mobile with 22 percent growth in new customer business underpinned by strong cloud sales.

Billings by type
The percentage of hardware billings increased in the period as the Group's UTM billings increased its overall share of the total. In particular hardware billings were driven by the high growth in new customer UTM sales of 59 percent, new customers buying both hardware and software, whilst existing customers often renew software that continues to run on previously acquired hardware.

Key billings metrics

Billings from brand new customers
Billings from brand new customers grew at an even faster rate than billings from existing customers. Sophos Network billings from new customers increased as a percentage of total billings to 32 percent from 29 percent in the prior period. Enduser billings from new customers have increased to 18 percent from 17 percent in the prior period. Total billings from new customer as a percentage of billings increased to 25 percent from 22 percent in the prior period.

Retention Rates
The Group's results are largely driven by revenue generated from subscriptions for its products and services, including professional services and enhanced support services. The Group's net retention rates include instances of cross-selling and up-selling, which helps the Group evaluate its success in fully leveraging its broad product portfolio. The retention rate improved in the period. In the twelve months to September FY16 the Group's net retention rates, excluding Cyberoam, improved to 100.5 percent from 99.7 percent in the twelve months to September FY15.

Billings by size
Sophos billings (excluding those billings made by Cyberoam) to mid-market enterprises (defined as comprising enterprises with between 100 and 5,000 employees), the Group's target market, have remained consistent with the prior period at 56 percent of total billings (H1, FY15: 55 percent).

Billings by length of contract
The average contract length for the twelve months to September FY16 was 27.9 months, consistent with the 27.8 months for the twelve months to September FY15.

Average contract length
The billings analysis of contracts by subscription length is shown below:

(Like-for-like billings - Sophos only)	Six-months ended 30 September	
	2015	2014
	%	%
Under one year	32	32
One to two years	8	9
Two to three years	49	46
Greater than three years	11	13

Cross-sell and Upsell Opportunities
As the IT needs of the Group's existing customers evolve, or as they realise the benefits of the products and services they previously purchased, the Group's product portfolio provides an opportunity to cross-sell additional products and services or to upsell their existing products through the sale of additional enduser licences or longer subscription periods.

During the period, the Group saw an improvement in cross-selling. At 30 September 2015, approximately 6.4 percent of customers had both a UTM product and an Endpoint product compared to 4.6 percent of customers at 30 September 2014.

Revenue
The Group's revenue increased by $19.1 million, or 8.9 percent, to $234.2 million in the six-months ended 30 September 2015; the Group estimates that on a constant currency basis, revenue growth for the period would have been approximately 17 percent. As the majority of the Group's sales relate to subscriptions, the benefit from increased billings is spread over a number of years on the subsequent recognition of deferred revenue. The increase in revenue in the six-months to 30 September 2015 is partly as a consequence of the improvement in UTM hardware billings, which are recognised in the same period, supported by continuing YOY growth in subscription billings across all major product groups. The impact of currency headwinds in both EMEA and APJ meant that despite reporting strong like-for-like

subscription billings growth of 16.6 percent, EMEA and APJ both reported reductions in subscription revenues.

	Six-months ended 30 September		Six-months ended 30 September		
	2015	2014	2015	2014	Growth
	%	*%*	*($ millions)*		*%*
Subscription	76.1	81.8	178.2	176.0	1.3
Hardware	21.3	16.1	49.8	34.6	43.9
Other	2.6	2.1	6.2	4.5	37.8
	100.0	100.0	234.2	215.1	8.9

A further analysis of subscription revenue by region is set out below to illustrate the impact of changes in exchange rates:

	Six-months ended 30 September		
	2015	2014	Growth
	($ millions)		*%*
Americas	69.2	62.8	10.2
EMEA	86.4	89.7	(3.7)
APJ	22.6	23.5	(3.8)
Total Subscription	178.2	176.0	1.3

Cost of sales
The Group's cost of sales increased by $9.1 million, or 22.0 percent, to $50.5 million in the period-ended 30 September 2015 primarily due to the growth of Network product billings, which have a larger hardware component.

Sales and marketing
The Group's sales and marketing expenses increased by $8.4 million or 10.5 percent, to $88.7 million in the period-ended 30 September 2015. The increase reflected continued investment in these functions as billings grow, as well as a more balanced distribution of the costs in the current year compared with the prior year that had a higher proportion of costs in the second half.

Research and development
The Group's research and development expenses increased by $7.6 million, or 20.0 percent, to $45.6 million in the period-ended 30 September 2015. This reflected the continued investment in the development of new products and enhancements of existing products, including higher headcount as a consequence of the acquisition of Reflexion Networks in the period.

General finance and administration
The Group's underlying general finance and administration expenses increased by $1.6 million, or 9.1 percent, to $19.1 million in the period-ended 30 September 2015. The increase was almost entirely attributable to the share based payment expense.

The Group's exceptional items included within general finance and administration expenses increased by $22.3 million to $26.2 million in the period-ended 30 September 2015. The increase in exceptional items was mainly due to costs of $17.6 million incurred during the Company's initial public share offering, as well as acquisition costs and legal expenses incurred in relation to the defence of certain intellectual property litigation.

Amortisation of intangible assets
The Group's amortisation of intangible assets decreased by $10.5 million, or 40.2 percent, to $15.6 million in the period-ended 30 September 2015. This decrease was due to the reduction in amortisation charges associated with acquisitions in prior periods exceeding the charge in the period from the acquisition of Reflexion.

Currency Movements and Impact
The weakening of the euro as compared to the U.S. dollar negatively impacted the Group's reported billings and profit growth rate in the period-ended 30 September 2015. This is particularly the case for Subscription revenues which are recognised on a deferred basis over the life of the agreements, which can vary from one to five years. Assuming exchange rates remain constant then the currency headwind experienced in H1 of 11 percent is now expected to reduce to approximately 8 percent for the full year.

The Group's foreign exchange loss was $1.9 million in the period-ended 30 September 2015, compared with a gain of $4.2 million in the period-ended 30 September 2014. This change was primarily due to the moderate weakening of the US Dollar compared to Sterling and the Euro having strengthened throughout the prior period.

Cash EBITDA
Cash EBITDA is an appropriate supplemental measure of earnings and cash flow due to the recognition of revenue from subscription billings rateably over subsequent periods, and accordingly the Directors believe it provides visibility on actual cash at hand even if the associated revenue has yet to be recognised.

On a reported basis, Cash EBITDA increased by 8.9 percent to $45.5 million in the period-ended 30 September 2015, compared to growth of 23 percent at constant currency. The reported growth predominantly reflected strong billings, a year-on-year change to the phasing of marketing spend to move from a second-half bias in the prior year to a more equalised half-year split in the current period and currency headwinds.

Operating profit
The Group's operating (loss) / profit was $(13.4) million in the period-ended 30 September 2015 compared to $12.1 million in the prior period. After adding back exceptional items, gains on group asset disposals and foreign exchange gains and losses, the operating profit was $14.7 million in the period-ended 30 September 2015 compared to $11.6 million in the prior period, an increase of 26.7%,

Net Finance Costs
The Group's net finance costs decreased by $0.4 million to $29.5 million due to the impact of the initial public offering, which resulted in the repayment of both the Subordinated Preference Certificates and $87.7 million of bank debt. These underlying improvements were offset by an $11.7 million variance in foreign exchange gain on borrowings and a $5.7 million expense relating to the write-off of un-amortised capitalised finance fees that originally arose on the repaid external debt facility.

Income tax credit / (charge)
The Group's income tax charge increased by $2.2 million from a charge of $2.0 million in the period-ended 30 September 2014 to a charge of $4.2 million in the period-ended 30 September 2015. As in the prior year, a tax charge arises against the reported loss for the period as a consequence of local subsidiary taxable profits.

Loss for the period
The Group's loss for the period increased by $27.3 million, from a loss of $19.8 million in the period-ended 30 September 2014 to a loss of $47.1 million in the period-ended 30 September 2015 predominantly reflecting exceptional expense items arising as a result of the IPO.

Unlevered Free Cash Flow
Unlevered Free Cash Flow represents Cash EBITDA less purchases of property, plant and equipment and intangibles, plus cash flows in relation to changes in working capital and taxation. Unlevered Free Cash Flow is presented to enhance understanding of the Group's cash generation capability. Unlevered free cash flow can be reconciled to the statutory measure of net cash from operating activities as follows:

	Six-months ended 30 September	
	2015	2014
	($ millions)	
Net cash from operating activities	**4.6**	**20.9**
Exceptional items	26.2	3.9
Net capital expenditure	(10.9)	(2.5)
Unlevered free cash flow	**19.9**	**22.3**

Unlevered free cash flow is considered a useful supplemental measure for comparing the Group's liquidity in respect of its operations from period to period without the distortions of exceptional and other non-operating items and can be reconciled to Cash EBITDA as follows:

	Six-months ended 30 September	
	2015	2014
	($ millions)	
Cash EBITDA	**45.5**	**41.8**
Net capital expenditure	(10.9)	(2.5)
Operating cash flow	**34.6**	**39.3**
Change in working capital	(1.1)	-

Corporation tax (paid)/received	(13.6)	(17.0)
Unlevered free cash flow	**19.9**	**22.3**

Capital Expenditure

The Group's capital expenditure primarily comprises property, plant and equipment as well as intangible assets. In the period-ended 30 September 2015, net cash capital expenditure increased by $8.4 million YOY. The prior period comparative included the disposal of property that was surplus to requirements for $3.0 million; thus the underlying capital expenditure outflow was $5.5 million. The period-on-period increase in cash outflow is mainly a consequence of phasing, which for the current year has a heavier weighting to the first half, compared to the prior year which had a weighting toward the second half. The increased YOY capital expenditure is a result of expanding facilities in our India operation as well as operational system improvements that reduce difficulties for our partners and customers in doing business with Sophos.

Changes in Working Capital

Working capital performance was robust during the period with the change in net working capital remaining largely consistent with the prior year. This reflects decreases in trade receivables, from their peak at the end of March, the end of the Group's busiest quarter, being matched by decreases in trade and other payables.

Cash Taxation

Corporation tax amounts paid in the period are lower than those in the comparative prior period as amounts paid in the prior period related to both that period and earlier periods for Germany.

Balance Sheet

A number of balances were impacted by the initial public offering completed in July 2015 including the re-financing of the bank loan and net repayment of $87.7 million of the term facility, the capitalisation of the shareholder loan, a capital reorganisation of the shares in issue and an issuance of new shares.

Deferred Revenue

Deferred Revenue increased by $12.1 million from the prior year-end to $445.4 million as at 30 September 2015. This was due to continued growth in subscription billings that are deferred for recognition in future periods and a partial reversal of the foreign exchange impact experienced at the end of the prior year following the marginal weakening of the US Dollar.

Dividends

At the time of the Company's IPO, the Directors indicated an intention to adopt a progressive dividend policy, reflecting the cash generative nature and long-term earnings potential of the Group. The Directors intend to target a dividend of 20 percent of free cash flow for the financial year. The Directors recommend that the half-year and final dividend be paid in the approximate proportions of one third and two thirds respectively of the total expected annual dividend. Accordingly, the Directors have recommended that the Company will pay a half-year dividend in the year-ending 31 March 2016 amounting to 0.7 US cents per share.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the Group's long-term performance set out in the prospectus, dated June 2015, and the last annual report and financial statements remain valid at the date of this report. These risks and uncertainties include:

- Actual, possible, or perceived defects or vulnerabilities in the Group's products or services
- Rapidly changing technologies
- Compliance with export control and economic sanction laws
- Reliance on distributors and third-party channel partners
- Intellectual property protection and litigation
- Risk of targeted disruption of systems

Directors' 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 as adopted by the EU
- The interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a

description of the principal risks and uncertainties for the remaining six months of the year; and
(b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in
the first six months of the current financial year and that have materially affected the financial position or
performance of the entity during that period; and any changes in the related party transactions described in the last
annual report that could do so

By order of the Board

Kris Hagerman	Nick Bray
Chief Executive Officer	Chief Financial Officer
10 November 2015	10 November 2015

Condensed Consolidated Income Statement
For the six-months ended 30 September 2015

	Note	**Six-months ended September 30 2015 Unaudited**	Six-months ended September 30 2014 Unaudited	Year-ended March 31 2015 Audited
		$M	$M	$M
Revenue[1]	3	**234.2**	215.1	446.7
Cost of sales		**(50.5)**	(41.4)	(89.3)
Gross profit		**183.7**	173.7	357.4
Sales and marketing		**(88.7)**	(80.3)	(175.4)
Research and development		**(45.6)**	(38.0)	(81.8)
General finance and administration:		**(62.8)**	(43.3)	(100.7)
- Underlying		**(19.1)**	(17.5)	(38.4)
- Exceptional items	6	**(26.2)**	(3.9)	(17.3)
- Amortisation of intangible assets		**(15.6)**	(26.1)	(47.6)
- Foreign exchange gain / (loss)		**(1.9)**	4.2	2.6
Operating (loss) / profit		**(13.4)**	12.1	(0.5)
Finance income		**0.4**	0.4	1.1
Finance expense	7	**(29.9)**	(30.3)	(54.9)
Loss before taxation		**(42.9)**	(17.8)	(54.3)
Income tax charge	8	**(4.2)**	(2.0)	(5.7)
Loss for the period		**(47.1)**	(19.8)	(60.0)
Earnings per Share ($ cents)	9			
Basic and diluted EPS		**(11.0)**	(4.9)	(14.7)
Adjusted EPS		**10.6**	10.2	24.8

(1) Billings at $242.0M (H1, FY15: $214.5M) is the value of products and services invoiced to customers after receiving a purchase order from the customer and delivering products and services to them, or for which there is no right to a refund for undelivered items. Billings do not represent the Group's statutory revenue. Please refer to note 4 for more detail.

Condensed Consolidated Statement of Other Comprehensive Income
For the six-months ended 30 September 2015

Six-months ended September	Six-months ended September	Year-ended

	30 2015 Unaudited	30 2014 Unaudited	March 31 2015 Audited
	$M	$M	$M
Loss for the period	**(47.1)**	(19.8)	(60.0)
Other Comprehensive (losses) / gains:			
Items that will not be reclassified subsequently to profit or loss:	**-**	-	-
Items that may be reclassified subsequently to profit or loss:			
- Exchange differences arising on translation of foreign operations	**1.7**	(7.2)	(7.1)
Total other comprehensive (losses) / gains	**1.7**	(7.2)	(7.1)
Comprehensive loss for the year	**(45.4)**	(27.0)	(67.1)

Condensed Consolidated Balance Sheet
As at 30 September 2015

Registered number 9608658

	Note	September 30 2015 Unaudited	September 30 2014 Unaudited	March 31 2015 Audited
	Note	**$M**	$M	$M
Non-current assets				
Intangible assets	11	**728.7**	742.1	719.3
Property, plant and equipment	12	**27.6**	28.6	25.1
Deferred tax asset		**52.9**	42.3	47.2
Other receivables		**0.8**	8.0	0.4
		810.0	821.0	792.0
Current assets				
Investments		-	0.6	0.6
Inventories		**12.9**	13.4	12.5
Trade and other receivables		**95.3**	81.9	110.5
Cash and cash equivalents		**68.2**	66.6	72.6
		176.4	162.5	196.2
Total assets		**986.4**	983.5	988.2
Current liabilities				
Trade and other payables	7	**68.2**	499.8	557.0
Deferred revenue	14	**259.7**	250.5	251.4
Income tax payable		**9.0**	2.9	10.7
Borrowings	15	**0.1**	3.1	2.9
Provisions		**0.2**	1.1	0.7
		337.2	757.4	822.7
Non-current liabilities				
Trade and other payables		**0.7**	0.7	0.7
Deferred revenue	14	**185.7**	181.6	181.9
Borrowings	15	**298.4**	393.2	377.8
Provisions		**0.3**	0.3	0.3
Deferred tax liabilities		**9.6**	16.8	10.6
		494.7	592.6	571.3
Total liabilities		**831.9**	1,350.0	1,394.0
Net assets / (liabilities)		**154.5**	(366.5)	(405.8)
Represented by:				
Share capital		**21.3**	351.7	351.7
Share Premium		**114.9**	-	-
Employee Benefit Trust		**(0.2)**	-	-

Other reserves	**-**	10.4	10.4
Retained earnings / (deficit)	**32.5**	(709.9)	(750.0)
Share based payment reserve	**13.6**	10.7	11.4
Translation reserve	**(27.6)**	(29.4)	(29.3)
Total equity	**154.5**	(366.5)	(405.8)

Condensed Consolidated Statement of Changes in Equity
For the six-months ended 30 September 2015

	Share Capital	**Share Premium**	**Employee Benefit Trust (EBT)**	**Other Reserves**	**Retained Earnings**	**Share Based Payment Reserve**	**Translation Reserve**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
As at April 1 , 2014	351.7	-	-	10.4	(690.0)	10.0	(22.2)	(340.1)
Loss for the period:	-	-	-	-	(19.9)	-	-	(19.9)
Other Comprehensive profit or loss:	-	-	-	-	-	-	(7.2)	(7.2)
Total comprehensive loss	-	-	-	-	(19.9)	-	(7.2)	(27.1)
Share-based payments expense	-	-	-	-	-	0.7	-	0.7
As at September 30, 2014	351.7	-	-	10.4	(709.9)	10.7	(29.4)	(366.5)
As at April 1 , 2015	351.7	-	-	10.4	(750.0)	11.4	(29.3)	(405.8)
Loss for the period:	-	-	-	-	(47.1)	-	-	(47.1)
Other Comprehensive profit or loss:	-	-	-	-	-	-	1.7	1.7
Total comprehensive loss	-	-	-	-	(47.1)	-	1.7	(45.4)
Capitalisation of shareholder debt	-	485.3	-	-	-	-	-	485.3
Capital contribution	(332.1)	(485.4)	-	(10.4)	829.6	-		1.7
EBT treasury shares	-	-	(0.2)	-	-	-	-	(0.2)
Primary proceeds	1.7	123.3	-	-	-	-	-	125.0
Share issue expenses	-	(9.0)	-	-	-	-	-	(9.0)
Share options exercised	-	0.7	-	-	-	-	-	0.7
Share-based payments expense	-	-	-	-	-	2.2	-	2.2
As at September 30, 2015	**21.3**	**114.9**	**(0.2)**	**-**	**32.5**	**13.6**	**(27.6)**	**154.5**

Condensed Consolidated Cash Flow Statement
For the six-months ended 30 September 2015

	Six-months ended September	Six-months ended September	Year-ended

	Note	30 2015 Unaudited $M	30 2014 Unaudited $M	March 31 2015 Audited $M
Loss for the year		**(47.1)**	(19.9)	(60.0)
Adjusted for:				
Depreciation		**4.0**	4.3	8.3
Amortisation of intangible assets		**15.6**	26.1	47.6
Amortisation of fair value adjustment on deferred income		**(0.8)**	(2.3)	(3.5)
Foreign exchange		**3.1**	(4.4)	(2.0)
Share based payments	5	**2.2**	0.7	1.4
Finance income		**(0.4)**	(0.4)	(1.1)
Finance costs		**29.9**	30.2	54.9
Profit on disposal of assets		**-**	(0.2)	-
Income tax charge		**4.2**	2.0	5.7
		10.7	36.1	51.3
Increase in inventories		**(0.3)**	(8.0)	(8.1)
Decrease / (increase) in trade and other receivables		**17.1**	16.1	(15.8)
(Decrease)/increase in trade and other payables		**(17.8)**	(7.7)	27.0
Increase in deferred revenue		**9.0**	2.2	32.7
Decrease in provisions		**(0.5)**	(0.8)	(1.5)
Cash generated from continuing operations		**18.2**	37.9	85.6
Income taxes paid		**(13.6)**	(17.0)	(25.7)
Net cash flow from operating activities		**4.6**	20.9	59.9
Investing activities				
Disposal of subsidiary undertakings		**-**	-	4.5
Purchase of property, plant and equipment		**(5.7)**	(3.1)	(7.3)
Acquisition of subsidiary net of cash acquired		**(15.0)**	-	(10.2)
Purchase of intangible assets - software		**(5.2)**	(2.5)	(7.6)
Proceeds on sale of assets		**-**	3.1	3.0
Finance income		**0.4**	0.4	1.1
Net cash flow from investing activities		**(25.5)**	(2.1)	(16.5)
Financing activities				
Proceeds from issue of shares		**125.7**	-	-
Transaction costs related to the issue of shares		**(9.0)**	-	-
Proceeds from borrowings	16	**301.9**	-	-
Repayment of borrowings	16	**(389.6)**	(2.1)	(4.0)
Transaction costs related to borrowings	16	**(3.9)**	(0.2)	(0.2)
Finance lease payments		**(0.1)**	-	(0.1)
Finance costs		**(8.6)**	(11.0)	(21.8)
Net cash flow from financing activities		**16.4**	(13.3)	(26.1)
(Decrease)/increase in cash and cash equivalents	16	**(4.5)**	5.5	17.3
Net foreign exchange differences	16	**0.1**	(3.0)	(8.8)
Cash and cash equivalents at the start of period	16	**72.6**	64.1	64.1
Cash and cash equivalents at the end of period	16	**68.2**	**66.6**	**72.6**

Notes to the Interim Financial Statements
For the six-months ended 30 September 2015

1. General Information

Sophos Group plc is incorporated and domiciled in the UK. The Company's registered address is:
Sophos Group plc, The Pentagon, Abingdon Science Park, Abingdon, Oxfordshire, OX14 3YP, United Kingdom.

The Interim Financial Statements were approved by the Board on 10 November 2015 for issue on 11 November 2015 and have been reviewed but not audited.

These Interim Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006.

Prior to the Initial Public Offering, Shield Midco Limited was the largest group for which consolidated financial statements were produced. Statutory accounts for that company for the year-ended 31 March 2015 were approved by the Board of Directors on 1 June 2015 and were delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2. Basis of preparation

The Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority. The Interim Financial Statements should be read in conjunction with the Annual Report and Consolidated Financial Statements for the year-ended 31 March 2015, which have been prepared in accordance with international financial reporting standards as adopted by the European Union.

The Interim Financial Statements has been prepared under the historical cost convention and are presented in US dollars. All values are rounded to the nearest 0.1 million ($'m) unless otherwise indicated.

Accounting Policies

The accounting policies adopted in preparation of the Interim Financial Statements are consistent with those used to prepare the Group's consolidated financial statements for the year-ended 31 March 2015.

3. Segment information

For management reporting purposes, the primary segment reporting format is determined to be geographic segments, as the Group's risks and rates of return are affected predominantly by the different economic environments in which the Group operates. The Group has only one secondary business segment, on the basis that the products and services offered to external customers are very similar and therefore do not result in different risks and rates of return for the Group. The Group's geographical segments are based on the location of the Group's operations consisting of EMEA (Europe, Middle East and Africa), The Americas and APJ (Asia Pacific and Japan).

Billings is the value of products and services invoiced to customers after receiving a purchase order from the customer and delivering products and services to them, or for which there is no right to a refund for undelivered items. Billings does not equate to statutory revenue. Billings are classified by the geographic location of direct customers, OEMs and the distributors which purchase our products. The geographic location of OEMs or distributors may be different from that of the end customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profits represent the profit earned by each segment without allocation of central administration costs including Directors' salaries, finance costs and income tax expense. This is the measure reported to the Chief Operating Decision Maker, the Chief Executive Officer, and Senior Management Team for the purposes of resource allocation and assessment of segment performance.

The following tables present Billings and expenditure regarding the Group's geographical segments for the six-months ended 30 September 2015 and 30 September 2014.

Six-months ended September 30 2015	**Americas**	**EMEA**	**APJ**	**Total**
	$M	**$M**	**$M**	**$M**
Billings	87.4	115.3	39.3	242.0
Regional cost of sales	(6.5)	(16.3)	(7.9)	(30.7)
Regional gross margin	80.9	99.0	31.4	211.3
Regional sales and marketing expense	(26.3)	(28.0)	(14.3)	(68.6)
Regional operating profit	54.6	71.0	17.1	142.7
Revenue deferral				(7.8)
Central costs				(128.7)
Amortisation				(15.6)
Depreciation				(4.0)
Operating loss				**(13.4)**

Six-months ended September 30 2014	**Americas**	**EMEA**	**APJ**	**Total**
	$M	**$M**	**$M**	**$M**
Billings	68.3	113.7	32.5	214.5
Regional cost of sales	(5.3)	(12.4)	(4.9)	(22.6)
Regional gross margin	63.0	101.3	27.6	191.9
Regional sales and marketing expense	(21.6)	(26.8)	(12.7)	(61.1)
Regional operating profit	41.4	74.5	14.9	130.8

Revenue deferral	0.6
Central costs	(88.9)
Amortisation	(26.1)
Depreciation	(4.3)
Operating profit	**12.1**

Revenues from external customers by country:

	Six-months ended September 30 2015 Unaudited $M	Six-months ended September 30 2014 Unaudited $M
UK	**29.2**	29.8
USA	**74.1**	64.4
Germany	**43.6**	44.7
Other countries	**87.3**	76.2
Total Revenue	**234.2**	215.1

Revenue recognised in the Consolidated Statement of Profit or Loss is analysed as follows:

	Six-months ended September 30 2015 Unaudited $M	Six-months ended September 30 2014 Unaudited $M
Subscription	**178.2**	176.0
Hardware	**49.8**	34.6
Other	**6.2**	4.5
Total Revenue	**234.2**	215.1

4 Reconciliation of Cash EBITDA

The senior management team use EBITDA adjusted for share based payment expense, any gain or loss on the sale of tangible and intangible assets, foreign exchange differences on debt, other unrealised foreign exchange differences and exceptional items ("Adjusted EBITDA") as a key performance measure of the business.

Additionally, management has defined cash EBITDA as adjusted EBITDA with billings replacing recognised revenue. Management believes this measure is a more appropriate earnings and cash flow measure than EBITDA.

Reconciliation of Operating Loss to Cash EBITDA

	Six-months ended September 30 2015 Unaudited $M	Six-months ended September 30 2014 Unaudited $M	Year-ended March 31 2015 Audited $M
Operating profit / (loss)	**(13.4)**	12.1	(0.5)
Depreciation	**4.0**	4.3	8.3
Gain on group asset disposal	**-**	(0.2)	-
Amortization of intangible purchased assets	**15.6**	26.1	47.6
Share based payments expense	**2.2**	0.7	1.4
Exceptional items	**26.2**	3.9	17.3
Foreign exchange loss / (gain)	**3.1**	(4.5)	(2.0)
Adjusted EBITDA	**37.7**	42.4	72.1
Net deferral of revenue	**7.8**	(0.6)	29.3
Cash EBITDA	**45.5**	41.8	101.4

Billings	**242.0**	214.5	476.0
Revenue	**(234.2)**	(215.1)	(446.7)
Net deferral of revenue	**7.8**	(0.6)	29.3

5 Share based payment expense

On August 7, 2015, and in connection with the admission of the Company's shares for trading on the London Stock Exchange, the Company awarded Restricted Share Units ("RSU's"), Performance Share Units ("PSU's") and Cash based phantom awards ("phantom awards") with a Fair Market Value of $4.16 each under the Sophos Group plc Long Term Incentive Plan 2015.

	Number 000's	Total grant day Fair Value $M
RSU's - 4 year vesting	6,348	26.4
RSU's - 5 year vesting	2,809	11.7
PSU's - Performance based	2,879	12.0
Phantom awards - 4 year vesting	123	0.5
Total awards	**12,159**	**50.6**

RSU's and phantom awards vest as to 25% (20% in the case of RSU's with a 5 year vesting period) on the anniversary of the award and the remaining 75% (or 80% in the case of RSU's with a 5 year vesting period) quarterly thereafter.
PSU's vest on one vesting date following a three year vesting period which will comprise three financial years. The awards are divided into three equal parts which will each be subject to an individual annual performance condition linked to the financial performance of the Group.
For the six-month ended September 30, 2015 the Group has recognised equity settled share based payments of $2.2M (H1, FY15: $0.7M) and cash settled share based payments of $0.1M (H1, FY15: $Nil).

6 Exceptional items

Exceptional items are those that in management's judgment need to be disclosed by virtue of their size, nature or incidence, in order to draw the attention of the reader and to show the underlying business performance of the Group more accurately. Such items are included within the income statement caption to which they relate and are separately disclosed on the face of the consolidated income statement within General finance and administration expenses.

During the six-months to September 30, 2015, Initial Public Offering ("IPO") costs of $17.6M (H1, FY15: $Nil), acquisition related expenses of $1.6M (H1, FY15: $0.2M), restructuring and integration costs of $1.2M (HY1, FY15: $0.7M) and legal costs incurred in relation to the defence of certain intellectual property litigation of $5.8M (H1, FY15: $3.0M) resulted in total Exceptional items of $26.2M (H1, FY15: $3.9M). Tax credits on these items amounted to $3.1M (H1, FY15: $1.4M).

7 Finance Expense

	Six-months ended September 30 2015 Unaudited $M	Six-months ended September 30 2014 Unaudited $M	Year-ended March 31 2015 Audited $M
Interest expense on loans and borrowings	**6.8**	10.6	20.8
Other interest, bank charges and swap settlements	**0.3**	0.5	0.9
	7.1	11.1	21.7
Accretion on Subordinated Preference Certificates	**13.5**	27.2	54.8
Foreign exchange gain/(loss) on borrowings	**3.1**	(8.6)	(22.7)
Amortization of facility fees	**0.5**	0.6	1.1
Facility fees expensed on settlement of debt	**5.7**	-	-
Total finance expense	**29.9**	30.3	54.9

Subordinated Preference Certificates with a value of $485.3M were capitalised on June 26, 2015 as part of the Group reorganisation leading up to the Initial Public Offering of the Company's shares. Accordingly, the accretion expense of $13.5M for the six-month period to September reflects the accretion from April 1, 2015 to June 26, 2015. Prior to capitalisation, the Subordinated Preference Certificates were disclosed within Trade and other payables.

8 Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The income tax expense for the six-month period ended September 30, 2015 was $4.2m (H1, FY15: $2.0M) representing an effective tax rate of (10%) (H1, F15: (11%)).

9 Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of shares that would be issued if all dilutive potential ordinary shares were converted into ordinary shares. In accordance with IAS 33, the dilutive earnings per share are without reference to adjustments in respect of outstanding shares when the impact would be anti-dilutive.

Adjusted EPS is calculated by dividing the Cash EBITDA for the period attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

In each case, the weighted average number of shares take into account the weighted average number of own shares held during the period.

The following reflects the income and share data used in calculating EPS:

	Six-months ended September 30 2015 Unaudited	Six-months ended September 30 2014 Unaudited	Year-ended March 31 2015 Audited
	$'M	$'M	$'M
Loss for the period attributable to the equity holders of the company	**(47.1)**	(19.9)	(60.0)
Cash EBITDA for the period attributable to the equity holders of the company - (see note 4)	**45.5**	41.8	101.4

	Six-months ended September 30 2015 Unaudited	Six-months ended September 30 2014 Unaudited	Year-ended March 31 2015 Unaudited
Weighted average number of shares (000's):	**429,034**	408,158	408,207

	Six-months ended September 30 2015	Six-months ended September 30 2014	Year-ended March 31 2015
	$ Cents	$ Cents	$ Cents
Basic and diluted EPS	**(11.0)**	(4.9)	(14.7)
Adjusted EPS	**10.6**	10.2	24.8

10 Dividends

At the time of the Company's IPO, the Directors indicated an intention to adopt a progressive dividend policy, reflecting the cash generative nature and long-term earnings potential of the Group. The Directors intend to target a dividend of 20 percent of free cash flow for the financial year. The Directors recommend that the half-year and final dividend be paid in the approximate proportions of one third and two thirds respectively of the total expected annual dividend. Accordingly, the Directors have recommended that the Company will pay a half-year dividend in the year-ending 31 March 2016 amounting to 0.7 US cents per share. This first interim dividend in respect of the year-ending 31 March 2016 will be paid on 18 December 2015 to shareholders on the register at the close of business on 20 November 2015.

11 Intangibles

Intellectual

Net Book Value	Goodwill $M	property $M	Software $M	Others $M	Total $M
At April 1, 2015	669.6	19.4	13.5	16.8	719.3
Additions	-	-	5.2	-	5.2
Acquired through business combinations	10.6	1.9	-	5.8	18.3
Charge for the period	-	(7.1)	(2.7)	(5.8)	(15.6)
Exchange movement	1.2	-	0.2	0.1	1.5
At September 30, 2015	**681.4**	**14.2**	**16.2**	**16.9**	**728.7**

Net Book Value					
At April 1, 2014	694.1	30.4	13.2	39.9	777.6
Additions	0.4	-	2.5	-	2.9
Charge for the period	-	(9.7)	(2.6)	(13.8)	(26.1)
Exchange movement	(10.4)	(0.2)	(0.9)	(0.8)	(12.3)
At September 30, 2014	684.1	20.5	12.2	25.3	742.1

12 Property Plant and equipment

The Group spent $5.7M on property, plant and equipment in the six-months ended September 30, 2015. The net book value of the Group's assets at the end of the period are analysed as follows:

Net Book Value	**September 30 2015 Unaudited $M**	September 30 2014 Unaudited $M	March 31 2015 Audited $M
Land and Buildings	**13.3**	16.7	13.3
Plant and Machinery	**11.8**	9.5	9.3
Fixtures and Fittings	**2.5**	2.4	2.5
Total property, plant and equipment	**27.6**	28.6	25.1

13 Business combinations

On June 5, 2015, Sophos Inc. acquired 100% of the share capital of Reflexion Networks Inc., a leader in e-mail security, archiving and encryption. Reflexion Networks Inc. was acquired to further enhance the Group's Cloud product offering.

Acquisition related expenses of $0.8M have been excluded from the consideration transferred and have been recognised as an expense within General finance and administration - exceptional items.

Assets acquired and liabilities assumed on the day of acquisition were as follows:

	Book value $M	**Adjustment $M**	**Fair value $M**
Non-current assets:			
Intangible assets			
Intellectual Property	-	1.9	1.9
Customer relationships	-	5.8	5.8
Other non-current assets	0.4	-	0.4
			-
Current Assets:			-
Trade and other receivables	0.5	-	0.5
Non-Current Liabilities			
Deferred tax liability	-	3.1	3.1
Current liabilities:			
Deferred revenues	0.2	-	0.2
Trade and other payables	0.7	-	0.7
Lease obligations	0.2	-	0.2
Net assets recognised at the date of acquisition	**(0.2)**	**4.6**	**4.4**

Cash paid	-	-	15.0
Goodwill arising on acquisition - Reflexion Networks Inc.	**-**	**-**	**10.6**

Prior to the acquisition, Reflexion Networks Inc. operated in a complimentary market sector to the Group and, accordingly, the results of Reflexion Networks Inc. are incremental to those of the Group. Revenue of $234.1M for the six-months to September 30, 2015 includes $2.0M in respect of Reflexion Networks Inc. The impact of Reflexion Networks Inc. on the operating loss of the Group for the period is insignificant. Had Reflexion Networks Inc. been owned since April 1, 2015, Revenue for the six-months to September 30, 2015 would have increased over the reported revenue by approximately $1.0M. The impact on the operating loss of the Group would have been insignificant.

There were no acquisitions in the six-months ended September 30, 2014.

14 Deferred Revenue

	September 30 2015 Unaudited	September 30 2014 Unaudited	March 31 2015 Audited
	$M	$M	$M
Current	**251.4**	265.9	265.9
Non-current	**181.9**	181.9	181.9
At April 1	**433.3**	447.8	447.8
Billings	**242.0**	214.5	476.0
Revenues	**(234.2)**	(215.1)	(446.7)
Translation and other adjustments	**4.3**	(15.1)	(43.8)
Current	**259.7**	250.5	251.4
Non-current	**185.7**	181.6	181.9
At end of period	**445.4**	432.1	433.3

15 Loans and borrowings

Total borrowings at the end of the reporting period, measured at amortised cost, were as follows:

	September 30 2015 Unaudited	September 30 2014 Unaudited	March 31 2015 Audited
	$M	$M	$M
Current instalments due on finance leases	**0.1**	0.1	-
Current instalments due on bank loans	**-**	4.0	3.9
Unamortised facility fees	**-**	(1.0)	(1.0)
Total current borrowings	**0.1**	3.1	2.9
Non-current instalments due on finance leases within 5 years	**0.1**	-	-
Non-current instalments due on bank loans	**302.0**	398.7	382.7
Unamortised facility fees	**(3.7)**	(5.5)	(4.9)
Total non-current borrowings	**298.4**	393.2	377.8
Total borrowings	**298.5**	396.3	380.7

The fair value of the Group's bank loans equal their carrying amount, and are repayable as follows:

	September 30 2015 Unaudited	September 30 2014 Unaudited	March 31 2015 Audited
	$M	$M	$M
Due within one year	**-**	4.0	3.9
Due between one and two years	**-**	4.0	3.9
Due between two and five years	**302.0**	12.1	11.7
Due after more than five years	**-**	382.6	367.1

Total bank loans	**302.0**	402.7	386.6

The Group re-financed its bank loans from primary proceeds arising on the IPO on July 1, 2015, reducing the US dollar borrowing by $71.1M to $235.0M and reducing the euro borrowing by €14.1M to €60.0M. Following the re-financing, the following terms apply to the bank loans outstanding at September 30, 2015:

Facility	Interest	Margin	Principal M	Principal $ M
Facility A	Libor	2.25%	$ 235.0	235.0
Facility B	Euribor	2.25%	€ 60.0	67.0
				302.0

Both Facility A and Facility B are repayable in full at the end of the 60-month term on July 1, 2020. The margin payable on both facilities is dependent upon the ratio of the Group's net debt to Cash EBITDA as defined in the facility agreement.

The bank loans are secured by fixed and floating charges over the trade and assets of certain Group companies.

16 Notes to the consolidated statement of cash flows

In the year-ended March 31, 2015, the group received $4.5M in cash in respect of the disposal of Utimaco Safeware AG. In the six-month period ended September 30, 2015, the group paid $15.0M in consideration for the acquisition of Reflexion Networks Inc.

Reconciliation of movement in net debt:

	March 31 2015 Audited	Cash flow	Non-cash Movements	Effect of Movements in exchange rates	**September 30 2015 Unaudited**
	$M	$M	$M	$M	**$M**
Cash and cash equivalents	(72.6)	4.5	-	(0.1)	**(68.2)**
Obligations under finance leases	0.1	(0.1)	0.2	-	**0.2**
Bank loans	380.6	(91.5)	6.2	3.0	**298.3**
Borrowings	380.7	(91.6)	6.4	3.0	**298.5**
Net debt	**308.1**	**(87.1)**	**6.4**	**2.9**	**230.3**

	March 31 2014 Audited	Cash flow	Non-cash Movements	Effect of Movements in exchange rates	September 30 2014 Unaudited
	$M	$M	$M	$M	$M
Cash and cash equivalents	(64.1)	(5.5)	-	3.0	(66.6)
Obligations under finance leases	0.2	-	-	-	0.2
Bank loans	406.5	(2.3)	0.6	(8.7)	396.1
Derivative financial liabilities	-	-	-	-	-
Borrowings	406.7	(2.3)	0.6	(8.7)	396.3
Net debt	342.6	(7.8)	0.6	(5.7)	329.7

17 Events after the reporting period

There are no material events after the reporting period which require disclosure under IAS10.

Independent review report to Sophos Group plc
For the six-months ended 30 September 2015

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 2015 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory 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.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

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 DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

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.

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 Auditing Practices Board for use in the UK. 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 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Tudor Aw
For and on behalf of KPMG LLP
Chartered Accountants, London
10 November 2015

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