21 May 2019

First Derivatives plc

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

Full year results for the year ended 28 February 2019

FD (AIM: FDP.L, Euronext Growth: FDP.I) today announces its audited results for the year ended 28 February 2019.

Financial Highlights

Year to 28 February	2019	2018	*Change*
Revenue	£217.4m	£186.0m	*+17%*
Gross profit	£91.3m	£78.5m	*+16%*
Adjusted EBITDA*	£38.9m	£34.1m	*+14%*
Profit** before tax	£16.7m	£12.1m	*+38%*
Adjusted*** profit after tax	£22.9m	£19.5m	*+17%*
Adjusted*** fully diluted EPS	83.2p	72.2p	*+15%*
Reported diluted EPS	47.9p	37.8p	*+27%*
Full year dividend per share	27.0p	24.0p	*+13%*
Net debt	£16.5m	£16.2m	

*Adjusted for share-based payments and acquisition costs
**Includes foreign currency translation effect and deferred consideration on prior acquisitions
***Adjusted for amortisation of acquired intangibles, share-based payments, acquisition costs, foreign currency translation effect, share of loss on associate and exceptional taxation

Business Highlights

- Revenue growth up 17% (2018: 23%) with software license revenue growing by 28% (2018: 25%)
- FinTech revenue up 17% to £166.7m (2018: £142.9m), driven by an expansion of services provided to clients and new contract wins including the Canadian Securities Administrators, BitMEX and a major Japanese bank
- MarTech revenue up 8% to £41.4m (2018: £38.2m), driven by 25% growth in subscriptions for our Marketing Cloud platform, powered by Kx
- Revenue from other markets increased by 85% to £9.3m (2018: £5.0m), further evidencing the initial success of our strategy to penetrate high-value markets such as Industrial Internet of Things, automotive and precision manufacturing
- High-profile new client wins across the business including Fingrid, BISTel and Survalent and significant contract expansion and appointment as Innovation Partner with Aston Martin Red Bull Racing
- Enhanced partnership and collaboration activity including with Amazon Web Services, Google, H20.ai and CGI
- Agreement to acquire the minority shareholdings in Kx Systems, taking 100% ownership by 29 June 2019, funded by new financing facilities on improved terms
- Strong momentum into new financial year combined with record pipeline provides confidence in continued organic growth.

Seamus Keating, Chairman of FD, commented: "We have delivered another year of strong growth while investing to scale our business and secure growth in new markets. Customers across a wide range of end-markets are waking to the transformative power of Kx technology to unlock data, drive value and secure their own long-term success. Our investment programme has helped to deliver a number of important new contract wins, as well as OEM and partnership agreements that will provide a solid platform for growth in the years to come. As we look ahead, we are excited by the growing pipeline of opportunity across our business and are confident of achieving another year of strong organic growth."

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About FD

FD is a global technology provider with more than 20 years of experience working with some of the world's largest finance, technology, retail, pharma, manufacturing and energy institutions. The Group's Kx technology, incorporating the kdb+ time-series database, is a leader in high-performance, in-memory computing, streaming analytics and operational intelligence. Kx delivers the best possible performance and flexibility for high-volume, data-intensive analytics and applications across multiple industries. FD operates from 15 offices across Europe, North America and Asia Pacific, including its headquarters in Newry, and employs more than 2,400 people worldwide.

For further information, please visit www.firstderivatives.com and www.kx.com

Business Review

The financial year saw the delivery of solid growth and execution of our strategy. Revenue increased by 17% to £217m which enabled reinvestment in R&D and sales and marketing while also delivering an increase in adjusted EBITDA of 14% to £38.9m.

During the year, Kx continued to gain traction across the industries we are targeting as its power and efficiency continue to resonate with existing and potential clients. To further enhance the proven performance and high return on investment provided by Kx, we increased our AI and machine learning capabilities and increased our interoperability by adding to the growing range of open interfaces to the technology industry's leading development tools, as well as further enhancing our core platform. These initiatives are assisting in our drive to make Kx the answer to the most demanding data challenges that organisations face.

Our strategy remains unchanged: to build on Kx technology's leading position in capital markets software; to use Kx's performance advantages to penetrate other markets; and to become a leading global capital markets practice. We are making good progress in all three areas.

Building on Kx's leading position in capital markets software. Our FinTech software revenue continued to grow strongly. FinTech is our core market yet we continue to see additional opportunities for continued growth, particularly from our solutions that address regulatory initiatives and from the strategic move to the cloud within our customer base that includes many of the world's leading banks, exchanges and regulators, providing significant upsell opportunities.

Using Kx's performance advantages to penetrate new markets. Our strategy seeks to extend Kx's presence into multiple other industries challenged by increasing volume and velocity of sensor and other data. The validity of our strategy has been showcased in MarTech, where our solution is establishing itself as a leader in predictive analytics for customer acquisition, delivering high return on investment for our clients and generating recurring revenues with considerable potential for growth. We achieved significant progress in other new markets during the year, with high-profile customer wins and OEM agreements across sectors including automotive (Aston Martin Red Bull Racing), utilities (Fingrid and Survalent), manufacturing (BISTel) and smart cities (Urban Institute). We have received significant inbound interest from additional potential clients within these industries in the wake of these wins and are excited by our pipeline of opportunities.

Becoming a leading global capital markets practice. Our managed services and consulting business had a strong year of growth, opening up additional markets and developing new capabilities. We increased our presence and brand recognition in North America where we gained multiple new customers and assisted our clients with third party systems implementation and regulatory reporting. We also added to our capabilities in areas such as automated testing and development as a service. Our services remain in high demand and we start the new year with good momentum.

To facilitate our strategy we have a diverse, talented pool of more than 2,000 data scientists, R&D engineers and domain experts. Their combined talents are directed at serving our existing and potential clients and delivering growth by developing new intellectual property. We work with some of the world's leading companies to improve the performance of existing systems and develop new solutions that have the potential to provide significant competitive advantage and operational efficiency.

Our R&D activity has enabled a further increase in our addressable market as we extend the performance and use cases for which our technology is applicable. We are excited by the potential within our pipeline and increasingly advanced in those markets in which we seek to establish ourselves.

Kx software

Our platform, branded as Kx technology (Kx), sets performance benchmarks for the analysis of vast quantities of data, both real-time and historic. Kx comprises the kdb+ database, with its highly efficient 600kb footprint, and an enterprise layer designed to maximise analytic performance while providing vital functions such as security, control and visualisation. This platform enables the rapid development of applications, either by FD or our customers or partners. Some of the key benefits to customers resulting from our performance capabilities are efficiency (including lower hardware and power costs), flexibility (with deployment options ranging from the edge, to on-premise, cloud and hybrid architectures) and the ability to handle the most demanding data challenges within acceptable timeframes; we are typically orders of magnitude faster than competing solutions.

The market opportunity for our platform and applications is extensive, totalling hundreds of billions of dollars across the areas our applications address. According to IDC, the database system market alone will reach $84 billion in 2022. However, the addressable market for Kx extends far beyond that, into applications with Kx at their core, such as in FinTech and MarTech where Kx-based applications are well established. When we add in markets where Kx is well placed to succeed, including the IoT, automotive and precision manufacturing, and horizontal markets such as cybersecurity and AI, the enormous potential demand for our technology means our opportunity for growth is effectively unlimited.

<u>Research and development</u>

Our R&D activity focuses around three key themes – improving the performance of our technology, growing its addressable market and making it easier to adopt. We made progress in all three areas during the year.

Improving performance. We released new versions of our platform which again delivered improvements in processing power and scalability. This continues our track record of delivering incremental performance improvements and helped scale the real-world capabilities of our technology. For instance, we continue to raise the bar in terms of the volume of data Kx can handle.

Growing addressable market. We added a number of new features including anymap, which provides the ability to combine structured and unstructured data and analyse them both with the record-breaking speed that we are known for. This enables more of our clients' data to be held in Kx and increases the applicable use cases for our technology. In addition, we continue to strive to put our technology at the heart of AI and machine learning, by increasing our R&D resources, collaborating with domain specialists such as Brainpool and H20.ai and working with clients to develop solutions that harness Kx's unique capabilities.

Ease of adoption. We extended the availability of our technology on the public cloud with the launch of Kx on demand on both the Amazon Web Services Marketplace and Google Cloud Launcher. We were particularly pleased with the results of independent STAC testing that set new performance benchmarks for cloud analytics on the Google cloud platform. We also continue our efforts to enable Kx to integrate seamlessly with popular third-party technologies, both to ease adoption and to augment their performance. These interfaces include Kafka, Java, Python, R and Jupyter.

Combined, these initiatives are enabling us to increase our total addressable market and ease the adoption and integration of Kx within our clients' technology infrastructure, thereby driving revenue and profit growth.

<u>Sales</u>

FinTech

FinTech software continued to deliver strong growth, with revenue up by 17% to £80.2m. This growth resulted from demand across the range of solutions we provide, driven by Kx technology's unrivalled ability to analyse vast quantities of streaming and historical data for purposes such as regulatory and risk reporting, market surveillance and trading analytics.

We have an extensive client base, including the top 20 global investment banks and numerous regulators and exchanges, and see considerable scope for growth within both new and existing clients. Our solutions assist them to improve the quality and integrity of their market, transaction and reference data and to meet regulatory scrutiny in a timely and cost-effective manner.

In recent periods we have seen our clients increase their preparation to move their data operations to the public cloud, attracted by opportunities for development agility and innovation and the ability to cope with peaks in compute resource demands. FD is well placed to assist with this strategic transformation, with an enterprise platform that normalises data and automates its management, professional services that support the transition from on-premise to cloud and managed services to support their new environment. The move to the cloud also offers the potential for additional Kx license sales and assistance with innovation such as machine learning. We believe that cloud transition has the potential to drive significant growth in our FinTech software revenue.

During the year we signed significant new contracts across the portfolio of our applications, including with a major Japanese bank, where we were selected to build and manage its next generation e-FX platform; BitMEX, a leading cryptocurrency derivatives exchange, where its expanded use of Kx underpins its increasing trading volumes and growth in new products; and CSA, the securities regulator for Canada's provinces and territories, to build and manage a next generation market analytics platform.

MarTech

Revenue from MarTech increased by 8% to £41.4m with 47% of this revenue derived from subscription contracts (2018: 41%). Our solution, powered by Kx and branded as MRP Prelytix, is one of the leading enterprise-class B2B Account-Based Marketing (ABM) platforms in the market. It delivers predictive analytics derived from billions of data points, ingested in real-time, to provide clients the power to scale their ABM programmes globally. MRP Prelytix's real-time intelligence can be integrated with industry-standard marketing automation and CRM systems, allowing our clients to activate the intelligence within their own infrastructure. Many clients also depend on our concierge service – ABM Managed Services – to engage, nurture and qualify the targets identified by MRP Prelytix.

We continue to develop the solution, with a significant number of new capabilities added during the year to increase its effectiveness. These include allowing subscribers to target potential customers with customised content and tactics based on specific product interest and stage of the buying process and customisable pipeline classification criteria that enable the visualisation of a client's entire sales pipeline in a single ”waterfall” screen.

The unique insights provided by MRP Prelytix and our constant technical innovation of the platform, built on the power of Kx, is generating high return on investment for our clients and driving interest from new clients and industry partners. During the year our importance to our clients was illustrated by record levels of pipeline delivered through our platform and one of our major customers inviting us to address their global partner event. We also signed a collaboration agreement with Oracle Marketing Cloud and became one of only five marketing platforms approved by LinkedIn to access matched audience data.

While technology companies continue to form the core of our client base in MarTech, our platform is applicable to a wide range of industries and we expect our growth to be generated by a combination of increasing spend from existing clients, the addition of new technology industry clients and continued expansion of the target client base. During the year we won new deals with clients operating in information services, media, healthcare, financial services and online education.

We have built a strong product offering in MarTech while our global footprint and strong technology background differentiate us from competitors and further strengthen our position within a large addressable market. We are optimistic regarding growth in the current financial year.

Other markets

We made significant progress with our strategy to establish Kx in other markets that are challenged by data volumes and velocity and where our technology is able to demonstrate superior performance and return on investment. During the period, revenue from these other markets increased by 85% to £9.3m. We are pleased with the results of the investment we have made in internal domain expertise and in progress with partnerships and OEM agreements, which lay the foundation for growth in the years to come. We are particularly excited by the potential relating to the analysis of sensor data, where we believe our performance advantage sets our capabilities apart from competitors.

We continue to seek predictable, long-term revenue streams, such as OEM and revenue share agreements. Notable contracts secured during the year include:

- *Automotive* – We were appointed Innovation Partner to Aston Martin Red Bull Racing (AMRBR), acknowledging the success of our initial engagement with the leading F1 team and extending the application of Kx into areas including in-race performance and machine learning. The relationship with AMRBR is generating significant interest across the automotive industry and we have a pipeline of opportunities across engineering, design, telemetry and connected cars.
- *Utilities* – We announced that, working alongside our partner CGI, Kx had been selected to deliver a next-generation electricity information exchange for Fingrid, the transmission system operator for Finland. The implementation is proceeding to plan and opens opportunities to showcase the power of Kx at a time when numerous utility market participants are seeking to upgrade their systems to provide additional services and to cope with more demanding regulations.
- *Smart manufacturing* – We announced an OEM agreement with BISTel, a leading South Korean provider of smart manufacturing solutions, for the use of Kx for Sensors and kdb+ in its product line. The first deployments are expected in the first half of 2019 and the announcement of the OEM agreement has generated interest within BISTel's client base regarding early adoption.
- *Sensor analytics* – We signed an OEM agreement with Survalent, one of the world's leading providers of SCADA control systems to utilities, providing the ability for its customers to access advanced analytics on sensor data. The integration work to embed Kx in Survalent's product has now been completed and pilot customers identified ahead of an expected launch in the first half of 2019.

We continue to progress opportunities across a spectrum of markets, including a number of high-value potential contracts where the sales cycle is lengthy and which require the deployment of resource by the Group at an early stage to demonstrate the potential and power of Kx, often through proofs of concept (POCs). While this requires investment by the Group, we remain confident that it will result in FD becoming a business of considerably greater scale in industry. Our confidence is driven by the results we are able to demonstrate in the POC studies we have conducted to date and positive feedback from early adopters of our technology in new markets.

<u>Business development</u>

To increase awareness of our technology we have introduced a range of initiatives to promote Kx at grassroots developer level, to improve mindshare in the tech community and to showcase the disruptive power of our technology by collaborating with innovators in different fields of scientific endeavour. The overarching aim of these initiatives is to drive long-term, high-margin software revenues by promoting Kx as a disruptive technology across multiple industries.

Our business development strategies include:

Academic and research partnerships

This consists of a range of initiatives designed to showcase our technology. We operate an academic license programme and work with universities such as Princeton and Berkeley in the U.S. to assist their students to use the power of Kx to drive innovation. We have collaborated with NASA FDL (space weather and the search for exoplanets), the Earlham Institute (crop research) and leading technology providers such as Intel, Samsung, EMC, Google and Dell to demonstrate the leading performance of our respective technologies.

OEM agreements

We are building strong alliances with key industry players through OEM agreements that allow us to leverage their brand and global sales reach. We have been working with Thomson Reuters for a number of years in FinTech, and we have extended this approach to other markets with OEM partners such as a Fortune 500 company for sensor data management and Utilismart for smart meter analytics. During the year we signed new OEM agreements with BISTel for smart manufacturing, Survalent for network data analytics, Urban Institute for smart cities and H20.ai and App Orchid for machine learning.

Commercial partnerships and collaborations

We are working in partnership with leading organisations to provide innovative new commercial services and products across our business. For example, in FinTech we were pleased to be recognised as Google Cloud Global Technology Partner – Financial Services for 2018, while we also worked closely with CGI to win an energy market contract with Fingrid. We are now jointly pitching this solution in other energy markets around the world and have extended our partnership with CGI to look at opportunities across other markets. We are currently in discussions with a number of large companies with domain expertise where we can work together to provide disruptive solutions to our partners' customer base.

Tech/domain partnerships

Many inbound enquiries for the use of our technology come from innovative start-up and scale-up businesses. In February 2017 we formally launched an initiative to license our technology to these firms on a revenue share basis. In some cases, we inject seed capital to help bring solutions to market quickly, rather than having them forfeit valuable time raising capital. This approach allows FD to enter new markets rapidly and helps showcase our technology. During the year, nine venture agreements have been added, bringing the total to 18, including companies operating in areas as diverse as 3D Earth observation, detection of cognitive diseases, quantum computing and cybersecurity.

Taken together, these initiatives are helping to establish Kx as a disruptive technology and create innovative IP in new markets and will provide FD with significant long-term royalty revenue streams.

Managed services and consulting

Revenue from managed services and consulting was £86.5m, an increase of 17% on the prior year (2018: £74.1m). FD has more than 20 years of experience providing services to leading capital markets firms, training and developing our consultants in-house through industry-recognised programmes to equip them with both data science skill sets and an understanding of how capital markets firms use technology to underpin their business. We provide support for mission-critical systems, assist clients with regulatory change initiatives and assist in the delivery of both "run-the-bank" and "change-the-bank" projects across our client base.

These activities typically result in long-term assignments and our customer-centric approach means that our services are in high demand, delivering long-term, high-quality customer relationships. A key driver of growth in recent years has been the increasingly strategic nature of our client engagements, enabling conversations with them regarding their future requirements. This has developed from a combination of the increasing depth and breadth of services we can provide and our key account management approach, which has also increased our ability to cross-sell our capabilities.

During the year, our managed services and consulting business performed strongly. The driver for this growth was ongoing demand across a range of capital markets activities, including vendor system management, regulatory remediation and application support, together with geographic expansion, particularly in North America.

To support this growth, we invested in the period to extend our vendor services capabilities, particularly relating to Calypso and Murex. This investment resulted in FD being awarded notable managed services engagements with both Calypso and Murex clients covering the ongoing support of the system as well as development, upgrades, automated testing and implementation services. Most notable are contract wins where we are upgrading our clients to the latest versions of these software platforms, supported by automated testing. During the year we assisted our clients in the successful delivery of a number of strategic projects including the high-profile go-live of a key cross-asset roll-out of Murex front-to-back and a well-known cross-asset front-to-back Calypso treasury client successfully upgraded to the latest version.

We also supported our clients as they undertook a wide range of regulatory initiatives including technology development tasks relating to regulatory remediation and audit projects, Know Your Client outreach and customer due diligence. These included a major global financial institution where we supported the redevelopment and issue resolution of one of their key European transaction reporting requirements. Throughout this engagement we provided programme management, business analysis and end solution technology development on the client's internal platform and will be involved in the ongoing support and maintenance following the go-live.

Our brand has become more recognised in the US where we gained Master Service Agreements (MSAs) with multiple new key sell-side banks, particularly in New York, Boston and Chicago. These clients have engaged our programme and project management capabilities to assist them in delivering their key initiatives across their front-to-back portfolios, together with meeting milestones for their regulatory reform projects as well as the ongoing management of these systems in future years.

During the year we developed particular market-leading capabilities across a number of key areas for our clients:

- the development of automated test services where we are gaining recognition for our ability to rapidly accelerate our clients' time to market for system upgrades;
- the provision of development as a service, with key new clients being added to support their digitisation initiatives, especially from a front-end trading application perspective; and
- the addition of test automation services to our application support capability, which has enabled further growth in nearshore engagements for our KPI-governed managed services.

Through our knowledge and alliances with the major third-party capital markets trading technologies, we have seen a trend by our clients to engage us earlier in their decision-making processes regarding transformation initiatives. We have helped a number of clients with independent system selections and with our guidance they have been able to choose the best technology solution based upon their current and future business objectives.

We have recently launched a major initiative to train our consulting workforce as cloud architects to support the transition from enterprise to public cloud enabled application management and monitoring. This initiative combines our capital markets domain expertise alongside our experience in managing third-party trading technologies and we envisage our cloud services as a major value add for our clients. We continue to be supported in this initiative by the major public cloud providers, which see our capabilities as central to ensuring that our clients make a successful transition to the cloud.

We have developed a multi-year track record of growth in our managed services and consulting business. Through our commitment to quality and excellence in our financial services, vendor services, regulatory and managed services practices we are confident that we are well placed for further growth in the coming years.

People

The Group now employs more than 2,400 people, up from over 2,200 at the same time last year. Our award-winning graduate recruitment and training programme continues to attract new talent for the Group to enable us to provide software and services that exceed the expectations of our clients.

We continue to expand our office presence around the world which also assists our reach into leading universities, now totalling more than 100 institutions, as we seek to attract ambitious graduates. We received job applications from 10,687 people which resulted in 538 new hires, of which 374 were new graduates and 164 were experienced hires. Retention rates remain significantly higher than industry average, driven by the provision of market-leading training and development programmes, a rewarding career path and a fair remuneration and reward system.

During the year we have enrolled hundreds of our data scientists in machine learning nano degrees and have partnered with the University of Ulster to launch a four-year distance learning Masters in Capital Markets for our staff. We believe our success to date and future ability to realise the opportunities across our software and managed services and consulting businesses will be led by our investment in talent. A measure of the success of the programme can be seen from the increasing number of employees who have been promoted to senior positions within FD and are helping to drive growth.

The quality of our people and technology was recognised by three awards, namely Best Technology at the 2018 AIM Awards, Most Innovative Third-Party Technology Vendor (Infrastructure) at the 2018 American Technology Financial Awards and, just after the year end, Google Cloud Global Technology Partner – Financial Services. These awards reflect the hard work and talent of our staff and I would like to thank them all for another year of success.

Current trading and outlook

The new financial year has started strongly with good momentum across the business. The investment programme in recent years has delivered a number of important new contract wins and OEM and partnership agreements during the year that provide a platform for growth in the years to come. We are excited by the pipeline across our business, which is at record levels, and are confident of achieving another year of strong organic growth.

Financial Review

The table below highlights the components of revenue growth across the Group along with an analysis of gross profit. The analysis also shows our revenue and growth by vertical market. The Board has reviewed the presentation of the Consolidated statement of comprehensive income and has provided additional information relating to the categorisation of revenue, and reclassified certain costs. The purpose of these changes is to enable easier comparision with the Group's peers. The comparative amounts for the year ended 28 February 2018 have been presented on the same basis to enable comparability.

Revenue and Gross Margin Analysis (£m)

2019	2018	Growth	2019	2018	Growth	2019	2018	Growth		2019	2018	Growth
Software by sector									**Total Software**			
FinTech Revenue			**MarTech Revenue**			**Other Revenue**						
9.7	7.0	*38%*	-	-	-	3.7	0.3	*1,254%*	Perpetual	13.3	7.3	*83%*
27.7	24.7	*12%*	19.3	15.5	*25%*	1.6	1.1	*45%*	Recurring	48.6	41.2	*18%*
37.4	31.7	*18%*	19.3	15.5	*25%*	5.3	1.4	*285%*	Licenses	62.0	48.5	*28%*
									Cost of sales	(10.6)	(10.0)	*6%*
									Gross profit	51.4	38.5	*33%*
									Gross margin	*83%*	*79%*	
42.8	37.1	*16%*	22.0	22.7	*(3%)*	4.1	3.7	*11%*	Services	68.9	63.4	*9%*
									Cost of sales	(48.9)	(43.1)	*13%*
									Gross profit	20.0	20.3	*(1%)*
									Gross margin	*29%*	*32%*	
80.2	68.7	*17%*	41.4	38.2	*8%*	9.3	5.0	*85%*	Revenue	130.9	111.9	*17%*
									Cost of sales	(59.5)	(53.1)	*12%*
									Gross profit	71.4	58.8	*21%*
									Gross margin	*55%*	*53%*	
Managed services and consulting by sector									**Total Managed services and consulting**			
FinTech Revenue			**MarTech Revenue**			**Other Revenue**						
86.5	74.1	*17%*	-	-	-	-	-	-	Revenue	86.5	74.1	*17%*
									Cost of sales	(66.6)	(54.5)	*22%*
									Gross profit	19.9	19.7	*1%*
									Gross margin	*23%*	*27%*	
Sector Totals												
FinTech Revenue			**MarTech Revenue**			**Other Revenue**						
166.7	**142.9**	***17%***	**41.4**	**38.2**	***8%***	**9.3**	**5.0**	***85%***	**Revenue**	**217.4**	**186.0**	***17%***
									Cost of sales	(126.1)	(107.6)	*17%*
									Gross profit	91.3	78.5	*16%*
									Gross margin	*42%*	*42%*	
EBITDA and net margin profit analysis												
									R&D	(10.7)	(9.3)	*15%*
									Sales expense	(32.3)	(26.6)	*21%*
									Other operating expense	(18.0)	(15.9)	*13%*
									Adj. EBITDA ex cap	30.3	26.6	*14%*

Capitalised	8.6	7.5	*15%*
Adj. EBITDA	**38.9**	**34.1**	***14%***
Adj. EBITDA margin	*18%*	*18%*	-

Revenue and Margins

Group revenue increased organically by 17% to £217.4m (2018: £186.0m) driven by continued strong growth across both software and managed services and consulting. This strong revenue performance represented our 22nd consecutive year of double-digit revenue growth. Gross margin was maintained at 42% despite reinvestment in resources, delivery capability and expertise.

Our investment in the Group's operations resulted in an increase in sales and marketing cost of 21%, building on the 63% increase seen in FY 2018, as we added new sales and pre-sales staff to expand our market reach. Research and development costs increased by 15%, in line with recent periods, as we continued to deliver improvements in our software's performance and interoperability for the benefit of our growing client base. Other operating expenses increased by 13% reflecting the Group's fiscal discipline. Strong debtor collection and the subsequent improvement in debt profile resulted in a £19k charge for impairment loss for the year ended 28 February 2019 (2018: £1.4m).

Software

Total software revenues increased by 17% to £130.9m and represent 60% of total Group revenue (2018: 60%) driven by a 28% increase in software license revenue, tempered by 9% growth in services revenue.

Software revenue from FinTech increased by 17% to £80.2m, reflecting 18% growth in license revenue and 16% growth in services revenue as Kx continues to win market share in our largest market. Our Kx platform continues to be seen as a key component of our clients' long-term infrastructure as the number of clients electing to contract under a perpetual license model grew (2019: £13.3m; 2018: £7.3m). The wider adoption of the Kx platform within these clients as their core platform is pleasing as it will provide opportunities to upsell our recurring revenue applications in future periods.

Total revenue from MarTech was £41.4m, up by 8% driven by the continued strong increase in subscription revenue, which was up by 25% to £19.3m, offset by a 3% reduction in services revenue. The impact of GDPR saw a slowdown in MarTech services revenue in Europe in H1, followed by a return to growth in H2 in line with our expectations. Our recurring revenue was up 25% on the prior year but broadly flat in H2 compared to H1, due to a corporate restructuring at one of our major clients which deferred the completion of its annual renewal until after the year end. We continue to expect MarTech growth to be led by subscription revenue and see potential for overall revenue growth rates to accelerate in 2020 compared to those in 2019.

Software revenue from other markets increased by 85% to £9.3m, reflecting early success as we penetrate a number of high-value markets where the performance and capabilities of our technology differentiate us from the competition. Our approach of obtaining OEM/revenue share license agreements, while slower to generate revenue in early periods, will result in larger ongoing royalty style payments to the Group in future periods as products and solutions with "Kx Inside" are brought to market by our clients and partners. Recurring revenue in other markets was £1.6m, up 45% on 2018.

Software gross margin increased to 55% from 53%, driven by growth in high-margin license revenue and ongoing cost control, particularly with regard to efficiencies around data collection and management costs in MarTech, which offset increments in other line items. Software license gross margin increased to 83% (2018: 79%) and license revenue was 47% of total software revenue (2018: 43%).

Software services gross margin was 29% (2018: 32%). We increased the Kx services team in H1 to support the expansion of Kx within our core markets and other verticals, which caused a drag to profitability in the short term. Margins increased in H2 and this investment allows us to meet the growing needs of existing clients as well as the delivery demands of new clients. Gross margins were also impacted by the lower level of MarTech services revenue, again with H2 showing an improvement on H1.

Managed services and consulting

Managed services and consulting revenue increased by 17% to £86.5m while delivering gross margins of 23% (2018: 27%). This represents another strong performance delivering market share gains in the large addressable market for FinTech services.

Gross margins are dependent on utilisation, the level of investment in personnel and the timing of projects commencing with our clients. In H1 we experienced a drag effect from the record graduate intake last year, while we also invested to meet client demand in our vendor managed services practice in North America, growing our core capabilities in the region to allow the Group to successfully deliver two large assignments. This resulted in a H1 gross margin of 22%, while H2 was stronger at 24% as we started to generate revenues from these investments.

Profit before tax

Reported profit before tax increased by 38% to £16.7m (2018: £12.1m). Adjusted profit before tax increased by 12% to £27.5m (2018: £24.5m), the calculation of which is detailed below.

	2019 **£m**	**2018** **£m**
Reported profit before tax	16.7	12.1
Adjustments for:		
Amortisation of acquired intangibles	3.8	4.7
Share-based payment and related costs	2.4	2.7
Acquisition costs, associate disposal costs and changes in deferred consideration	4.0	3.6
Loss on foreign currency translation	0.6	1.4
Share of loss of associate	-	-
Adjusted profit before tax	27.5	24.5

Other income, which relates mostly to employment and training incentive grants, was £0.3m for the year. This represents a reduction of £1.1m on the prior year, as these grants come to an end.

As previously noted, the Group continued to invest in research and development to maintain its technology lead, with total R&D up 15% to £10.7m. Net capitalisation of R&D was up 8% in the period, as detailed below:

	2019 £m	2018 £m	Increase
Research and development costs:			
Expensed during the period	2.1	1.8	*16%*
Capitalisation of product development costs	8.6	7.5	*15%*
Total research and development	10.7	9.3	*15%*
Amortisation of R&D	(7.2)	(6.2)	*16%*
Net capitalisation of R&D	1.4	1.3	*8%*

Earnings per share

Reported profit after tax increased by 29% to £13.2m (2018: £10.2m) and reported basic earnings per share increased by 26% to 50.9p per share (2018: 40.4p).

The adjusted profit after tax for the period of £22.9m (2018: £19.5m) represented growth of 17%. The Group's adjusted tax rate was 17% (2018: 20%), the reduction being predominantly attributable to the full year impact of US tax reform.

The calculation of adjusted profit after tax is detailed below:

	2019 £m	2018 £m
Reported profit after tax	13.2	10.2
Adjustments from profit before tax	10.8	12.4
Tax effect of adjustments and US tax reform	(1.1)	(3.1)
Adjusted profit after tax	22.9	19.5
Weighted average number of ordinary shares (diluted)	27.5m	27.0m
Adjusted EPS (fully diluted)	83.2p	72.2p

The fully diluted average number of shares in issue increased to 27.5m (2018: 27.0m) due to payment of deferred consideration for prior acquisitions and as additional existing share options were exercised. This resulted in adjusted fully diluted earnings per share of 83.2p, representing growth of 15% for the period (2018: 72.2p).

Balance sheet

Total assets increased by 9% to £277.8m (2018: £254.6m). Other financial assets, which includes equity investments, increased to £13.7m (2018: £3.4m) as a result of an increase in fair value of £4.3m, new equity investment of £2.7m and the conversion of £3.3m of loans to Quantile Technologies Limited (Quantile) into equity. The loan to equity conversion was undertaken as a result of Quantile's continued strong operational progress.

Deferred revenue at the period end was up 31% at £19.5m (2018: £14.9m), arising from the continued growth in recurring license revenue in the year. Deferred tax assets decreased by 16% to £15.4m (2018: £18.4m) due to the reduced tax deduction for share options following the decrease in the share price.

On 6 February 2019 the Group announced that it had agreed new financing facilities comprising a term loan of £65m and a revolving loan facility of a further £65m, replacing the existing facilities on improved terms. The timing of the Group's new financing facilities at the balance sheet date resulted in changes to the profile of the Group's loans and borrowings. Non-current loans and borrowings decreased from £25.2m to £0.3m while current loans and borrowings increased from £3.3m to £35.0m. This will effectively reverse next year under the new financing facilities as our borrowing reverts to a long-term repayment profile.

On 2 July 2018 the Group announced it had reached agreement with the minority shareholders of Kx Systems to acquire their shareholding, taking the Group to 100% ownership by 29 June 2019 for consideration of $53.8m. The balance sheet reflects the movement of the liability for the NCI put from within non-current trade and other payables to current trade and other payables. The settlement of this liability will be provided from the Group's financing facilities referred to above when the new facility is drawn for payment in June 2019.

Cash generation and net debt

The Group generated £27.3m of cash from operating activities before taxes paid (2018: £25.3m). This is after cash payments of £5.3m (2018: nil) relating to deferred contingent consideration paid for prior acquisitions. Under International Accounting Standard 19 these payments are classified in operating activities as the conditions attached to them related to the fulfilment of service agreements by the principals of the companies acquired. Excluding this deferred contingent consideration, cash generated from operating activities was £32.7m, representing an 84% conversion of adjusted EBITDA (2018: 74%). Given the Group's working capital profile, continued strong revenue growth will typically result in conversion rates below 100%.

At the period end, net debt was £16.5m (H1 2019: £24.2m; 2018: £16.2m). The factors impacting the movement in net debt are summarised in the table below:

	2019 £m	2018 £m
Opening net debt	(16.2)	(13.5)
Operating cash flow	27.3	25.3
Deferred consideration paid (IAS 19 remuneration)	5.3	-
Operating cash flow before impact of IAS 7 for deferred consideration paid	**32.7**	**25.3**
Taxes paid	(3.5)	(5.7)
Dividends paid	(6.3)	(8.3)
Capital expenditure: property, plant and equipment	(4.1)	(3.4)
Capital expenditure: intangible assets	(9.2)	(8.2)
Deferred consideration paid	(5.3)	(0.9)
Acquisition of subsidiaries	(0.6)	(0.1)

Investments	(4.6)	(7.7)
Issue of new shares	3.2	7.1
Foreign exchange and other	(2.5)	(0.8)
Closing net debt	**(16.5)**	**(16.2)**

Deferred consideration payments relate to payments made for prior period acquisitions as contracted earn-out targets are met. These payments predominantly relate to payments made for Affinity Systems Inc. and Prelytix Inc. which were acquired in 2015. The integration of the associated domain expertise has been instrumental in our successful push into the Industrial IoT market and MarTech market respectively. Investment payments relate to the entry of Kx technology into other markets where we have signed OEM or revenue share agreements as we seek to capitalise on external knowledge and domain expertise.

The table below summarises the investments made in companies to date as well as the maximum future commitment and the revenue generated for the Group to date. Future commitments are typically payable only if certain pre-determined challenging performance milestones are achieved by the venture. In 2019 the Group advanced £7.8m in equity and loans to its new and existing venture agreement companies with a maximum further commitment of up to £2.3m across all 18 venture agreements.

	2019	**2018**	**Total to date**
Number of venture agreements in period	**9**	**5**	**18**
Equity and loans advanced (£m)	7.8	6.9	16.6
Outstanding commitment (£m)	2.3	4.0	
Revenue share agreements	**9**	**4**	**16**
Revenue recognised for software services (£m)	2.1	2.7	5.2
Licenses recognised under revenue share agreements (£m)	0.4	0.3	0.7

Dividend

The Board has recommend payment of a final dividend of 19.3p per share (2018: 17.00p per share) which, together with the interim dividend of 7.7p paid in December 2018, gives a total dividend for the year of 27.0p per share, an increase of 13% compared to the prior year. The final dividend, if approved at the AGM on 27 June 2019, will be paid on 19 July 2019 to those shareholders on the register on 21 June 2019.

First Derivatives plc

Consolidated statement of comprehensive income

Year ended 28 February 2019

	Note	2019 £'000	2018 *Restated*[1] £'000
Revenue:			
Software licenses and services	*2*	**130,888**	111,912
Managed services and consulting	*2*	**86,463**	74,130
Total revenue		**217,351**	186,042
Cost of sales			
Software licenses and services	*2*	**(59,465)**	(53,124)
Managed services and consulting	*2*	**(66,594)**	(54,457)
Total cost of sales		**(126,059)**	(107,581)
Gross profit		**91,292**	78,461
Operating costs			
Research and development costs		**(10,662)**	(9,293)
- of which capitalised		**8,573**	7,486
Sales and marketing costs		**(32,273)**	(26,635)
Administrative expenses		**(38,455)**	(35,319)
Impairment loss on trade and other receivables		**(19)**	(1,380)
Other income		**277**	1,382
Total operating costs		**(72,559)**	(63,759)
Operating profit		**18,733**	14,702
Acquisition costs and changes in contingent deferred consideration		**3,975**	3,570
Share based payment and related costs		**2,473**	2,710
Depreciation and amortisation	*5 & 6*	**9,958**	8,460
Amortisation of acquired intangible assets	*6*	**3,799**	4,684
Adjusted EBITDA		**38,938**	34,126
Finance income		**37**	1
Finance expense		**(1,478)**	(1,150)
Loss on foreign currency translation		**(592)**	(1,386)
Net finance costs		**(2,033)**	(2,535)
Share of loss of associate, net of tax		**(23)**	(70)
Profit before taxation		**16,677**	12,097
Income tax expense		**(3,502)**	(1,889)
Profit for the year		**13,175**	10,208

[1]See note 8 for details of reclassification.

First Derivatives plc

Consolidated statement of comprehensive income *(continued)*
Year ended 28 February 2019

	Note	2019 £'000	2018 *Restated*[1] £'000
Profit for the year		**13,175**	10,208
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Equity investments at FVOCI – net change in fair value		**3,587**	-
Items that will or may be reclassified subsequently to profit or loss			
Net exchange gain/(loss) on net investment in foreign subsidiaries		**2,958**	(13,741)
Net (loss)/gain on hedge of net investment in foreign subsidiaries		**(728)**	1,570
		2,230	(12,171)
Other comprehensive income for the period, net of tax		**5,817**	(12,171)
Total comprehensive income for the period attributable to owners of the parent		**18,992**	(1,963)
Earnings per share		**Pence**	Pence
Basic	*4a*	**50.9**	40.4
Diluted	*4a*	**47.9**	37.8

All profits are attributable to the owners of the Company and relate to continuing activities.

[1]See note 7 for details of restatement.

First Derivatives plc

Consolidated balance sheet

As at 28 February 2019
Registered Company number: NI 30731

	Note	2019 £'000	2018 Restated[1] £'000
Assets			
Property, plant and equipment	*5*	**10,162**	7,714
Intangible assets and goodwill	*6*	**151,965**	149,744
Equity accounted investee		**2,711**	2,631
Other financial assets		**13,706**	3,433
Trade and other receivables		**5,720**	6,594
Deferred tax assets		**15,352**	18,353
Non-current assets		**199,616**	188,469
Trade and other receivables		**57,915**	52,846
Current tax receivable		**1,461**	872
Cash and cash equivalents		**18,798**	12,365
Current assets		**78,174**	66,083
Total assets		**277,790**	254,552
Equity			
Share capital		**131**	128
Share premium		**79,726**	73,168
Merger reserve		**8,118**	8,118
Share option reserve		**10,744**	14,341
Fair value reserve		**3,587**	-
Currency translation adjustment reserve		**3,944**	1,714
Retained earnings		**36,560**	40,630
Equity attributable to owners of the Company		**142,810**	138,099
Liabilities			
Loans and borrowings		**289**	25,205
Trade and other payables		**3,300**	32,127
Deferred tax liabilities		**10,827**	9,811
Non-current liabilities		**14,416**	67,143
Loans and borrowings		**34,998**	3,346
Trade and other payables		**77,546**	34,070
Current tax payable		**1,004**	1,195
Employee benefits		**5,945**	5,011
Contingent deferred consideration		**1,071**	5,688
Current liabilities		**120,564**	49,310
Total liabilities		**134,980**	116,453
Total equity and liabilities		**277,790**	254,552

[1]See note 7 for details of restatement.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2019

	Share capital	Share premium	Merger reserve	Share option reserve	Fair value reserve	Currency translation adjustment	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Adjusted balance at 1 March 2018	**128**	**73,168**	**8,118**	**14,341**	**-**	**1,714**	**40,630**	**138,099**
Impact of changes in accounting policy - see note 1	-	-	-	-	-	-	(1,002)	**(1,002)**
Restated balance at 1 March 2018	**128**	**73,168**	**8,118**	**14,341**	**-**	**1,714**	**39,628**	**137,097**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	13,175	**13,175**
Other comprehensive income								
Net exchange loss on net investment in foreign subsidiaries	-	-	-	-	-	2,958	-	**2,958**
Net exchange loss on hedge of net investment in foreign subsidiaries	-	-	-	-	-	(728)	-	**(728)**
Net change in fair value of equity investments at FVOCI	-	-	-	-	3,587	-	-	**3,587**
Total comprehensive income for the year	-	-	-	-	3,587	2,230	13,175	**18,992**
Transactions with owners of the Company								
Tax relating to share options	-	-	-	(4,292)	-	-	-	**(4,292)**
Exercise of share options	2	3,829	-	(684)	-	-	-	**3,147**
Change in measurement of NCI put	-	-	-	-	-	-	(9,932)	**(9,932)**
Issue of shares	-	29	-	-	-	-	-	**29**
Issue of shares as contingent deferred consideration	1	2,700	-	-	-	-	-	**2,701**
Share based payment charge	-	-	-	1,452	-	-	-	**1,452**
Transfer on forfeit of share options	-	-	-	(73)	-	-	73	**-**
Dividends to owners of the Company	-	-	-	-	-	-	(6,384)	**(6,384)**
Dividends to NCI	-	-	-	-	-	-	-	**-**
Balance at 28 February 2019	**131**	**79,726**	**8,118**	**10,744**	**3,587**	**3,944**	**36,560**	**142,810**

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2018

	Share capital	Share premium	Merger Reserve	Share option reserve	Currency translation adjustment	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2017, as previously reported	**124**	**72,275**	**-**	**10,225**	**8,335**	**40,772**	**131,731**
Impact of correction of reserves classification – see note 7	**-**	(7,677)	7,677	**-**	5,550	(5,550)	-
Restated balance at 1 March 2017	**124**	**64,598**	**7,677**	**10,225**	**13,885**	**35,222**	**131,731**
Total comprehensive income for the year (restated)							
Profit for the year	-	-	-	-	-	10,208	**10,208**
Other comprehensive income							
Net exchange loss on net investment in foreign subsidiaries	-	-	-	-	(13,741)	-	**(13,741)**
Net exchange gain on hedge of net investment in foreign subsidiaries	-	-	-	-	1,570	-	**1,570**
Total comprehensive income for the year (restated)	-	-	-	-	(12,171)	10,208	**(1,963)**
Transactions with owners of the Company							
Tax relating to share options	-	-	-	3,910	-	-	**3,910**
Exercise of share options	4	8,542		(1,427)	-	-	**7,119**
Change in measurement of NCI put	-	-	-	-	-	3,557	**3,557**
Issue of shares	-	28	-	-	-	-	**28**
Issue of shares as purchase consideration	-	-	441	-	-	-	**441**
Share based payment charge	-	-	-	1,586	-	-	**1,586**
Transfer on forfeit of share options	-	-	-	47	-	(47)	**-**
Dividends to owners of the Company	-	-	-	-	-	(5,272)	**(5,272)**
Dividends to NCI	-	-	-	-	-	(3,038)	**(3,038)**
Adjusted balance at 28 February 2018	**128**	**73,168**	**8,118**	**14,341**	**1,714**	**40,630**	**138,099**

First Derivatives plc

Consolidated cash flow statement

Year ended 28 February 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit for the year	**13,175**	10,208
Adjustments for:		
Net finance costs	**2,033**	2,535
Depreciation of property, plant and equipment	**2,744**	2,246
Amortisation of intangible assets	**11,013**	10,898
Increase in deferred consideration	**3,230**	2,980
Equity-settled share based payment transactions	**1,452**	1,586
Grant income	**(277)**	(1,382)
Share of loss of associate	**23**	70
Deferred consideration paid (IAS 19 remuneration)	**(5,317)**	-
Tax expense	**3,502**	1,889
	31,578	31,030
Changes in:		
Trade and other receivables	**(6,468)**	(8,711)
Trade and other payables	**2,230**	2,992
Cash generated from operating activities	**27,340**	25,311
Taxes paid	**(3,462)**	(5,733)
Net cash from operating activities	**23,878**	19,578
Cash flows from investing activities		
Interest received	**37**	1
Increase in loans to other investments	**(1,944)**	(5,805)
Acquisition of subsidiaries, net of cash acquired	**(591)**	(114)
Acquisition of other investments and associates	**(2,652)**	(1,865)
Acquisition of property, plant and equipment	**(4,105)**	(3,443)
Acquisition of intangible assets	**(9,238)**	(8,246)
Deferred consideration paid (IFRS 3 purchase consideration)	**-**	(897)
Net cash used in investing activities	**(18,493)**	(20,369)
Cash flows from financing activities		
Proceeds from issue of share capital	**3,147**	7,119
Drawdown of loans and borrowings	**8,900**	5,300
Repayment of borrowings	**(3,558)**	(3,750)
Payment of finance lease liabilities	**(48)**	(62)
Interest paid	**(1,457)**	(1,143)
Dividends paid	**(6,336)**	(8,310)
Net cash generated/(used) in financing activities	**648**	(846)
Net increase /(decrease) in cash and cash equivalents	**6,033**	(1,637)
Cash and cash equivalents at 1 March	**12,365**	16,250
Effects of exchange rate changes on cash held	**400**	(2,248)
Cash and cash equivalents at 28 February	**18,798**	12,365

1. Basis of preparation

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The financial information included in this preliminary announcement does not constitute statutory accounts of the Group for the years ended 28 February 2019 or 28 February 2018 but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Both the consolidated financial statements and the Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs").

Changes in accounting policies

This is the first set of the Group’s annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described below.

IFRS 9 Financial Instruments

The Group adopted IFRS 9 from 1 March 2018 with the practical expedients permitted under the standard. Comparative information has not been restated to reflect the new requirements.

Impairment of financial assets

IFRS 9 has introduced a new impairment model for financial assets classified at amortised cost which required the recognition of impairment provisions based on expected credit losses (ECLs) rather than incurred credit losses as under IAS 39. For trade receivables and accrued income (contract asset), the Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance. For other loans and receivables the Group measures loss allowance at 12 month ECLs. On adoption of IFRS 9 the provision for trade and other receivables, net of tax effect, for the Group increased by £1,002k (tax effect of £323k); there was a corresponding decrease in retained earnings.

IFRS 15 Revenue Recognition

The Group adopted IFRS 15 from 1 March 2018 using the modified retrospective method with the cumulative effect of initially applying the standard reflected as an adjustment to the opening balance of retained earnings as of 1 March 2018. As such, comparative information has not been restated to reflect the new requirements.

Accounting for revenue

Under IFRS 15, revenue earned from contracts with customers is recognised based on a five-step model which requires the transaction price for each identified contract to be apportioned to separate performance obligations arising under the contract and recognised either when the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer.

The Group used the five-step model to assess the impact of IFRS 15 on the Group’s revenue transactions. The adoption of IFRS 15 did not impact on how revenue is accounted for. Contracts with customers can be readily identified and are judged to include a single performance obligation to which the transaction price is allocated. Revenue is recognised when the performance obligation is satisfied and control is transferred to the customer.

Accounting for costs
Under IFRS 15, costs incurred on the commission paid to employees relating to software sales are recognised as an expense consistent with the transfer of the related goods or services to the customer and are amortised over the life of the initial term of the contract.

The impact of adopting IFRS 15 on our consolidated financial statements was not material for the Group and there was no adjustment to retained earnings on application at 1 March 2018.

2. *Operating and business segments*

The group has disclosed below certain information on its revenue and cost of sales by business segment and revenue by geographical location. Details of total revenue can be found in the statement of comprehensive income.

The Group's two revenue streams are separated as follows:

- Consulting activities involves providing services to Capital Markets; and
- Software activities which includes the license of intellectual property and related services.

Information about reportable segments

	Managed services and consulting		**Software**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Revenue by industry						
Revenue	**86,463**	74,130	**130,888**	111,912	**217,351**	186,042
Cost of sales	**(66,594)**	(54,457)	**(59,465)**	(53,124)	**(126,059)**	(107,581)
Gross profit	**19,869**	19,673	**71,423**	58,788	**91,292**	78,461

Geographical location analysis

	Revenues		**Non-current assets**	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
UK	**63,309**	58,054	**42,800**	34,783
Rest of Europe	**38,090**	29,824	**11,739**	13,340
North America	**94,511**	79,673	**129,584**	120,529
Australasia	**21,441**	18,491	**141**	1,464
Total	**217,351**	186,042	**184,264**	170,116

Disaggregation of revenue

	Managed services and consulting		Software		Total	
	2019	2018	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Revenue by industry						
FinTech	**86,463**	74,130	**80,239**	68,727	**166,702**	142,857
MarTech	**-**	-	**41,355**	38,154	**41,355**	38,154
Other	**-**	-	**9,294**	5,031	**9,294**	5,031
	86,463	74,130	**130,888**	111,912	**217,351**	186,042

3. Dividends

	2019	2018
	£'000	£'000
Dividends paid to the owners of the parent		
Final dividend relating to the prior year	**4,383**	3,499
Interim dividend paid	**2,001**	1,773
	6,384	5,272
Dividends paid to NCI	**-**	3,038
	6,384	8,310

The dividends recorded in each financial year represent the final dividend of the preceding financial year and the interim dividend of the current financial year.

The final dividend relating to the prior year amounted to 17.00p (previous year: 14.00p) per share and the interim dividend paid during the year amounted to 7.70p (previous year: 7.00p) per share. The cumulative dividend paid during the year amounted to 24.70p (previous year: 21.00p) per share.

After the respective reporting dates, the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.

	2019	2018
	£'000	£'000
19.3p per ordinary share (2018: 17.00 pence)	**5,049**	4,359

4. a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 28 February 2019 was based on the profit attributable to ordinary shareholders of £13,175k (2018: £10,208k), and a weighted average number of ordinary shares in issue of 25,909k (2018: 25,239k).

	2019 Pence per share	2018 Pence per share
Basic earnings per share	**50.9**	40.4

Weighted average number of ordinary shares

	2019 Number '000	2018 Number '000
Issued ordinary shares at 1 March	**25,641**	24,868
Effect of share options exercised	**243**	367
Effect of shares issued as purchase consideration	**24**	3
Effect of shares issued as remuneration	**1**	1
Weighted average number of ordinary shares at 28 February	**25,909**	25,239

Diluted

The calculation of diluted earnings per share at 28 February 2019 was based on the profit attributable to ordinary shareholders of £13,175k (2018: £10,208k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 27,523k (2018: 27,017k).

	2019 Pence per share	2018 Pence per share
Diluted earnings per share	**47.9**	37.8

Weighted average number of ordinary shares (diluted)

	2019 Number '000	2018 Number '000
Weighted average number of ordinary shares (basic)	**25,909**	25,239
Effect of dilutive share options in issue	**1,614**	1,778
Weighted average number of ordinary shares (diluted) at 28 February	**27,523**	27,017

At 28 February 2019 75 shares (2018: nil) were excluded from the diluted weighted average number of ordinary

shares calculation as their effect would have been anti-dilutive and in 2018 200,000 were excluded as the related conditions had not been satisfied. The average market value of the Group's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

4. b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £16,677k (2018: £12,097k). The number of shares used in this calculation is consistent with note 4(a) above.

	2019 Pence per share	2018 Pence per share
Basic earnings before tax per ordinary share	**64.4**	47.9
Diluted earnings before tax per ordinary share	**60.6**	44.8

Reconciliation from earnings per ordinary share to earnings before tax per ordinary share:

	2019 Pence per share	2018 Pence per share
Basic earnings per share	**50.9**	40.4
Impact of taxation charge	**13.5**	7.5
Basic earnings before tax per share	**64.4**	47.9
Diluted earnings per share	**47.9**	37.8
Impact of taxation charge	**12.7**	7.0
Diluted earnings before tax per share	**60.6**	44.8

Earnings before tax per share is presented to facilitate pre-tax comparison returns on comparable investments.

4. c) Adjusted earnings after tax per ordinary share

Adjusted earnings after tax per share is based on an adjusted profit after taxation of £22,912k (2018: £19,505k). The adjusted profit after tax has been calculated by adjusting for the amortisation of acquired intangibles after tax effect of £3,370k (2018: £4,266k), share based payment and related charges after tax effect of £2,003k (2018: £2,430k), acquisition costs after tax effect of £3,838k (2018: £2,852k), share of loss of associate after tax effect of £23k (2018: £70k), the loss on foreign currency translation after tax effect of £503k (2018: £1,110k) and in 2018 the deferred tax credit following the US Tax Reform of £1,431k. The number of shares used in this calculation is consistent with note 4(a) above.

	2019 Pence per share	2018 Pence per share
Adjusted basic earnings after tax per ordinary share	**88.4**	77.3
Adjusted diluted earnings after tax per ordinary share	**83.2**	72.2

5. Property, plant and equipment

Group

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2018	3,622	12,840	869	17,331
Additions	1,470	3,378	331	5,179
Exchange adjustments	-	(67)	1	(66)
At 28 February 2019	**5,092**	**16,151**	**1,201**	**22,444**
Depreciation				
At 1 March 2018	1,696	7,357	564	9,617
Charge for the year	419	2,132	193	2,744
Exchange adjustments	(16)	(64)	1	(79)
At 28 February 2019	**2,099**	**9,425**	**758**	**12,282**

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2017	2,893	10,582	676	14,151
Additions	819	2,426	198	3,443
Acquired in business combinations	-	6	-	6
Exchange adjustments	(90)	(174)	(5)	(269)
At 28 February 2018	**3,622**	**12,840**	**869**	**17,331**
Depreciation				
At 1 March 2017	1,239	5,862	422	7,523
Charge for the year	516	1,585	145	2,246
Exchange adjustments	(59)	(90)	(3)	(152)
At 28 February 2018	**1,696**	**7,357**	**564**	**9,617**
Carrying amounts				
At 1 March 2017	1,654	4,720	254	6,628
At 28 February 2018	1,926	5,483	305	7,714
At 28 February 2019	**2,993**	**6,726**	**443**	**10,162**

6. Intangible assets and goodwill

Group

	Goodwill	Customer lists	Acquired software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2018	103,903	12,539	27,375	738	51,293	195,848
Development costs	-	-	-	-	8,573	8,573
Additions	-	-	665	-	-	665
Exchange adjustments	3,487	358	628	13	(307)	4,179
At 28 February 2019	**107,390**	**12,897**	**28,668**	**751**	**59,559**	**209,265**
Amortisation						
Balance at 1 March 2018	-	6,783	16,186	505	22,630	46,104
Amortisation for the year	-	1,308	2,437	54	7,214	11,013
Exchange adjustment	-	212	195	7	(231)	183
At 28 February 2019	**-**	**8,303**	**18,818**	**566**	**29,613**	**57,300**

	Goodwill	Customer lists	Acquired software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2017	113,436	13,613	28,567	777	43,578	199,971
Development costs	-	-	-	-	7,486	7,486
Additions	-	-	760	-	-	760
Acquired in business combinations	480	44	182	8	-	714
Exchange adjustments	(10,013)	(1,118)	(2,134)	(47)	229	(13,083)
At 28 February 2018	**103,903**	**12,539**	**27,375**	**738**	**51,293**	**195,848**
Amortisation						
Balance at 1 March 2017	-	6,008	13,829	463	16,280	36,580
Amortisation for the year	-	1,344	3,269	71	6,214	10,898
Exchange adjustment	-	(569)	(912)	(29)	136	(1,374)
At 28 February 2018	-	**6,783**	**16,186**	**505**	**22,630**	**46,104**

Carrying amounts						
At 1 March 2017	113,436	7,605	14,738	314	27,298	163,391
At 28 February 2018	103,903	5,756	11,189	233	28,663	149,744
At 28 February 2019	**107,390**	**4,594**	**9,850**	**185**	**29,946**	**151,965**

7. Impact of restatement

The Group has restated its reserves and other comprehensive income to correct the classification of:

- discretionary dividends to NCI as a deduction from retained earnings (previously this was included in the net exchange movement in foreign subsidiaries within other comprehensive income and therefore reflected in the currency translation adjustment reserve). The impact of this for the year ended 28 February 2018 was £3,038k and £5,550k in respect of amounts paid prior to 1 March 2017;

- the value of consideration given in excess of the nominal value of ordinary shares issued on the acquisition of subsidiaries (interest of at least 90%) on share for share exchanges (previously this was included in share premium) has been transferred to a merger reserve in accordance with the requirement of section 612 of the Companies Act 2006. The impact of this was an adjustment of £7,677k as at 1 March 2017 and £8,118k as at 28 February 2018; and
- Corporation tax receivable of £872k has also been reclassified from trade and other receivables to a separate line item on the balance sheet. There was no impact on the balance sheet as at 1 March 2017.

There was no impact on the Group's reported profit after tax, its basic or diluted earnings per share, or on total operating, investing or financial cash flows for the year ended 28 February 2018.

8. Impact of reclassification

Certain comparative amounts have been reclassified in the current year financial statements to enable comparability. The Group has reanalysed the classification of costs in its consolidated statement of comprehensive income and has restated this accordingly. The purpose of these changes is to enable easier comparison with the Group's peers and to reflect the separation of sales and marketing activities and classification thereof within operating costs. These activities are now formally carried out by separately identifiable individuals and/or suppliers rather than being reflected in cost of sales activities.

The following tables summarise the impacts on the Group's consolidated statement of financial position.

Consolidated statement of comprehensive income
For the year ended 28 February 2018

	Impact of reclassification		
	As previously reported	**Adjustments**	**As restated**
	£'000	£'000	£'000
Revenue			
Total revenue	186,042	-	186,042
Software licenses and services	-	111,912	111,912
Managed services and consulting	-	74,130	74,130
Cost of sales			
Cost of sales	(134,402)	26,821	(107,581)
Software licenses and services	-	(53,124)	(53,124)
Managed services and consulting	-	(54,457)	(54,457)
Gross profit	51,640	26,821	78,461
Operating costs			
Research and development costs	-	(9,293)	(9,293)
Of which capitalised	-	7,486	7,486
Sales and marketing costs	-	(26,635)	(26,635)
Administrative expenses	(38,320)	3,001	(35,319)
Impairment loss on trade and other receivables*	-	(1,380)	(1,380)
Other income	1,382	-	1,382
Total operating costs	(36,938)	(26,821)	(63,759)
Operating profit	14,702	-	14,702
Other items	(4,494)	-	(4,494)
Profit for the year	10,208	-	10,208

*For comparability the charge for impairment of trade and other receivables has been reclassified from administrative expenses to a separate line item on the consolidated statement of comprehensive income under as IAS 1 amendment arising on implementation of IFRS 9.

9. Report and accounts

Copies of the Annual Report will be available as of 4 June 2019 on the Group's website, www.firstderivatives.com and from the Group's headquarters at 3 Canal Quay, Newry, BT35 6BP.