5 November 2019

First Derivatives plc
("FD", the "Company" or the "Group")

Interim results for the six months ended 31 August 2019

FD (AIM: FDP.L, Euronext Growth: FDP.I) today announces its results for the six months ended 31 August 2019.

Financial Highlights

Six months to 31 August	2019	2018	*Change*
Revenue	£116.7m	£105.6m	*+11%*
Gross profit	£48.0m	£43.9m	*+9%*
Adjusted EBITDA*	£22.0m	£18.1m	*+22%*
Profit before tax	£8.4m	£7.6m	*+12%*
Reported diluted EPS	24.2p	21.7p	*+11%*
Interim dividend per share	8.5p	7.7p	*+10%*
Net debt**	£60.2m	£24.2m	

*Adjusted for share-based payments and acquisition costs; H1 2020 adjusted EBITDA (excluding impact of IFRS 16): £20.2m (+12%)
**Excluding lease obligations under IFRS 16

Business Highlights

- Software revenue up 13% to £71.4m (H1 2019: £63.1m), driven by 19% growth in recurring software license revenue
- Multiple contract wins across both software and managed services and consulting providing confidence in our outlook, including notable deals signed with a major Japanese bank for the global roll-out of a next generation e-FX platform built on Kx and multi-year assignments across our managed services and consulting business
- Software revenue from Industry increased by 45% to £4.4m (H1 2019: £3.1m); while at an early stage we have achieved substantial progress across a number of strategic enterprise and partnership opportunities, some of which we expect to close and announce during H2
- Managed services and consulting revenue up 7% to £45.2m (H1 2019: £42.5m) with our long-term, strategic client relationships and market-leading services enabling continued growth
- Completion of the acquisition of the minority shareholdings in Kx Systems, taking 100% ownership, funded by new financing facilities which provide flexibility to support the Group’s growth plans
- Strong pipeline and momentum going into the second half provide us with confidence in the Group’s full year performance.

Seamus Keating, Executive Chairman of FD, commented: “We successfully executed on our strategy during the period, signing a number of key contracts across our business, and making strong progress towards securing landmark contracts in the markets we are targeting across Industry. We continue to progress our search for a new CEO following the passing in July of our founder, Brian Conlon, and we will provide an update when the process is complete.

Our financial performance was solid, and we are encouraged by the growing momentum through the period that provides confidence in achieving another year of strong growth, in line with consensus forecasts*.”

*The Group believes consensus revenue and adjusted EBITDA (excluding the impact of IFRS 16) forecasts for the year to 29 February 2020 to be £242.9m and £43.8m respectively.

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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, automotive, utility, 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 Group has delivered a solid financial performance for the period, in which revenue increased by 11% to £116.7m with adjusted EBITDA increasing by 22% to £22.0m, as we continue to invest in our long-term growth strategy. The period was notable for the strategic progress achieved across our markets but overshadowed by the loss of our founder, Brian Conlon.

In our Kx business, we continued to build on our leading position in FinTech, with 18% growth in recurring revenue and the signing of notable contracts that will further contribute to revenue growth in future periods; we posted strong underlying growth in our MarTech business; and in Industry we saw initial revenue from a number of contracts and partnership agreements won in prior periods, while making progress with others that we expect to close and announce during the second half of the financial year.

In our managed services and consulting business we recorded 7% growth as we transitioned some staff from the successful completion of multi-year implementation projects onto new assignments, while investing in public cloud training. We have achieved a number of notable contract wins during the year to date, and we continue to be well placed to assist our clients with both their 'run the bank' and 'change the bank' programmes.

We employ more than 2,400 people, whose combined talents are directed at serving our existing and potential clients. With the combination of a proven strategy, world-class technology targeting a vast addressable market and a talented and committed workforce, we continue to face the future with confidence.

Kx platform

Kx is a technology platform that enables the analysis of vast quantities of data, both real-time and historic, at cost and performance levels unmatched by competing solutions. Kx offers a flexible solution – at its core the platform 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. The platform provides all the integration and development tools required to enable a third party, such as an OEM partner or a direct customer, to build their own customised applications. This approach enables these third parties to deliver a solution that meets their specific business needs while benefitting from Kx's performance (Kx is typically orders of magnitude faster than competing solutions), efficiency (including lower hardware and power costs), and flexibility (with deployment options ranging from the edge, to on-premise, cloud and hybrid architectures). The stability of our platform, which is tried and tested across some of the most demanding industries in the world, is also a differentiator, providing competitive advantage against emerging technologies that cannot demonstrate the resilience achieved by Kx.

The Kx platform also provides the Group with the ability to develop applications where the business case is compelling. Our domain expertise in FinTech, garnered over more than twenty years, has enabled us to build applications that target areas such as market surveillance, regulatory reporting, algorithmic trading and liquidity management. We continue to seek opportunities to develop new applications; in those markets where we lack sufficient reach or domain expertise we will continue to target partnership agreements with systems integrators and OEMs who will be responsible for sales and delivery, supported by us. This approach reduces risk and enables deeper engagement across a wider range of potential customers than the Group could achieve under a solely direct sales model.

Research and development

Our R&D continues to focus around three key themes – improving the performance of our technology, growing its addressable market and making it easier to adopt.

Improving performance. We released a new version of our platform with more than 100 new features, which included improved security capabilities, increased support for Kafka and Python and improvements to ease the deployment of the platform. The new version also included increased functionality for our visualisation solution, Kx Dashboards. Our commitment to making Kx the leading platform for AI was reinforced by new features and performance improvements including enhanced integration with Python's Pandas library.

Growing addressable market. During the period, to encourage greater use of our technology within organisations, we made our developer tools available to all our enterprise customers as part of their existing license agreements. This move has been particularly well received, leading to multiple training requests and adding expansion opportunities with existing customers to our sales pipeline. We also released a number of our software tools as free and open source versions, including tools that make it easier to integrate Kx with other enterprise technology platforms as well as tools aimed at the developer community at large. Our aim is to increase adoption of our Kx technology and enable as wide a community as possible to understand the potential of Kx to meet their big data challenges.

Ease of adoption. We delivered a series of initiatives to expand the use of Kx on the public cloud, which aims to simplify Kx deployment. We launched 'Kx on demand' on both the Amazon Web Services Marketplace and Google Cloud Launcher and we also achieved 'advanced partner' status with Amazon Web Services, following investment in staff training. We are committed to enabling our clients to adopt Kx wherever it is needed – from chip to edge to cloud.

We have also partnered with Intel in the period to support the release of Optane DC Persistent Memory, a technology that delivers improved memory and storage performance and which promises significant performance gains for enterprise analytics. Following our work with Intel, Kx supports Optane DC natively and we are working with Intel on joint marketing initiatives to communicate the advantages that Kx and Optane DC can deliver when combined.

Taken together, these initiatives are boosting our technology's performance, 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.

Business development

FinTech

FinTech software continued to deliver strong growth, with total revenue up by 11% to £44.6m and recurring license revenue up by 18% to £15.8m, representing 35% of total FinTech software revenue (H1 2019: 33%). Growth came from continued demand for solutions such as regulatory and risk reporting, market surveillance and trading analytics. Using Kx as a platform for these solutions enables our clients to improve the quality and integrity of their data, allowing them to generate more revenue, increase their operational efficiency and to meet regulatory scrutiny in a timely and cost-effective manner.

We continue to see our clients evaluate and prepare to move their data operations to the public cloud, attracted by opportunities for development agility and innovation combined with the ability to cope with peaks in compute resource demands. FD is well placed to assist with this transformation, which we expect to be a multi-year strategic shift in technology delivery and which offers the potential to drive significant growth in our revenue from both FinTech software and managed services and consulting.

During the period we signed a number of significant new multi-year contracts, which will underpin growth in future periods. These included one of our largest ever deals, developing a next generation FX trading platform for a major Japanese bank, where Kx will become an integral component of the bank's global FX trading; a contract for Kx to power an AI-based pricing engine and trading platform, using our data refinery product for rapid deployment; the displacement of a competitor at a European bank for the capture of fixed income and FX data; and the sale of a range of our products to a bank based in the Middle East.

We have a strong pipeline across a range of products and geographies, including areas such as surveillance / financial crime and our data refinery platform.

MarTech

Revenue from MarTech increased by 13% to £22.4m with 52% of this revenue derived from subscription contracts (H1 2019: 49%). Our solution, powered by Kx and branded as MRP Prelytix, is the only enterprise-class B2B predictive Account-Based Marketing (ABM) platform. It delivers predictive analytics derived from billions of data points, ingested in real-time, enabling clients to dynamically activate a wide range of sales and marketing tactics informed by real-time insights.

The unique insights provided by MRP Prelytix and our constant technical innovation of the platform resulted in MRP Prelytix being recognised within its industry through the award of 'Best Overall ABM Solution' at the 2019 MarTech Breakthrough Awards. In addition, industry analysts Ovum published a report in which MRP Prelytix was named as a 'Leader' in ABM, noting that MRP's "thoughtful integrated use of artificial intelligence within ABM is going to create many opportunities for sales and marketing organizations to better engage with their target account portfolio."

This technical and market leadership translated into additional direct sales during the period as well as the emergence of new sources of revenue through global media agency and channel partners, which represent potentially significant revenue streams for our platform.

We continue to sign new clients on a subscription basis while a number of existing clients increased their use of the platform based on the strong return on investment they had achieved in prior periods. Technology companies continue to form the core of our client base in MarTech, as exemplified through a significant new client win with a large semi-conductor manufacturer. However, our platform is applicable to a wide range of industries and we were pleased to sign new clients across a range of industries, including several additions in financial services and a sizable deal for a global management consultancy business.

During the period we also broadened and deepened the capabilities of our MRP platform. We introduced new functionality, including content syndication driven by MRP Prelytix, which extend our reach deeper into clients by working with their agency partners to capture more of their total sales and marketing spend. These initiatives are expected to generate additional revenue in future periods while increasing the appeal of our platform as a comprehensive lead generation solution.

These additional direct and agency deals began to contribute to our revenue during H1 and were more than sufficient to offset the loss of a significant customer which was the subject of a corporate restructuring in early 2019 and which significantly cut its marketing expenditure as a result. We saw revenue build through the period and are pleased with our momentum into H2 and beyond.

Industry

Kx technology's performance and total cost of ownership advantages have enabled us to generate considerable interest across a number of high value markets where data volumes and velocity present significant challenges. Our strategy is to seek predictable, long-term revenue streams, such as OEM and revenue share agreements, while securing direct sales that establish our position within our target industry markets. This means revenues are tempered in the current investment phase, but in the longer term should deliver strong, predictable growth across a range of markets.

Our industry revenue grew by 45% to £4.4m in the period (H1 2019: £3.1m), with recurring revenue up by 12%. Growth came from the progression of the OEM and partnership agreements closed in prior periods as successful implementation of our software was achieved in these new markets. We are pleased with the high level of interest we are seeing across industries in the adoption of our software, resulting from a continued focus on marketing, development and sales expansion efforts. Importantly, during the period we progressed a number of high-value opportunities relating to both potential partnership and OEM agreements as well as direct sales. Notable progress during the period included:

- *Automotive* – Following our appointment last year as Innovation Partner to Aston Martin Red Bull Racing (AMRBR), we have continued to make progress, signing a contract during the period with a further high-profile F1 team for the use of Kx to support in-race telematics. We continue to see opportunities for other F1 teams to adopt Kx, with these engagements offering the potential to push Kx deeper into the automotive ecosystem generally. We are generating significant interest across the automotive industry and continue to progress opportunities across engineering, design, telemetry and connected cars.
- *Utilities* – We have made progress on a number of large-scale, long-term contract bids to deliver Kx as a platform within utilities, working alongside our partner CGI, which counts many of the world's leading utilities as customers. We continue to work to deliver a next-generation electricity information exchange for Fingrid, the transmission system operator for Finland, through which we are building intellectual property that we will be able to re-use in future Kx deployments. We expect numerous utility market participants to upgrade their systems in the coming years and, while the bid process for such deals is lengthy, we believe we are well placed to generate significant long-term revenues from this market.
- *Smart manufacturing* – Our previously announced OEM agreements with a Fortune 500 provider of precision manufacturing equipment and with BISTel, a leading South Korean provider of smart manufacturing solutions, continue to develop in line with our expectations. Both OEMs are using Kx for Sensors and kdb+ to enable more rapid decision making based on vast quantities of sensor data, ultimately to assist their customers improve production yields. This is a use case that resonates through smart manufacturing and is enabling us to progress a pipeline of direct and OEM sales opportunities.

After the period end, we have made further progress towards securing a number of high-profile partnership and OEM agreements across multiple use cases, some of which we expect to be able to close and announce during H2. We are also in late stage discussion with several significant direct prospects which, if signed, could contribute to current year revenue. We see this anticipated growth in commercial agreements as a natural evolution of our sales process, with lengthy initial sales cycles as we penetrate new markets, which allows Kx to establish itself and generate a pipeline of opportunities with other participants in the market.

Managed services and consulting

Revenue from managed services and consulting was £45.2m, an increase of 7% on the prior period (H1 2019: £42.5m). 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 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.

While the long-term and strategic nature of our client relationships provides high levels of visibility in our managed services and consulting activities, growth during the period was below that experienced in recent years. This was expected and was due to a combination of two multi-year third party vendor implementations completing successfully at the start of our financial year, with the staff involved moving onto other projects through the period and weaker economic conditions impacting client decision making, with demand in London soft but balanced by increased demand in Europe and UK regional centres and our near shore activities

Notwithstanding economic uncertainty, we secured a number of contract wins during the period, particularly around regulatory compliance and reporting in Europe. We have also expanded the range of third-party vendor technologies we support and developed some additional propositions that we believe will be attractive to our clients and increase our addressable market.

As a result, irrespective of any improvement in economic conditions, we expect growth to accelerate in our traditionally stronger H2. Our confidence is underlined by a number of multi-year contracts signed in recent months which include:

- The implementation of an application rationalisation and migration programme for a regional division of a major investment bank, representing a new customer win in a competitive bid process.
- Delivering a multi-year programme of regulatory-driven projects and an application upgrade for a North American bank.
- Providing implementation and delivery services under a new agreement with a third-party independent software vendor, provided by FD on a near-shore basis with considerable growth potential.

Given our high levels of ongoing visibility and recent contract wins we are confident that our multi-year track record of growth in our managed services and consulting business will continue, led by our commitment to quality and excellence in our financial services, vendor services, regulatory and managed services practices. Furthermore, we believe there are a number of large-scale projects ready to be initiated when economic conditions and macro uncertainty improve, which provides confidence in the longer-term growth capabilities in managed services and consulting.

CEO Succession

As announced on 29 July, FD's founder and CEO Brian Conlon passed away during the period. Under our succession planning, a process to appoint a successor was initiated and Non-Executive Chairman Seamus Keating was appointed Executive Chairman to guide the business through that process and oversee the Executive Committee in the interim period. The CEO recruitment process is a priority for the Group and a further update will be provided in due course.

People

The Group employs more than 2,400 people, unchanged from the same time last year as we have focused on consolidating our position following record levels of recruitment in recent years. Our graduate recruitment and training programme attracts a vibrant team and equips them with high levels of in-demand skills. During the period FD was awarded a Charter Mark by Diversity Mark NI for our work on diversity and inclusion, while more than 500 of our staff commenced cloud certification training to enhance our capabilities across the business as our interactions with public cloud providers such as AWS, Google and Azure continue to deepen.

We have also extended our recruitment and development efforts with programmes aimed at providing apprenticeships for school leavers as they work towards their chosen degree. Retention rates remain in line with prior periods and are significantly higher than the industry average, driven by our commitment to continued training and development programmes, a rewarding career path and a fair remuneration and reward system.

Current trading and outlook

We move into the second half of our financial year with good momentum across the business. The investment programme in recent years has generated a strong pipeline of opportunities across our business, and we remain confident of securing contracts across the markets we are targeting within industry. Combined with a solid performance in H1 this provides confidence in the achievement of full year results in line with consensus forecasts.

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.

Revenue and Gross Margin Analysis (£m)

H1 2020	H1 2019	Change	H1 2020	H1 2019	Change	H1 2020	H1 2019	Change		H1 2020	H1 2019	Change
Software by sector									Total Software			
FinTech Revenue			**MarTech Revenue**			**Industry**						
1.9	6.3	*(69%)*	-	-	-	1.2	0.3	*253%*	Perpetual	3.2	6.6	*(52%)*
15.8	13.3	*18%*	11.7	9.8	*20%*	0.8	0.7	*12%*	Recurring	28.3	23.8	*19%*
17.7	19.6	*(10%)*	11.7	9.8	*20%*	2.0	1.1	*92%*	Licenses	31.5	30.4	*3%*
									Cost of sales	(6.0)	(5.0)	*20%*
									Gross profit	25.4	25.4	-
									Gross margin	*81%*	*84%*	*(3%)*
26.9	20.7	*30%*	10.7	10.0	*7%*	2.4	2.0	*20%*	Services	40.0	32.7	*22%*
									Cost of sales	(28.3)	(23.4)	*21%*
									Gross profit	11.7	9.3	*26%*
									Gross margin	*29%*	*28%*	*1%*
44.6	40.3	*11%*	22.4	19.8	*13%*	4.4	3.1	*45%*	Revenue	71.4	63.1	*13%*
									Cost of sales	(34.3)	(28.4)	*21%*
									Gross profit	37.2	34.7	*7%*
									Gross margin	*52%*	*55%*	*(3%)*
Managed services and consulting by sector									Total Managed services and consulting			
FinTech Revenue			**MarTech Revenue**			**Industry**						
45.2	42.5	*7%*	-	-	-	-	-	-	Revenue	45.2	42.5	*7%*
									Cost of sales	(34.4)	(33.3)	*3%*
									Gross profit	10.8	9.2	*18%*
									Gross margin	*24%*	*22%*	*2%*
Sector Totals												
FinTech Revenue			**MarTech Revenue**			**Industry**						
89.8	**82.7**	***9%***	**22.4**	**19.8**	***13%***	**4.4**	**3.1**	***45%***	**Revenue**	**116.7**	**105.6**	***11%***
									Cost of sales	(68.7)	(61.7)	*11%*
									Gross profit	48.0	43.9	*9%*
									Gross margin	*41%*	*42%*	-
EBITDA and net margin profit analysis												
									R&D	(5.6)	(4.9)	*15%*
									Sales expense	(17.2)	(15.8)	*9%*
									Adjusted operating expense	(7.6)	(9.0)	*(16%)*
									Adj. EBITDA ex cap	17.6	14.2	*23%*
									Capitalised R&D	4.4	3.8	*15%*
									Adj. EBITDA	**22.0**	**18.1**	***22%***
									Adj. EBITDA margin	*19%*	*17%*	*2%*

Revenue and Margins

Group revenue increased organically by 11% to £116.7m (H1 2019: £105.6m) driven by continued strong growth in recurring software revenue, balanced by a reduction in perpetual software license revenue and lower growth in managed services and consulting. As a result of this mix, gross margin reduced slightly to 41% (H1 2019: 42%).

Our continued investment in the Group's operations resulted in an increase in sales and marketing cost of 9%, building on the 21% increase seen in FY 2019, 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 2% reflecting the Group's fiscal discipline.

Software

Total software revenue increased by 13% to £71.4m and represented 61% of total Group revenue (H1 2019: 60%). While total software license revenue increased by 3%, this included a 52% fall in perpetual license revenue and a 19% gain in recurring license revenue as we focused on growing our high-quality recurring revenue. Perpetual license revenue is lumpy and difficult to predict and the prior year represented a strong comparator period. We expect H2 to deliver an increased level of perpetual license revenue over H1, given the status of our advanced pipeline.

Software revenue from FinTech increased by 11% to £44.6m, reflecting a 10% decline in license revenue (18% increase in recurring license revenue offset by a 69% decrease in perpetual licenses) and 30% growth in services revenue. Our software services, comprising implementation, managed services and development work for our Kx clients, have been in high demand during the period as the use cases for our technology continue to expand as further reliance is placed on our technology stack.

Total revenue from MarTech was up by 13% to £22.4m, driven by continued growth in subscription revenue, which was up by 20% to £11.7m, and a 7% increase in services revenue. For the first time, revenue from software subscriptions formed the majority of MarTech revenue and we continue to expect the subscription component of the mix to trend upwards. Momentum increased through the period, driven by new client wins and additional revenue streams, and we are confident of ongoing good growth in MarTech.

Software revenue from Industry increased by 45% to £4.4m. Our short-term performance in this is driven by the level of perpetual license revenue which, from a low base, was up 253% in the period as some of our previous OEM and partner wins moved into production. We have maintained our focus on obtaining revenue share agreements, particularly through OEM agreements, accepting perpetual deals only where necessary. While slower to generate revenue in early periods, we are confident this approach 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 grew by 12% in the period and we expect H2 to show growth on H1 in both recurring and perpetual license revenue.

Software gross margin decreased slightly from 55% to 52%, driven by the reduction of high margin perpetual license revenue in the mix. Software license gross margin fell to 81% (H1 2019: 84%) and license revenue was 44% of total software revenue (H1 2019: 48%). Software services gross margin grew marginally to 29% (H1 2019: 28%) as utilisation increased in the period. We invested to grow the Kx services team in H1 and will continue to invest in H2 to support the expansion of our technology across our markets.

Managed services and consulting

Managed services and consulting revenue increased by 7% to £45.2m while delivering gross margins of 24%, up from 22% in the prior period. While revenue growth was lower than in recent periods due to the reasons discussed in the Business Review, our high level of visibility in this business enabled us to match our recruitment requirements to growth levels and therefore increase margins. Based on current activity levels we anticipate another year of double-digit revenue growth and have increased our recruitment in recent months in line with future growth expectations.

Profit before tax

Reported profit before tax increased by 12% to £8.4m (H1 2019: £7.6m). Adjusted profit before tax increased by 6% to £13.3m (H1 2019: £12.6m) held back by increased interest costs following the completion of the acquisition of the minority interest in Kx Systems Inc. The calculation of adjusted profit before tax is detailed below.

	H1 2020 £m	H1 2019 £m
Reported profit before tax	8.4	7.6
Adjustments for:		
Amortisation of acquired intangibles	1.9	1.8
Share-based payment and related costs	1.6	1.5
Acquisition costs, associate disposal costs and changes in deferred consideration	0.9	1.6
Loss on foreign currency translation	0.5	-
Share of loss of associate	-	-
Adjusted profit before tax	13.3	12.6

Other income, which relates mostly to employment and training incentive grants, was £0.1m for the period, down from £0.4m in the prior year period.

The Group continued to invest in research and development to maintain its technology lead, with total R&D up 15% to £5.6m. Net capitalisation of R&D decreased by 23% in the period, as detailed below:

	H1 2020 £m	H1 2019 £m	Movement
Research and development costs:			
Expensed during the period	1.2	1.1	*12%*
Capitalisation of product development costs	4.4	3.8	*15%*
Total research and development	5.6	4.9	*15%*
Amortisation of R&D	(4.0)	(3.3)	*22%*
Net capitalisation of R&D	0.4	0.6	*(23%)*

IFRS 16

The Group has implemented IFRS 16, the new accounting standard dealing with leases, using the modified retrospective method applied from 1 March 2019. The impact of the new standard is to move the charge on the income statement for operating leases from operating costs to depreciation and interest, while on the balance sheet there is an asset recognising the right of use and a future lease liability within both current and non-current liabilities.

These impacts are detailed in note 1 to the statement.

Earnings per share

Reported profit after tax increased by 12% to £6.6m (H1 2019: £5.9m) and reported diluted earnings per share increased by 11% to 24.2p per share (H1 2019: 21.7p).

The adjusted profit after tax for the period of £10.9m (H1 2019: £10.6m) represented growth of 3%. The major factors impacting earnings per share growth were a higher interest charge and an increase in the Group's adjusted tax rate to 18.0% (H1 2019: 16.0%).

The calculation of adjusted profit after tax is detailed below:

	H1 2020 £m	**H1 2019 £m**
Reported profit after tax	6.6	5.9
Adjustments from profit before tax	4.9	5.0
Tax effect of adjustments and US tax reform	(0.6)	(0.4)
Adjusted profit after tax	10.9	10.6
Weighted average number of ordinary shares (diluted)	27.5m	27.3m
Adjusted EPS (fully diluted)	39.6p	38.7p

The fully diluted average number of shares in issue increased to 27.5m (H1 2019: 27.3m) as additional existing share options were exercised. This resulted in adjusted fully diluted earnings per share of 39.6p, representing growth of 2% for the period (H1 2019: 38.7p).

Balance sheet

Total assets increased by 17% to £317.7m (H1 2019: £272.3m). The purchase of the minority interest in Kx Systems for $53.8m in cash in June 2019 impacted the balance sheet by eliminating the liability due to the minority interest shareholders. The result of this transaction saw interest costs increase in the period as new loans were drawn in U.S. dollars. This transaction, along with the implementation of IFRS 16, saw non-current loans and borrowings increase by £61.4m.

In February 2019 the Group announced it had secured 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. While the Group is comfortable operating at this level of indebtedness, it is expected that the current level of net debt represents the peak and should reduce in future periods, driven by operating cash flow, subject to other strategic activities that may be undertaken in future periods.

Other financial assets, which includes equity investments, increased to £15.4m (FY 2019: £13.7m) reflecting the lower increase in funding provided for venture companies during the period.

Deferred revenue at the period end was up 9% at £17.5m (H1 2019: £16.1m), arising from the continued growth in recurring license revenue in the period.

Cash generation and net debt

The Group generated £16.4m of cash from operating activities before taxes paid (H1 2019: £13.5m) representing 74% conversion of adjusted EBITDA (H1 2019: 74%). The Group typically has a stronger H2 cash generation profile as it benefits from the billing and collection of the majority of the Group's recurring revenue, while H1 sees larger payments out in the form of taxation and dividend payments in addition to staff bonuses.

At the period end, net debt was £60.2m (H1 2019: £24.2m). The factors impacting the movement in net debt are summarised in the table below:

	H1 2020 £m	H1 2019 £m
Opening net debt (excluding lease liabilities)	(16.1)	(16.2)
Operating cash flow	16.4	13.5
Taxes paid	(3.0)	(3.7)
Dividends paid	(5.1)	(4.3)
Capital expenditure: property, plant and equipment	(1.2)	(2.5)
Capital expenditure: intangible assets	(4.4)	(3.8)
Deferred consideration paid	-	(4.1)
Acquisition of subsidiaries	(43.0)	-
Investments	(1.0)	(3.3)
Issue of new shares	3.6	2.6
Finance leases	(1.6)	-
Interest, foreign exchange and other	(4.8)	(2.3)
Closing net debt	**(60.2)**	**(24.2)**

The Group assists innovative start-up and scale-up businesses seeking to use the power of Kx, in return for a revenue share. In some cases we inject seed capital to help launch the business and bring solutions to market quickly. The table below summarises the investments made in such companies to date as well as the maximum future commitment and the revenue generated for the Group. Future commitments to these businesses are typically payable only if certain pre-determined challenging performance milestones are achieved. In H1 2020 the Group advanced £1.0m in equity and loans to its new and existing venture agreement companies with a maximum further commitment of up to £1.9m across all 21 venture agreements.

	H1 2020	H1 2019	Total to date
Number of venture agreements in period	**3**	**4**	**21**
Equity and loans advanced (£m)	1.0	3.3	17.7
Outstanding commitment (£m)	1.9	2.7	
Revenue share agreements	**4**	**4**	**20**
Revenue recognised for software services (£m)	0.4	0.9	5.6
Licenses recognised under revenue share agreements (£m)	0.1	0.0	0.8

Dividend

The Board has declared an interim dividend of 8.50p per share (H1 2019: 7.70p per share) which will be paid on 5 December 2019 to those shareholders on the register on 15 November 2019.

Consolidated income statement (unaudited)
Six months ended 31 August 2019

	Note	2019 £'000	2018 £'000
Revenue	*2 & 3*		
Software licenses and services		**71,441**	63,111
Managed services and consulting		**45,235**	42,463
Total revenue		**116,676**	105,574
Cost of sales	*2*		
Software licenses and services		**(34,286)**	(28,399)
Managed services and consulting		**(34,411)**	(33,293)
Total cost of sales		**(68,697)**	(61,692)
Gross profit		**47,979**	43,882
Operating costs			
Research and development costs		**(5,605)**	(4,883)
Of which capitalised		**4,425**	3,833
Sales and marketing costs		**(17,244)**	(15,785)
Administrative expenses		**(18,874)**	(19,337)
Impairment (loss)/gain on trade and other receivables		**(200)**	249
Other income		**121**	364
Total operating costs		**(37,377)**	(35,559)
Operating profit		**10,602**	8,323
Acquisition costs and changes in contingent deferred consideration		**871**	1,582
Share-based payment and related costs		**1,578**	1,543
Depreciation and amortisation		**7,083**	4,774
Amortisation of acquired intangible assets		**1,850**	1,846
Adjusted EBITDA		**21,984**	18,068
Finance income		**14**	1
Finance expense		**(1,628)**	(714)
Loss on foreign currency translation		**(548)**	(46)
Net finance costs		**(2,162)**	(759)
Share of loss of associate, net of tax		**(8)**	(6)
Profit before taxation		**8,432**	7,558
Income tax expense		**(1,791)**	(1,626)
Profit for the period		**6,641**	5,932
		Pence	Pence
Earnings per share	*5*		
Basic		**25.2**	23.0
Diluted		**24.2**	21.7

The Group has initially applied IFRS 16 at 1 March 2019. Under the transition method chosen comparative information has not been restated; see note 1.

Consolidated statement of changes in equity (unaudited)
Six months ended 31 August 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2019	131	79,726	8,118	10,744	3,587	3,944	36,560	142,810
Impact of changes in accounting policy – see note 1	-	-	-	-	-	-	399	399
Restated balance at 1 March 2019	131	79,726	8,118	10,744	3,587	3,944	36,959	143,209
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	6,641	6,641
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	-	-	-	-	-	10,563	-	10,563
Net exchange loss on hedge of net investment in foreign subsidiaries	-	-	-	-	-	(4,840)	-	(4,840)
Net change in fair value of equity investments at FVOCI	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	5,723	6,641	12,364
Transactions with owners of the Company								
Tax relating to share options	-	-	-	1,026	-	-	-	1,026
Exercise of share options	2	4,579	-	(976)	-	-	-	3,605
Issue of shares as contingent deferred consideration	-	1,096	-	-	-	-	-	1,096
Share-based payment charge	-	-	-	737	-	-	-	737
Dividends to owners of the Company	-	-	-	-	-	-	(5,084)	(5,084)
Balance at 31 August 2019	**133**	**85,401**	**8,118**	**11,531**	**3,587**	**9,667**	**38,516**	**156,953**

The Group has initially applied IFRS 16 at 1 March 2019. Under the transition method chosen comparative information has not been restated; see note 1.

Consolidated statement of changes in equity (unaudited)
Six months ended 31 August 2018

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2018	128	81,286	-	14,341	-	(6,874)	49,218	138,099
Impact of correction of reserves classification[1]	-	(8,118)	8,118	-	-	8,588	(8,588)	-
Impact of changes in accounting policy[2]	-	-	-	-	-	-	(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 period								
Profit for the period	-	-	-	-	-	-	5,932	5,932
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	-	-	-	-	-	6,076	-	6,076
Net exchange loss on hedge of net investment in foreign subsidiaries	-	-	-	-	-	(1,588)	-	(1,588)
Net change in fair value of equity investments at FVOCI	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	4,488	5,932	10,420
Transactions with owners of the Company								
Tax relating to share options	-	-	-	1,307	-	-	-	1,307
Exercise of share options	2	2,565	-	-	-	-	-	2,567
Change in measurement of NCI put	-	-	-	-	-	-	(9,346)	(9,346)
Share-based payment charge	-	-	-	645	-	-	-	645
Dividends to owners of the Company	-	-	-	-	-	-	(4,383)	(4,383)
Balance at 31 August 2018	**130**	**75,733**	**8,118**	**16,293**	**-**	**6,202**	**31,831**	**138,307**

[1] See note 33 in the Group's financial statements for the period ended 28 February 2019 for details of restatement relating to reserves classification.
[2] See note 1a in the Group's financial statements for the period ended 28 February 2019 for impact of changes in accounting policy relating to the adoption of IFRS 9 at 1 March 2018. The Group has also initially applied IFRS 16 at 1 March 2019. Under the transition method chosen comparative information has not been restated; see note 1.

Consolidated balance sheet (unaudited)
As at 31 August 2019

	Note	As at 31 August 2019 £'000	As at 31 August 2018 Restated[1] £'000	As at 28 February 2019 £'000
Assets				
Property, plant and equipment	*6*	**32,597**	8,691	10,162
Intangible assets and goodwill		**160,559**	156,996	151,965
Equity accounted investee		**2,710**	2,631	2,711
Other financial assets		**15,374**	3,870	13,706
Trade and other receivables		**4,809**	9,810	5,720
Deferred tax assets		**17,367**	20,223	15,352
Non-current assets		**233,416**	202,221	199,616
Trade and other receivables		**61,516**	57,065	57,915
Current tax receivable		**2,655**	-	1,461
Cash and cash equivalents		**20,128**	12,984	18,798
Current assets		**84,299**	70,049	78,174
Total assets		**317,715**	272,270	277,790
Equity				
Share capital		**133**	130	131
Share premium		**85,401**	75,733	79,726
Merger reserve		**8,118**	8,118	8,118
Shares option reserve		**11,531**	16,293	10,744
Fair value reserve		**3,587**	-	3,587
Currency translation adjustment reserve		**9,667**	6,202	3,944
Retained earnings		**38,516**	31,831	36,560
Equity attributable to shareholders		**156,953**	138,307	142,810
Liabilities				
Loans and borrowings	*7*	**95,188**	33,805	289
Trade and other payables		**3,773**	1,360	3,300
Deferred tax liabilities		**11,153**	10,382	10,827
Non-current liabilities		**110,114**	45,547	14,416
Loans and borrowings	*7*	**8,094**	3,339	34,998
Trade and other payables	*8*	**37,392**	75,689	77,546
Current tax payable		**537**	639	1,004
Employee benefits		**4,625**	5,966	5,945
Contingent deferred consideration		**-**	2,783	1,071
Current liabilities		**50,648**	88,416	120,564
Total liabilities		**160,762**	133,963	134,980
Total equity and liabilities		**317,715**	272,270	277,790

[1] See note 33 and note 1a in the Group's financial statements for the period ended 28 February 2019 for details of restatement relating to reserves classification and impact of changes in accounting policy relating to the adoption of IFRS 9 at 1 March 2018 respectively. The Group has also initially applied IFRS 16 at 1 March 2019. Under the transition method chosen comparative information has not been restated; see note 1.

Consolidated cash flow statement (unaudited)

Six months ended 31 August 2019

	2019	2018
	£'000	£'000
Cash flows from operating activities		
Profit for the period	**6,641**	5,932
Adjustments for:		
Net finance costs	**2,162**	759
Depreciation of property, plant and equipment	**3,086**	1,495
Amortisation of intangible assets	**5,847**	5,125
Associate income	**8**	6
Increase in deferred consideration	**-**	842
Equity settled share-based payment transactions	**1,578**	1,543
Grant income	**(121)**	(364)
Tax expense	**1,791**	1,626
	20,992	16,964
Changes in:		
Trade and other receivables	**(2,067)**	(3,110)
Trade and other payables	**(2,560)**	(396)
Cash generated from operating activities	**16,365**	13,458
Taxes paid	**(2,986)**	(3,695)
Net cash from operating activities	**13,379**	9,763
Cash flows from investing activities		
Interest received	**14**	1
Acquisition of subsidiary	**(42,874)**	-
Acquisition of other investments and associates	**(668)**	(437)
Increase in loans to other investments	**(345)**	(2,883)
Acquisition of property, plant and equipment	**(1,239)**	(2,465)
Acquisition of intangible assets	**(4,425)**	(3,833)
Deferred consideration paid (IFRS 3 purchase consideration)	**-**	(4,111)
Net cash used in investing activities	**(49,537)**	(13,728)
Cash flows from financing activities		
Proceeds from issue of share capital	**3,605**	2,567
Drawdown of loans and borrowings	**76,933**	8,900
Repayment of borrowings	**(35,210)**	(1,766)
Payment of finance lease liabilities	**(1,547)**	(7)
Interest paid	**(1,386)**	(679)
Dividends paid	**(5,107)**	(4,316)
Net cash generated from financing activities	**37,288**	4,699
Net increase in cash and cash equivalents	**1,130**	734
Cash and cash equivalents at 1 March	**18,798**	12,365
Effects of exchange rate changes on cash held	**200**	(115)
Cash and cash equivalents at 31 August	**20,128**	12,984

The Group has initially applied IFRS 16 at 1 March 2019. Under the transition method chosen comparative information has not been restated; see note 1.

Notes to the Interim Results

1 Accounting policies

Basis of Preparation

The results for the six months ended 31 August 2019 are unaudited and have not been reviewed by the Company's Auditors. Except as described below they have been prepared on accounting bases and policies that are consistent with those used in the preparation of the financial statements of the Company for the year ended 28 February 2019.

The financial statements contained in this report do not constitute statutory accounts within the meaning of Section 477 of the Companies Act 2006. They have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. The results for the period ended 28 February 2019 were prepared under International Financial Reporting Standards (IFRSs) as adopted by the EU ("adopted IFRSs") and reported on by the auditors and received an unqualified audit report. Full accounts for the period ended 28 February 2019 have been delivered to the Registrar of Companies.

Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

Changes in accounting policies

The following standards, amendments and interpretations were effective for accounting periods beginning on or after 1 March 2019 and these have been adopted in the Group financial statements where relevant:

- IFRS 16 Leases;
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle;
- IFRIC 23 Uncertainty over income tax treatment.

The effects of applying IFRS 16 is described in further detail below. The other changes listed above did not result in material changes to the Group financial statements.

IFRS 16 Leases

The Group adopted IFRS 16 from 1 March 2019 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 2019; as such, comparative information has not been restated to reflect the new requirements.

IFRS 16 changed lease accounting mainly for lessees and replaced the existing standard IAS 17. An asset for the right to use the leased item and a liability for future lease payments is recognised for all leases, subject to limited exemptions for short-term leases and low-value lease assets. The costs of leases are recognised in profit or loss split between depreciation of the lease asset and a finance charge on the lease liability. This is similar to the accounting for finance leases under IAS 17, but substantively different to the accounting treatment for operating leases under which no lease asset or lease liability was recognised. IFRS 16 also includes an election which permits a lessee not to separate non-lease components (e.g. maintenance) from lease components and instead capitalise both the lease cost and associated non-lease costs.

The standard primarily affected the accounting for the Group as a lessee under operating leases. The application of IFRS 16 resulted in the recognition of additional assets and liabilities in the Group balance sheet and in the consolidated income statement and it replaced the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities. The Group availed of the recognition exemption for short-term and low-value leases. The Group also elected to use the following practical expedients available on transition to IFRS 16:

- not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or modified before 1 March 2019;

- use hindsight in determining the lease term;
- apply a single discount rate to portfolios of leases with reasonably similar characteristics;
- not to separate non-lease components, instead accounting for any lease and associated non-lease components as a single arrangement.

All right-of-use assets were measured at the amount of the lease liability on adoption. The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 March 2019 is 3.75%.

Details of the Group's accounting policies under IFRS 16 are set out below:

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A lease conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or upon reassessment of the arrangement, the Group allocates the consideration for lease and non-lease components on the basis of their relative fair values. However, for certain leases of properties the Group has elected not to separate non-lease components and instead accounts for the lease and non-lease components as a single arrangement. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. It is remeasured, with a corresponding adjustment to the right-of-use asset, when there is a change in the future lease payments. The lease liability is presented within loans and borrowings in the consolidated balance sheet.

The right-of-use assets is initially measured at cost, comprising the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use asset is tested for impairment if there are any indicators of impairment. The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment.

For short-term leases and leases of low-value assets lease payments are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. This expense is presented within other operating expenses in the consolidated income statement.

Prior to 1 March 2019 the policy was as follows:

i) *Operating lease payments*
   Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the terms of the lease.

ii) Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Impact of conversion

The following table summarises the impact of transition to IFRS 16 on retained earnings at 1 March 2019.

Retained earnings	**Impact of adopting IFRS 16 at 1 March 2019 £'000**
a Property, plant and equipment: Recognition of property, plant and equipment	23,159
b Trade and other receivables: Rent prepayment adjustment	399
c Loan and borrowings non-current: Recognition of long-term lease liability	(19,988)
c Loan and borrowings current: Recognition of short-term lease liability	(3,171)
Impact at 1 March 2019	**399**

The following tables summarise the impacts of adopting IFRS 16 on the Group's interim income statement for the six months ended 31 August 2019 and the Group's interim balance sheet for each of the line items affected.

Impact on the consolidated income statement

	Six months ended 31 August 2019 (unaudited)			Six months ended 31 August 2018 (unaudited)
	As reported (IFRS 16)	**Adjustments**	**Amounts without adoption of IFRS 16**	Amounts without adoption of IFRS 16
	£'000	**£'000**	**£'000**	£'000
Total revenue	**116,676**	**-**	**116,676**	105,574
Total cost of sales	**(68,697)**	**-**	**(68,697)**	(61,692)
Gross profit	**47,979**	**-**	**47,979**	43,882
Administrative expenses	**(18,874)**	**(272)**	**(19,146)**	(19,337)
Other operating costs	**(18,503)**	**-**	**(18,503)**	(16,222)
Total operating costs	**(37,377)**	**(272)**	**(37,649)**	(35,559)
Operating profit	**10,602**	**(272)**	**10,330**	8,323
Depreciation and amortisation	**7,083**	**(1,557)**	**5,526**	4,774
Other EBITDA adjustments	**4,299**	**-**	**4,299**	4,971
Adjusted EBITDA	**21,984**	**(1,829)**	**20,155**	18,068
Finance expense	**(1,628)**	**272**	**(1,356)**	(714)
Other finance costs	**(534)**	**-**	**(534)**	(45)
Net finance costs	**(2,162)**	**272**	**(1,890)**	(759)
Share of loss of associate, net of tax	**(8)**	**-**	**(8)**	(6)
Profit before taxation	**8,432**	**-**	**8,432**	7,558
Income tax expense	**(1,791)**	**-**	**(1,791)**	(1,626)
Profit for the period	**6,641**	**-**	**6,641**	5,932

Impact on the consolidated balance sheet

	Note	As reported (IFRS 16) £'000	Adjustments £'000	As at 31 August 2019 (unaudited) Amounts without adoption of IFRS 16 £'000	As at 31 August 2018 (unaudited) Amounts without adoption of IFRS 16 £'000	As at 28 February 2019 (audited) Amounts without adoption of IFRS 16 £'000
Property, plant and equipment	*a*	**32,597**	**(22,332)**	**10,265**	8,691	10,162
Other non-current assets		**200,819**	**-**	**200,819**	193,530	189,454
Non-current assets		**233,416**	**(22,332)**	**211,084**	202,221	199,616
Trade and other receivables	*b*	**61,516**	**(697)**	**60,819**	57,065	57,915
Other current assets		**22,783**	**-**	**22,783**	12,984	20,259
Current assets		**84,299**	**(697)**	**83,602**	70,049	78,174
Total assets		**317,715**	**(23,029)**	**294,686**	272,270	277,790
Retained earnings		**38,516**	**(399)**	**38,117**	31,831	36,560
Other equity		**118,437**	**-**	**118,437**	106,476	106,250
Equity attributable to shareholders		**156,953**	**(399)**	**156,554**	138,307	142,810
Loans and borrowings	*c*	**95,188**	**(19,284)**	**75,904**	33,805	289
Other non-current liabilities		**14,926**	**-**	**14,926**	11,742	14,127
Non-current liabilities		**110,114**	**(19,284)**	**90,830**	45,547	14,416
Loans and borrowings	*c*	**8,094**	**(3,346)**	**4,748**	3,339	34,998
Other current liabilities		**42,554**	**-**	**42,554**	85,077	85,566
Current liabilities		**50,648**	**(3,346)**	**47,302**	88,416	120,564
Total liabilities		**160,762**	**(22,630)**	**138,132**	133,963	134,980
Total equity and liabilities		**317,715**	**(23,029)**	**294,686**	272,270	277,790

2 Segmental Reporting

Information about reportable segments

	Managed services and consulting		Software		Total	
	2019	2018	**2019**	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Revenue by segment						
Revenue	**45,235**	42,463	**71,441**	63,111	**116,676**	105,574
Cost of sales	**(34,411)**	(33,293)	**(34,286)**	(28,399)	**(68,697)**	(61,692)
Gross profit	**10,824**	9,170	**37,155**	34,712	**47,979**	43,882

Geographical location analysis

	2019	2018
	£'000	£'000
UK	**31,272**	29,891
Rest of Europe	**21,920**	17,483
North America	**49,599**	47,105
Asia Pacific	**13,885**	11,095
Total	**116,676**	105,574

3 Revenue

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	**45,235**	42,463	**44,565**	40,252	**89,800**	82,715
MarTech	**-**	-	**22,429**	19,789	**22,429**	19,789
Other	**-**	-	**4,447**	3,070	**4,447**	3,070
	45,235	42,463	**71,441**	63,111	**116,676**	105,574
Type of good or service						
Sale of goods – perpetual	-	-	**3,160**	6,615	**3,160**	6,615
Sale of goods – recurring	-	-	**28,293**	23,823	**28,293**	23,823
Rendering of services	**45,235**	42,463	**39,988**	32,673	**85,223**	75,136
	45,235	42,463	**71,441**	63,111	**116,676**	105,574
Timing of revenue recognition						
At a point in time	-	-	**3,160**	6,615	**3,160**	6,615
Over time	**45,235**	42,463	**68,281**	56,496	**113,516**	98,959
	45,235	42,463	**71,441**	63,111	**116,676**	105,574

4 Dividends

An Interim dividend of 8.50p per share will be made for the six months to 31 August 2019. This will be paid to shareholders on 5 December 2019 to shareholders on the register on 15 November 2019. The shares will be marked Ex-Dividend on 14 November 2019.

5 Earnings per Share

Basic earnings per share for the six months ended 31 August 2019 has been calculated on the basis of the reported profit after taxation of £6.6m (H1 2019: £5.9m) and the weighted average number of shares for the period of 26,396,587 (H1 2019: 25,767,759). This provides basic earnings per share of 25.2 pence (H1 2019: 23.0 pence).

Diluted earnings per share for the six months ended 31 August 2019 has been calculated on the basis of the reported profit after taxation of £6.6m (H1 2019: £5.9m) and the weighted average number of shares after adjustment for the effects of all dilutive potential ordinary shares 27,496,863 (H1 2019: 27,341,839). This provides diluted earnings per share of 24.2 pence (H1 2019: 21.7 pence).

The Board considers that adjusted earnings is an important measure of the Group's financial performance. Adjusted earnings in the period was £10,892k (H1 2019: £10,571k), which excludes the amortisation of acquired intangibles of £1,850k, (H1 2019: £1,846k) share-based payments of £1,578k (H1 2019: £1,543k), acquisition costs of £871k (H1 2019: £1,582k), loss on foreign currency translation of £548k (H1 2019: £46k), share of loss of associate £8k (H1 2019: £6k) and associated taxation impact of these adjustments of £604k (H1 2019: £384k). Using the same weighted average of shares as above provides adjusted basic earnings per share of 41.3 pence (H1 2019: 41.0 pence) and adjusted diluted earnings per share of 39.6 pence (H1 2019: 38.7 pence).

6 Property, plant and equipment

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2019	5,092	16,151	1,201	-	22,444
Adjustment on initial application of IFRS 16	-	-	-	23,159	23,159
Additions	18	1,211	10	-	1,239
Exchange adjustments	76	620	10	762	1,468
At 31 August 2019	**5,186**	**17,982**	**1,221**	**23,921**	**48,310**
Depreciation					
At 1 March 2019	2,099	9,425	758	-	12,282
Charge for the period	189	1,224	116	1,557	3,086
Exchange adjustments	45	258	10	32	345
At 31 August 2019	**2,333**	**10,907**	**884**	**1,589**	**15,713**

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2018	3,622	12,840	869	-	17,331
Additions	1,005	1,208	252	-	2,465
Exchange adjustments	38	7	4	-	49
At 31 August 2018	4,665	14,055	1,125	-	19,845
Depreciation					
At 1 March 2018	1,696	7,357	564	-	9,617
Charge for the period	302	1,112	81	-	1,495
Exchange adjustments	6	35	1	-	42
At 31 August 2018	2,004	8,504	646	-	11,154
Carrying amounts					
At 1 March 2018	1,926	5,483	305	-	7,714
At 31 August 2018	2,661	5,551	479	-	8,691
At 1 March 2019	2,993	6,726	443	-	10,162
At 31 August 2019	**2,853**	**7,075**	**337**	**22,332**	**32,597**

7 Loans and borrowings

	31 August 2019 £'000	31 August 2018 £'000	28 February 2019 £'000
Current liabilities			
Secured bank loans	**4,651**	3,339	34,909
Lease liabilities	**3,443**	-	89
	8,094	3,339	34,998
Non-current liabilities			
Secured bank loans	**75,638**	33,805	-
Lease liabilities	**19,550**	-	289
	95,188	33,805	289

8 Trade and other payables

	31 August 2019 £'000	31 August 2018 £'000	28 February 2019 £'000
Current liabilities			
Trade payables	**7,143**	6,632	6,638
Other payables	**11,117**	9,852	10,191
Accruals	**888**	901	699
Deferred income	**17,546**	16,078	19,537
Government grants	**698**	899	390
NCI forward	**-**	41,327	40,091
	37,392	75,689	77,546

	31 August 2019 £'000	31 August 2018 £'000	28 February 2019 £'000
Non-current liabilities			
Government grants	**2,729**	1,360	2,597
Accruals	**1,044**	-	703
	3,773	1,360	3,300

9 Interim Report

Copies can be obtained from the Company's head and registered office: 3 Canal Quay, Newry, Co. Down, BT35 6BP and are available to download from the Company’s web site www.firstderivatives.com.