19 May 2020

First Derivatives plc

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

Full year results for the year ended 29 February 2020

FD (AIM: FDP.L, Euronext Growth: FDP.I) today announces its audited results for the year ended 29 February 2020.

Financial Highlights

Year to 29 February	2020	2019	*Change*
Revenue	£237.8m	£217.4m	*+9%*
Gross profit	£101.1m	£91.3m	*+11%*
Adjusted EBITDA*	£45.5m	£38.9m	*+17%*
Profit** before tax	£18.3m	£16.7m	*+9%*
Reported diluted EPS	54.2p	47.9p	*+13%*
Full year dividend per share	8.5p	27.0p	*-69%*
Net debt***	£49.4m	£16.5m	

*Adjusted for share-based payments and acquisition costs; FY 2020 adjusted EBITDA (excluding impact of IFRS 16): £41.4m (+6%)
**Includes foreign currency translation effect and deferred consideration on prior acquisitions
***Excluding lease obligations under IFRS 16

Business Highlights

- Software revenue up 13% to £148.4m (2019: £130.9m), driven by 23% growth in recurring software license revenue
- Significant contract wins in our core FinTech market and progress in our drive to achieve market leadership by building out the capabilities of our solutions.
- Partner agreements and contract wins across our target markets of automotive, manufacturing and energy as we focus on those markets where Kx provides the greatest competitive advantage, including a global Kx partnership agreement announced separately today with Tata Consultancy Services (TCS).
- MRP Prelytix subscription revenue up 33% to £25.6m (2019: £19.3m) as we increase the platform's functionality and it becomes recognised as a leader in its market.
- Managed services and consulting revenue up 3% to £89.4m (2019: £86.5m) with strong order intake in H2 but lower growth due to a delayed start to two multi-year contracts.
- Launch of Kx 4.0 with increased performance, security, visualisation and machine learning capabilities to spearhead our push to wide adoption of Kx across industries.
- Finalisation 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.
- Appointments of Seamus Keating as Chief Executive Officer and Donna Troy as Chairman in January 2020.

Donna Troy, Chairman of FD, commented: "The past year has been one of the most significant in the Group's history, having to cope with the sudden loss of our founder and CEO, Brian Conlon, and then the challenges posed by COVID-19. I am proud of the way our business has pulled together to address these challenges, working as one to support our customers and position ourselves for the next stage of our growth journey.

Against that backdrop, these results represent a period of solid execution. In the short term, while it is still too early to determine the impact of COVID-19, the Group has acted to protect the health and wellbeing of employees, to support the business-critical operations of our customers and to ensure our ongoing financial liquidity. In the longer term, we believe the Group has never been so strategically well placed, with our customers and partners telling us that Kx streaming analytics technology changes the game for them. We have set ourselves some demanding goals and I firmly believe we have the best technology and people to achieve them."

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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, 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

Conference call and webcast

FD will host a live webcast at 09.30 BST today which can be accessed via this link:

https://edge.media-server.com/mmc/p/xbwpximc

Business Review

The Group has delivered another year of solid growth, in which revenue increased by 9% to £237.8m and adjusted EBITDA increased by 17% to £45.5m. This growth was driven by good progress in the execution of our strategy, although we also faced challenges, including the loss of our CEO and founder, Brian Conlon, and dealing with the impact of COVID-19.

In line with our continuity planning Seamus Keating was appointed as Executive Chairman in July 2019 and, following a selection process, as Chief Executive Officer in January 2020. Donna Troy, previously a Non-Executive Director, was appointed Chairman in January 2020. Throughout the year, our strategy has remained unchanged while our execution has evolved to focus more sharply on the most compelling commercial opportunities across the business. These include:

- In FinTech, by combining the performance of Kx with our domain expertise to focus on achieving market leadership for our core solutions. This includes, for example, building out the capabilities of our surveillance platform to cover multiple asset classes in a single platform.
- In software markets outside FinTech, by focusing on those markets where Kx provides the greatest competitive advantage. This typically means enabling streaming analysis of data from machines, including at the edge.
- In managed services and consulting, by focusing on commercialising our expertise in middle and front-office trading systems, risk and regulatory reform and back-office efficiency programmes.

Across our business, as our customers increasingly pivot to the cloud, we are directing our efforts to ensure that Kx and our data expertise are in pole position to help them obtain the benefits of agility and flexibility by enabling easy access to the competitive advantages Kx provides. The recent launch of serverless kdb+ is an important initiative to accelerate this process.

Kx streaming analytics is a game changer, enabling new ways of working that deliver operational efficiency and generate new revenue streams for our clients. Examples include analysing streaming data from machines in precision manufacturing to improve yields and reduce waste; mining vast volumes of intent data to deliver sales leads that convert at higher rates than competing methods; and streaming analytics on F1 cars to increase safety and improve lap times.

We are harnessing all of our R&D and sales and marketing efforts to support our focus on these key areas, which represent enormous market opportunities. Our aim over the medium term is to ensure that our targeted investment in these areas enables us to scale our business and create value for all stakeholders.

Kx streaming analytics

Kx enables the analysis of vast quantities of data, both streaming and historical, at cost and performance levels unmatched by competing solutions. At its core, the technology comprises the kdb+ database, with its highly efficient 800kb footprint, and an enterprise layer designed to maximise analytic performance while providing vital functions such as security, control and visualisation.

Kx streaming analytics delivers considerable competitive advantage. In addition to being orders of magnitude faster than competing solutions, Kx delivers hardware, space, cooling and power savings of 80-90%, based on the results of head-to-head testing during proof of concept projects with potential clients. Flexibility is another differentiator, with the ability to deploy at the edge, on-premise, and in any cloud architecture. The stability of our platform, which is tried and tested across some of the most demanding industries in the world, is also important to clients, providing competitive advantage against emerging technologies that cannot demonstrate the resilience achieved by Kx.

To harness the power of Kx, the Group has developed a number of applications specific to FinTech and MarTech, while third parties, such as an OEM partner or a direct customer, have integrated Kx into their own solutions and built new applications using our development tools. This approach enables these third parties to deliver a solution that meets their specific business needs while benefiting from Kx's performance advantages.

<u>Research and development</u>

Our R&D initiatives are designed to further our strategy, by building on our leading position in FinTech and by enabling Kx to penetrate other target markets. We also continue our ongoing focus to ensure that the significant performance advantages Kx holds over competing solutions are maintained, if not enhanced. Taken together, our R&D efforts are crucial to our ability to change the game for customers and therefore for our long-term competitiveness.

Over the course of the past year we picked up the pace of our technology development, adopting an agile product development strategy that resulted in major improvements to Kx's performance and over 250 separate features across our platform and application products. We also increased support for Kafka and Python, aiding our push to make Kx a leading platform for machine learning and AI.

We also set a roadmap for Kx streaming analytics which we believe will further enhance our market position in FinTech and provides the foundation for growth across our target markets.

Building on our leading position in FinTech. Our enterprise customers across financial services use our technology for its performance, enabling them to capture, store and analyse millions of data points per second in streaming market data and enormous volumes of historical data. We augmented this capability with improved real-time visualisation functionality, enhanced security features and by making our developer tools available to our enterprise customers as part of their existing license agreements.

Penetrating other target markets using the performance advantages of Kx. To increase awareness and promote our technology we 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 Kx and enable as wide a community as possible to understand its potential to solve the toughest data challenges.

Another key focus of our recent R&D work has been on boosting Kx's performance and ability to operate in cloud environments:

- The recent launch of version 4.0 delivers major performance improvements by taking advantage of all the processing capability inherent in modern computing systems, which builds on the work we have done over the years with partners such as Intel. We anticipate that 4.0 will set new benchmarks that will further extend Kx's performance leadership.

- Kx has long been able to run in the cloud, whether public, private or hybrid, and we are extending that capability to deliver serverless kdb+, removing the need for users to run and manage physical infrastructure. This approach significantly accelerates development effort and allows users to pay only for the time they use for functional workloads. This reduces the operational cost of Kx solutions and as a result broadens the addressable market for our technology. The initial launch of serverless Kx will be on the Amazon Web Services Lambda platform.

- Kx is the only database that offers native support for Intel's Optane, a high-performance storage and memory technology that Amazon and Google are deploying across their datacentres.

Taken together, our R&D initiatives are supporting our strategy by 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, with the goal of driving revenue and profit growth.

Business development

FinTech

FinTech software continued to deliver strong growth, with revenue up by 11% to £89.4m (2019: £80.2m). This growth was driven by continued demand for solutions such as regulatory and risk reporting, market surveillance and trade analytics. Combining the power of our Kx platform with our domain expertise within capital markets enables us to develop applications that have both the power and functionality to lead the market.

During the year we signed several new multi-year contracts, including:

- One of our largest ever deals, developing a next generation FX trading platform for SMBC Bank, where Kx will become an integral component of the bank's global FX trading.
- A multi-asset class surveillance solution for a North American bank.
- 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.

We are well positioned to continue to grow our solution revenue as market trends move increasingly in favour of our technology. The introduction of serverless kdb+ comes at a time when banks are accelerating their plans to move their data and applications to the cloud, driven by development agility and business flexibility demands. We expect this will be a multi-year structural shift that will drive growth across our business, as banks seek to standardise on best-in-class technologies.

We also see an increase in regulatory demands, leading banks to implement powerful solutions to demonstrate compliance to their industry regulators across asset classes. Given this backdrop we have enhanced our powerful and flexible trade surveillance software, to enable banks to achieve a holistic solution. This encompasses communications surveillance, launched during the year with a reference customer, and multi-asset class surveillance within a single platform. This is a unique offering that simplifies the process of surveillance and enables new insights across the bank's activities.

We have a growing base of recurring revenue within FinTech and a pipeline of opportunities across our solutions and the geographies in which we operate.

MarTech

Revenue from MarTech increased by 14% to £47.3m (2019: £41.4m). Our solution, powered by Kx and branded as MRP Prelytix, changes the game for organisations by enabling them to identify and engage potential customers earlier and more effectively, driving greater revenue and market share. It does so using predictive analytics derived from billions of data points, enabling clients to dynamically activate a wide range of sales and marketing tactics informed by real-time insights, in an approach known as Account Based Marketing (ABM).

Industry analyst Forrester recently forecast that by 2025 ABM would become the mainstream approach for business-to-business marketing, as organisations adopt an account-centric view to identify, plan, manage and measure their activities. In its report Forrester recognised MRP Prelytix as a "leading, established" ABM vendor.

We provide our platform on a subscription basis, supported by engagement services to assist lead management and conversion. Our clients report that we generate a return on investment for them that is considerably higher than competing solutions. Global technology companies currently form the core of our client base, as exemplified through significant new client wins during the year including Advanced Micro Devices, a cloud-based communications provider and several leading hardware providers. We continue to seek to diversify our MRP Prelytix client base, with financial services and management consultancy representing particularly attractive markets that delivered important new clients in the year.

During the year we continued to add new functionality to extend our market leadership. We increased the advanced analytics available in our platform, enabling our customers to build their own AI-driven models to optimise results, and delivered a new configurable dashboard that provides a single view of the customer using all the available data. We also introduced content syndication, which extends our reach deeper into clients by working with their agency partners to capture more of their total sales and marketing spend.

The unique insights provided by MRP Prelytix and our constant technical innovation resulted in growing industry recognition. In addition to securing 'Best Overall ABM Solution' at the 2019 MarTech Breakthrough Awards, analyst Research in Action categorised our solution as 'Market Leader' and noted that it scored highest in customer satisfaction in its market review.

We ended the year with good momentum in MarTech, as our investment in innovation drives industry recognition and increasing use of MRP Prelytix is proving the value it delivers for customers. Our priorities for the current year are to further differentiate our platform by building on its functionality, to drive awareness of our platform to generate new direct and agency customers, and to penetrate deeper within our existing customers by demonstrating the return on investment we generate for them.

Industry

Revenue from industry grew by 26% to £11.7m (2019: £9.3m). The performance of Kx streaming analytics and the operational efficiency it enables make it of considerable interest across multiple high value markets where the volume and velocity of data present significant challenges. Having evaluated these opportunities, we are focusing on the markets where our competitive advantage is most compelling in terms of the return on investment it delivers for our customers. These are:

- *Automotive* – The initial deployments of Kx in automotive were in F1, notably with Aston Martin Red Bull Racing where in our role as Innovation Partner we provide analytics both in the wind tunnel and in-race telemetry through streaming analytics on sensor data. We have added further contract wins with F1 teams for similar applications of Kx and we have a growing pipeline of opportunities across motor sport. Our capabilities have attracted the attention of global automotive companies and we are engaged with them on different initiatives around the design and production of vehicles. We are also engaged with vendors in the connected car ecosystem, where the capability of Kx to operate at the edge and in real time is particularly attractive. We see a growing opportunity for Kx streaming analytics to be a key element of the automotive ecosystem.
- *Energy* – Analysing data from the vast number of smart meters and sensors attached to production, transmission and distribution systems is increasingly challenging for energy market participants. Based on working with a range of partners and customers we believe Kx is the ideal platform for use cases across efficiency, regulation, and innovative services. Working alongside our partner CGI, which counts many of the world's leading utilities as customers, we are on track to deliver a next generation electricity information exchange for Fingrid, the transmission system operator for Finland. We expect this to act as a reference site, with numerous utilities due to upgrade their systems in the coming years. In February 2020 we signed an agreement with a global oilfield services company to provide operational intelligence at the edge, where compute resources are limited, while aggregating data centrally. These use cases are illustrations of the many ways in which Kx can provide high returns on investment across the energy market.
- *Manufacturing* – Maximising yield and reducing waste are key goals for manufacturers and Kx has demonstrated its ability in both these areas through multiple contract wins and partner agreements. During the year we announced a partnership agreement with Keysight Technologies, to integrate Kx within its PathWave Manufacturing Analytics platform, adding to prior agreements with global semiconductor manufacturing companies including BISTel and a Fortune 500 company that are expected to contribute to our growth in this market. After the year-end we signed a global partnership agreement with Tata Consultancy Services (TCS) under which it will develop and deploy solutions based on Kx streaming analytics, targeted at its customer base across multiple industries. We see manufacturing as a very large and attractive market and expect to continue to sign customer and partnership agreements.

Our strategy is to seek predictable, long-term revenue streams, such as OEM and revenue share agreements, while securing direct sales that establish a beach head in these markets. We are pleased with the high level of interest we are seeing across industries in the adoption of our software, from both potential customers and partners. We also have a significant pipeline of direct sales opportunities across these markets.

Managed services and consulting

Revenue from managed services and consulting was £89.4m, an increase of 3% on the prior year (2019: £86.5m). 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 technology skill sets and domain expertise within capital markets.

Our strategy is to become a leading global capital markets practice and to achieve that we are focused on building out and scaling up the services we provide supporting middle and front-office trading systems, delivering risk and regulatory reform programs, and using AI and automation to increase efficiency in back-office systems. Our clients tell us that our highly skilled and motivated consultants change the game for them - they set the pace, direct others in their organisation and challenge the ways things are done.

We seek long-term relationships with our clients, working as a trusted partner to deliver under managed services contracts and multi-year assignments. This approach provides high levels of revenue visibility, with a typical expectation that at any point in time at least 80% of current revenue will repeat during the next 12 months.

Growth during the period, while ahead of the market in which we operate, was below that delivered in recent years. This was due to a combination of slower client decision making throughout the year and timing issues relating to roll-on and roll-off on several third-party vendor implementation projects. Despite this we believe that we have made good progress in delivering our strategic objective during the year, with important new multi-year contract wins across our target markets including:

- A European bank selected us to deliver the multi-year implementation of a third-party trading and risk management system, which will transition to support and development when the implementation is complete.
- A North American bank selected us to deliver a programme of regulatory-driven projects coupled with an application upgrade.
- A Japanese bank selected us to implement Robotic Process Automation for recurring back-office tasks.
- A UK financial institution selected us to assist with its cloud strategy.

Leadership and people

FD founder and CEO Brian Conlon passed away in July 2019. Brian stamped his culture and values throughout FD, and this will ensure his legacy will live on, even though Brian will be sorely missed.

Under the Group’s succession planning, Non-Executive Chairman Seamus Keating was appointed Executive Chairman in July 2019 and, following a search process led by the Non-Executive Directors, appointed Chief Executive Officer in January 2020. Seamus has extensive leadership expertise in the global technology sector, including executive roles in both finance and operations within multi-national technology companies, notably at Logica, and is a qualified accountant.

Donna Troy, who has been a Non-Executive Director since January 2018, was appointed Non-Executive Chairman in January 2020. She has held CEO, division general management and sales leadership roles in organisations including IBM, Partnerware, McAfee, SAP, Dell and Epicor, delivering revenue and margin growth and implementing global go-to-market strategies.

More than 2,400 people work for FD, broadly unchanged from last year as we have focused on consolidating our position following record levels of recruitment in recent years. We provide outstanding career opportunities, driven by our graduate recruitment process that attracts motivated, high-achieving individuals and our training programme that equips them with high levels of in-demand skills.

During the year we recruited 291 graduates, while retention rates remain in line with prior periods and are significantly higher than the industry average. We are committed to providing our employees with continued training and development programmes, a rewarding career path and a fair remuneration and reward system.

The past year has seen considerable change and challenge, including new leadership and the current COVID-19 pandemic towards the end of our financial year. The talent and work ethic of FD employees has been a key driver of the Group's success over the years and their flexibility and determination has ensured another period of success. The Board would like to thank them all for their efforts.

Post year-end event: COVID-19

Towards the end of our financial year, we successfully implemented our pandemic plan in response to COVID-19, protecting the health and wellbeing of our employees and supporting our customers. The Group issued a trading statement on 9 April 2020 relating to the impact of COVID-19 and the mitigating actions it has taken to maintain productivity and ensure financial liquidity.

In summary, by transitioning employees to remote working the Group has not seen any material financial impact on revenue to date. Sales cycles across the Group have lengthened, and we continue to monitor the impact of this on the likely financial performance for the current year. We have conducted a scenario testing exercise with a range of assumptions including a severe, extended downturn in economic activity which showed that even in this scenario the Group remains profitable and cash generative.

Notwithstanding the comfort provided by our scenario testing, the Group has acted to mitigate any future potential impact of COVID-19, including suspending non-essential business travel and deferral of the summer graduate intake. The Executive Directors will not receive a bonus payment relating to the financial year to 29 February 2020 and as noted above, the Board has determined not to recommend a final dividend payment for the year. To ensure liquidity, on 24 March 2020 we drew down £35m from our available finance facility. These funds have been placed on deposit and the Group has significant headroom on its covenants, with a further £15m of undrawn revolving credit facilities available to it.

Current trading and outlook

We entered the current financial year with a strong pipeline, good momentum and a clear strategy that provided confidence in delivering a year of strong growth. While COVID-19 has had no material financial impact to date, we have seen a lengthening of sales cycles, although it remains too early to determine the probable impact on our full year performance. We have a robust balance sheet and high levels of financial liquidity which leave us well positioned to weather the challenge and continue to invest and grow the business.

In the short term, our high levels of repeat and recurring revenue provide some mitigation from the impact of COVID-19. In the longer term, FD remains confident in its strategy and the growing demand for its world-class Kx streaming analytics from both potential customers and partners.

Financial Review

The table below details revenue growth by vertical market along with an analysis of gross profit and adjusted EBITDA.

Revenue and Gross Margin Analysis (£m)

2020	2019	Growth	2020	2019	Growth	2020	2019	Growth		2020	2019	Growth
Software by sector									Total Software			
FinTech Revenue			MarTech Revenue			Industry						
7.8	9.7	(19%)	-	-	-	4.0	3.7	11%	Perpetual	11.9	13.3	(11%)
31.4	27.7	13%	25.6	19.3	33%	2.8	1.6	77%	Recurring/subscription	59.8	48.6	23%
39.2	37.4	5%	25.6	19.3	33%	6.8	5.2	31%	Licenses	71.6	62.0	16%
									Cost of sales	(12.1)	(10.6)	14%
									Gross profit	59.6	51.4	16%
									Gross margin	83%	83%	-
50.2	42.8	17%	21.7	22.0	(2%)	4.9	4.1	20%	Services	76.8	68.9	11%
									Cost of sales	(55.1)	(48.9)	13%
									Gross profit	21.7	20.0	8%
									Gross margin	28%	29%	(1%)
89.4	80.2	11%	47.3	41.4	14%	11.7	9.3	26%	Revenue	148.4	130.9	13%
									Cost of sales	(67.2)	(59.5)	13%
									Gross profit	81.2	71.4	14%
									Gross margin	55%	55%	-
Managed services and consulting by sector									Total Managed services and consulting			
FinTech Revenue			MarTech Revenue			Industry						
89.4	86.5	3%	-	-	-	-	-	-	Revenue	89.4	86.5	3%
									Cost of sales	(69.5)	(66.6)	4%
									Gross profit	19.9	19.9	-
									Gross margin	22%	23%	(1%)
Sector Totals												
FinTech Revenue			MarTech Revenue			Industry						
178.8	**166.7**	**7%**	**47.3**	**41.4**	**14%**	**11.7**	**9.3**	**26%**	**Revenue**	**237.8**	**217.4**	**9%**
									Cost of sales	(136.6)	(126.1)	8%
									Gross profit	101.1	91.3	11%
									Gross margin	43%	42%	1%
EBITDA and net margin profit analysis												
									R&D	(13.1)	(10.7)	23%
									Sales expense	(35.4)	(32.3)	10%
									Adjusted operating expense	(17.5)	(18.0)	(3%)
									Adj. EBITDA ex cap	35.1	30.3	16%
									Capitalised R&D	10.4	8.6	22%
									Adj. EBITDA	**45.5**	**38.9**	**17%**
									Adj. EBITDA margin	19%	18%	1%

Revenue and Margins

Group revenue increased organically by 9% to £237.8m (2019: £217.4m) with software revenue increasing by 13% and managed services and consulting revenue by 3%. Software growth was led by growth in recurring and subscription license revenue, balanced by a reduction in perpetual license revenue. Gross margin increased slightly to 43% (2019: 42%) as growth was weighted to higher margin software revenue.

Our continued investment in the Group's operations resulted in an increase in R&D cost of 23% as we accelerated the pace of our development work. Sales and marketing costs increased by 10% as we added new sales and pre-sales staff to expand our market reach. Adjusted operating expense, reflecting the underlying operating cost of our business, fell by 3% reflecting continued control over these costs.

Software

Total software revenue increased by 13% to £148.4m (2019: £130.9m) and represented 62% of Group revenue (2019: 60%). Software license and subscription revenue increased by 16%, reflecting an 11% fall in perpetual license revenue and a 23% increase in recurring license and subscription revenue as we focused on growing this high-quality revenue. Perpetual license revenue grew by 29% in H2 against the prior year period after a weak H1; however, it remains lumpy and difficult to predict. Software services revenue increased by 11% as our implementation, development and managed services continue to experience high demand as customers engage our technology services to maximise the value that Kx delivers across industries.

Software revenue from FinTech increased by 11% to £89.4m (2019: £80.2m), reflecting a 5% increase in license revenue (13% increase in recurring license revenue offset by a 19% decrease in perpetual licenses) and 17% growth in services revenue. Total revenue from MarTech was up by 14% to £47.3m (2019: £41.4m), driven by continued growth in subscription revenue, which was up by 33% to £25.6m (2019: £19.3m), and a 2% decline in services revenue as we focus on the utilisation by customers of our platform MRP Prelytix. Subscription represented 54% of MarTech revenue, up from 47% in 2019.

Software revenue from Industry increased by 26% to £11.7m (2019: £9.3m). Of note was the increasing proportion of recurring revenue in this segment, which now represents 24% of the total (2019: 17%). While perpetual license revenue represents 35% of the total, increasingly it is delivered via partner relationships with a growing pipeline of opportunities. We continue to add to our OEM and systems integrator partnerships and see their domain expertise as important to deliver solutions to customers with "Kx inside".

Software gross margin was maintained at 55%, with a significant weighting to H2 (57%) compared to H1 (52%) due to the higher proportion of license revenue in H2.

Managed services and consulting

Managed services and consulting revenue increased by 3% to £89.4m (2019: £86.5m) while delivering gross margins of 22%, down from 23% in the prior period. A number of factors impacted revenue and profitability, including slower client decision making through the year. During H2 we achieved several important contract wins, as discussed in the Business review; however, the start of two of these multi-year projects were delayed by several months, in each case for client-specific reasons, impacting both revenue and profit for the year. These projects are now underway.

Profit before tax

Reported profit before tax increased by 9% to £18.3m (2019: £16.7m) and adjusted profit before tax decreased by 6% to £25.9m (2019: £27.5m). Both were held back by an increase of £2.2m in interest charges following the completion of the acquisition of the minority interest in Kx Systems Inc, with a further £1.0m of additional interest relating to IFRS 16 lease costs. The calculation of adjusted profit before tax is detailed below.

	2020 £m	2019 £m
Reported profit before tax	18.3	16.7
Adjustments for:		
Amortisation of acquired intangibles	3.7	3.8
Share based payment and related costs	3.1	2.4
Acquisition costs, associate disposal costs and changes in deferred consideration	2.0	4.0
(Profit)/loss on foreign currency translation	(1.0)	0.6
Share of profit of associate	(0.1)	-
Adjusted profit before tax	25.9	27.5

The Group continued to invest in research and development to maintain its technology lead, with total R&D up 23% to £13.1m.

	2020 £m	2019 £m	Movement
Research and development costs:			
Expensed during the period	2.7	2.1	*29%*
Capitalisation of product development costs	10.4	8.6	*22%*
Total research and development	13.1	10.7	*23%*
Amortisation of R&D	(8.7)	(7.2)	*21%*
Net capitalisation of R&D	1.7	1.4	*28%*

IFRS 16

The Group implemented IFRS 16, the accounting standard dealing with leases, using the cumulative catch-up 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.

Earnings per share

Reported profit after tax increased by 13% to £14.9m (2019: £13.2m) and reported diluted earnings per share also increased by 13% to 54.2p per share (2019: 47.9p).

The adjusted profit after tax for the year was £21.3m (2019: £22.9m), a decrease of 7%. The major factors impacting earnings per share were the higher interest charge referred to above and an increase in the Group's adjusted tax rate to 17.8% (2019: 16.8%).

The calculation of adjusted profit after tax is detailed below:

	2020 £m	2019 £m
Reported profit after tax	14.9	13.2
Adjustments from profit before tax	7.6	10.8
Tax effect of adjustments and US tax reform	(1.3)	(1.1)
Adjusted profit after tax	21.3	22.9
Weighted average number of ordinary shares (diluted)	27.5m	27.5m
Adjusted EPS (fully diluted)	77.4p	83.2p

The fully diluted average number of shares in issue was maintained at 27.5m resulting in adjusted fully diluted earnings per share of 77.4p, representing a decrease of 7% for the year (2019: 83.2p).

Balance sheet

Total assets increased by 21% to £335.8m (2019: £277.8m). The purchase of the non-controlling interest (NCI) in Kx Systems for $53.8m in cash in June 2019 impacted the balance sheet following settlement of the NCI forward liability. The result of this transaction saw interest costs increase in the period as new loans were drawn in US dollars. This transaction, along with the implementation of IFRS 16, saw an increase in non-current loans and borrowings of £94.0m.

Other financial assets, which includes equity investments, increased to £15.8m (2019: £13.7m).

Deferred revenue at the period end was up 11% at £21.8m (2019: £19.5m), arising from the continued focus on growing our recurring revenue.

Cash generation and net debt

The Group generated £34.4m of cash from operating activities before taxes paid (2019: £27.3m) representing 75% conversion of adjusted EBITDA (2019: 84%).

At the period end, net debt (excluding finance leases) was £49.4m (2019: £16.5m). The factors impacting the movement in net debt are summarised in the table below:

	2020 £m	2019 £m
Opening net debt (excluding lease liabilities)	(16.5)	(16.2)
Operating cash flow	34.4	27.3
Deferred consideration paid (IAS 19 remuneration)	-	5.3
Operating cash flow before impact of IAS 7 for deferred consideration paid	34.4	32.7
Taxes paid	(3.0)	(3.5)
Dividends paid	(7.4)	(6.3)
Capital expenditure: property, plant and equipment	(2.3)	(4.1)
Capital expenditure: intangible assets	(11.0)	(9.2)
Deferred consideration paid	-	(5.3)
Acquisition of subsidiaries	-	(0.6)
Settlement of NCI forward	(42.9)	
Investments	(1.6)	(4.6)
Issue of new shares	10.1	3.2
Interest, foreign exchange and other	(9.2)	(2.5)
Closing net debt (excluding lease liabilities)	**(49.4)**	**(16.5)**

The Group assists innovative start-up and scale-up businesses seeking to use the power of Kx to change the game, 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 2020 the Group advanced £2.3m in equity and loans to its new and existing venture agreement companies with a maximum further commitment of up to £1.8m across all 27 venture agreements.

	2020	2019	Total to date
Number of venture agreements in period	**9**	**9**	**27**
Equity and loans advanced (£m)	2.3	7.8	18.9
Outstanding commitment (£m)	1.8	2.3	
Revenue share agreements	**9**	**9**	**20**
Revenue recognised for software services (£m)	2.8	2.1	8.0
Licenses recognised under revenue share agreements (£m)	0.8	0.4	1.5

Dividend

The Board has determined not to recommend a final dividend for the year, as communicated in the trading update issued on 9 April 2020. As a result, the total distribution relating to the year is the interim dividend of 8.50p per share (2019 total dividend: 27.00p per share).

Consolidated statement of comprehensive income

Year ended 29 February 2020

	Note	2020 £'000	2019 £'000
Revenue			
Software licenses and services	2	**148,401**	130,888
Managed services and consulting	2	**89,389**	86,463
Total revenue		**237,790**	217,351
Cost of sales			
Software licenses and services	2	**(67,184)**	(59,465)
Managed services and consulting	2	**(69,458)**	(66,594)
Total cost of sales		**(136,642)**	(126,059)
Gross profit		**101,148**	91,292
Operating costs			
Research and development costs		**(13,132)**	(10,662)
– Of which capitalised		**10,431**	8,573
Sales and marketing costs		**(35,399)**	(32,273)
Administrative expenses		**(41,818)**	(38,455)
Impairment loss on trade and other receivables		**336**	(19)
Other income		**179**	277
Total operating costs		**(79,403)**	(72,559)
Operating profit		**21,745**	18,733
Acquisition costs and changes in contingent deferred consideration		**1,990**	3,975
Share based payment and related costs		**3,119**	2,473
Depreciation and amortisation	5 & 6	**14,984**	9,958
Amortisation of acquired intangible assets	6	**3,684**	3,799
Adjusted EBITDA		**45,522**	38,938
Finance income		**26**	37
Finance expense		**(4,666)**	(1,478)
Gain/(Loss) on foreign currency translation		**1,019**	(592)
Net finance costs		**(3,621)**	(2,033)
Share of gain/(loss) of associate, net of tax		**126**	(23)
Profit before taxation		**18,250**	16,677
Income tax expense		**(3,357)**	(3,502)
Profit for the year		**14,893**	13,175

	2020 £'000	2019 £'000
Profit for the year	**14,893**	13,175
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	**1,394**	2,958
Net (loss)/gain on hedge of net investment in foreign subsidiaries	**(2,920)**	(728)
	(1,526)	2,230
Other comprehensive income for the period, net of tax	**(1,526)**	5,817
Total comprehensive income for the period attributable to owners of the parent	**13,367**	18,992

	Note	Pence	Pence
Earnings per share			
Basic	4a	**55.9**	50.9
Diluted	4a	**54.2**	47.9

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

Consolidated balance sheet

As at 29 February 2020

	Note	2020 £'000	2019 £'000
Assets			
Property, plant and equipment	*5*	**37,143**	10,162
Intangible assets and goodwill	*6*	**154,416**	151,965
Equity accounted investee		**2,937**	2,711
Other financial assets		**15,750**	13,706
Trade and other receivables		**5,000**	5,720
Deferred tax assets		**14,982**	15,352
Non-current assets		**230,228**	199,616
Trade and other receivables		**76,330**	57,915
Current tax receivable		**3,142**	1,461
Cash and cash equivalents		**26,068**	18,798
Current assets		**105,540**	78,174
Total assets		**335,768**	277,790
Equity			
Share capital		**136**	131
Share premium		**91,002**	79,726
Merger reserve		**8,118**	8,118
Share option reserve		**13,775**	10,744
Fair value reserve		**3,587**	3,587
Currency translation adjustment reserve		**2,418**	3,944
Retained earnings		**44,125**	36,560
Equity attributable to owners of the Company		**163,161**	142,810
Liabilities			
Loans and borrowings		**94,311**	289
Trade and other payables		**2,610**	3,300
Deferred tax liabilities		**10,585**	10,827
Non-current liabilities		**107,506**	14,416
Loans and borrowings		**10,868**	34,998
Trade and other payables		**47,719**	77,546
Current tax payable		**312**	1,004
Employee benefits		**6,202**	5,945
Contingent deferred consideration		—	1,071
Current liabilities		**65,101**	120,564
Total liabilities		**172,607**	134,980
Total equity and liabilities		**335,768**	277,790

Consolidated statement of changes in equity

Year ended 29 February 2020

	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
Total comprehensive income for the year								
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**14,893**	**14,893**
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	**-**	**-**	**-**	**-**	**-**	**1,394**	**-**	**1,394**
Net exchange loss on hedge of net investment in foreign subsidiaries	**-**	**-**	**-**	**-**	-	**(2,920)**	**-**	**(2,920)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(1,526)**	**14,893**	**13,367**
Transactions with owners of the Company								
Tax relating to share options	**-**	**-**	**-**	**1,411**	**-**	**-**	**-**	**1,411**
Exercise of share options	**4**	**10,123**	**-**	**-**	**-**	**-**	**-**	**10,127**
Issue of shares	**-**	**58**	**-**	**-**	**-**	**-**	**-**	**58**
Issue of shares as contingent deferred consideration	**1**	**1,095**	**-**	**-**	**-**	**-**	**-**	**1,096**
Share based payment charge	**-**	**-**	**-**	**1,645**	**-**	**-**	**-**	**1,645**
Transfer on forfeit of share options	**-**	**-**	**-**	**(25)**	**-**	**-**	**25**	**-**
Dividends to owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**(7,353)**	**(7,353)**
Balance at 29 February 2020	**136**	**91,002**	**8,118**	**13,775**	**3,587**	**2,418**	**44,125**	**163,161**

Consolidated statement of changes in equity

Year ended 28 February 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 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 gain 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)
Balance at 28 February 2019	131	79,726	8,118	10,744	3,587	3,944	36,560	142,810

Consolidated cash flow statement

Year ended 29 February 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Profit for the year	**14,893**	13,175
Adjustments for:		
Net finance costs	**3,621**	2,033
Depreciation of property, plant and equipment	**6,291**	2,744
Amortisation of intangible assets	**12,377**	11,013
Increase in deferred consideration	**—**	3,230
Equity-settled share based payment transactions	**1,645**	1,452
Grant income	**(179)**	(277)
Share of loss of associate	**(126)**	23
Deferred consideration paid (IAS 19 remuneration)	**—**	(5,317)
Tax expense	**3,357**	3,502
	41,879	31,578
Changes in:		
Trade and other receivables	**(18,869)**	(6,468)
Trade and other payables	**11,340**	2,230
Cash generated from operating activities	**34,350**	27,340
Taxes paid	**(2,957)**	(3,462)
Net cash from operating activities	**31,393**	23,878
Cash flows from investing activities		
Interest received	**26**	37
Increase in loans to other investments	**(604)**	(1,944)
Acquisition of subsidiaries, net of cash acquired	—	(591)
Settlement of NCI forward	**(42,874)**	—
Acquisition of other investments and associates	**(1,044)**	(2,652)
Acquisition of property, plant and equipment	**(2,295)**	(4,105)
Acquisition of intangible assets	**(10,972)**	(9,238)
Net cash used in investing activities	**(57,763)**	(18,493)
Cash flows from financing activities		
Proceeds from issue of share capital	**10,127**	3,147
Drawdown of loans and borrowings	**76,933**	8,900
Repayment of borrowings	**(36,751)**	(3,558)
Payment of lease liabilities (2019: finance lease liabilities)	**(4,531)**	(48)
Interest paid	**(3,482)**	(1,457)
Dividends paid	**(7,397)**	(6,336)
Net cash generated in financing activities	**34,899**	648
Net increase in cash and cash equivalents	**8,529**	6,033
Cash and cash equivalents at 1 March	**18,798**	12,365
Effects of exchange rate changes on cash held	**(1,259)**	400
Cash and cash equivalents at 29 February	**26,068**	18,798

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 29 February 2020 or 28 February 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 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

IFRS 16 Leases

The Group adopted IFRS 16 from 1 March 2019 using the cumulative catch-up method with the 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 statement of comprehensive income 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; and
- 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%.

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	24,964
b Trade and other payables: Rent accruals adjustment	1,109
c Loan and borrowings non-current: Recognition of long-term lease liability	(22,906)
c Loan and borrowings current: Recognition of short-term lease liability	(3,167)
Impact at 1 March 2019	**-**

The adoption of IFRS 16 has also impacted the classification of associated cash flows in the consolidated cash flow statement – lease cash flows previously presented as operating cash flows are presented as financing cash flows split into payments of principal and interest (payment of finance lease liabilities and interest paid respectively).

2. Operating and business segments

Information about reportable segments

	Managed services and consulting		Software		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Revenue by industry						
Revenue	**89,389**	86,463	**148,401**	130,888	**237,790**	217,351
Cost of sales	**(69,458)**	(66,594)	**(67,184)**	(59,465)	**(136,642)**	(126,059)
Gross profit	**19,931**	19,869	**81,217**	71,423	**101,148**	91,292

Geographical location analysis

	Revenues		Non-current assets	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
UK	**66,878**	63,309	**56,485**	42,800
Rest of Europe	**42,862**	38,090	**15,218**	11,739
North America	**100,596**	94,511	**142,476**	129,584
Australasia	**27,454**	21,441	**1,067**	141
Total	**237,790**	217,351	**215,246**	184,264

Disaggregation of revenue

	Managed services and consulting		Software		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Revenue by industry						
FinTech	**89,389**	86,463	**89,398**	80,239	**178,787**	166,702
MarTech	—	—	**47,299**	41,355	**47,299**	41,355
Industry	—	—	**11,704**	9,294	**11,704**	9,294
	89,389	86,463	**148,401**	130,888	**237,790**	217,351
Type of good or service						
Sale of goods – perpetual	—	—	**11,856**	13,348	**11,856**	13,348
Sale of goods – recurring	—	—	**59,789**	48,615	**59,789**	48,615
Rendering of services	**89,389**	86,463	**76,756**	68,925	**166,145**	155,388
	89,389	86,463	**148,401**	130,888	**237,790**	217,351
Timing of revenue recognition						
At a point in time	—	—	**11,856**	13,348	**11,856**	13,348
Over time	**89,389**	86,463	**136,545**	117,540	**225,934**	204,003
	89,389	86,463	**148,401**	130,888	**237,790**	217,351

3. Dividends

	2020 £'000	2019 £'000
Dividends paid to the owners of the parent		
Final dividend relating to the prior year	**5,084**	4,383
Interim dividend paid	**2,269**	2,001
	7,353	6,384
Dividends paid to NCI	**—**	—
	7,353	6,384

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 19.30p (previous year: 17.00p) per share and the interim dividend paid during the year amounted to 8.50p (previous year: 7.70p) per share. The cumulative dividend paid during the year amounted to 27.80p (previous year: 24.70p) 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.

	2020 £'000	2019 £'000
Nil p per ordinary share (2019: 19.3p)	**—**	5,049

4. a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 29 February 2020 was based on the profit attributable to ordinary shareholders of £14,893k (2019: £13,175k), and a weighted average number of ordinary shares in issue of 26,628k (2019: 25,909k).

	2020 Pence per share	2019 Pence per share
Basic earnings per share	**55.9**	50.9

Weighted average number of ordinary shares

	2020 Number '000	2019 Number '000
Issued ordinary shares at 1 March	**26,162**	25,641
Effect of share options exercised	**437**	243
Effect of shares issued as purchase consideration	**27**	24
Effect of shares issued as remuneration	**2**	1
Weighted average number of ordinary shares at 29 February	**26,628**	25,909

Diluted

The calculation of diluted earnings per share at 29 February 2020 was based on the profit attributable to ordinary shareholders of £14,893k (2019: £13,175k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 27,502k (2019: 27,523k).

	2020 Pence per share	2019 Pence per share
Diluted earnings per share	**54.2**	47.9

Weighted average number of ordinary shares (diluted)

	2020 Number '000	2019 Number '000
Weighted average number of ordinary shares (basic)	**26,628**	25,909
Effect of dilutive share options in issue	**874**	1,614
Weighted average number of ordinary shares (diluted) at 29 February	**27,502**	27,523

At 29 February 2020 18,885 shares (2019: 75) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. 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 £18,250k (2019: £16,677k). The number of shares used in this calculation is consistent with note 4(a) above.

	2020 Pence per share	2019 Pence per share
Basic earnings before tax per ordinary share	**68.5**	64.4
Diluted earnings before tax per ordinary share	**66.4**	60.6

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

	2020 Pence per share	2019 Pence per share
Basic earnings per share	**55.9**	**50.9**
Impact of taxation charge	**12.6**	**13.5**
Basic earnings before tax per share	**68.5**	**64.4**
Diluted earnings per share	**54.2**	**47.9**
Impact of taxation charge	**12.2**	**12.7**
Diluted earnings before tax per share	**66.4**	**60.6**

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 £21,283k (2019: £22,912k). The adjusted profit after tax has been calculated by adjusting for the amortisation of acquired intangibles after tax effect of £3,155k (2019: £3,370k), share based payment and related charges after tax effect of £2,526k (2019: £2,003k), acquisition costs after tax effect of £1,635k (2019: £3,838k), share of profit of associate after tax effect of £126k (2019: loss £23k), the gain on foreign currency translation after tax effect of £802k (2019: loss £503k). The number of shares used in this calculation is consistent with note 4(a) above.

	2020 Pence per share	2019 Pence per share
Adjusted basic earnings after tax per ordinary share	**79.9**	88.4
Adjusted diluted earnings after tax per ordinary share	**77.4**	83.2

5. Property, plant and equipment

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Lease £'000	Total £'000
Cost					
At 1 March 2019	5,092	16,151	1,201	—	22,444
Recognition of right-of-use asset on initial application of IFRS 16	—	—	—	24,964	24,964
Additions	124	1,767	404	5,612	7,907
Exchange adjustments	742	(755)	158	338	483
At 29 February 2020	**5,958**	**17,163**	**1,763**	**30,914**	**55,798**
Depreciation					
At 1 March 2019	2,099	9,425	758	—	12,282
Charge for the year	657	1,848	288	3,498	6,291
Exchange adjustments	95	(45)	50	(18)	82
At 29 February 2020	**2,851**	**11,228**	**1,096**	**3,480**	**18,655**

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Lease £'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**
Carrying amounts					
At 1 March 2018	1,926	5,483	305	—	7,714
At 28 February 2019	2,993	6,726	443	—	10,162
At 29 February 2020	**3,107**	**5,935**	**667**	**27,434**	**37,143**

6. Intangible assets and goodwill

	Goodwill £'000	Customer lists £'000	Acquired software £'000	Brand name £'000	Internally developed software £'000	Total £'000
Cost						
Balance at 1 March 2019	107,390	12,897	28,668	751	59,559	209,265
Development costs	—	—	541	—	10,431	10,972
Additions	—	—	—	—	—	—
Exchange adjustments	3,249	362	699	18	290	4,618
At 29 February 2020	**110,639**	**13,259**	**29,908**	**769**	**70,280**	**224,855**
Amortisation						
Balance at 1 March 2019	—	8,303	18,818	566	29,613	57,300
Amortisation for the year	—	1,315	2,315	54	8,693	12,377
Exchange adjustment	—	230	423	13	96	762
At 29 February 2020	—	**9,848**	**21,556**	**633**	**38,402**	**70,439**

	Goodwill £'000	Customer lists £'000	Acquired software £'000	Brand name £'000	Internally developed software £'000	Total £'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
Carrying amounts						
At 1 March 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
At 29 February 2020	**110,639**	**3,411**	**8,352**	**136**	**31,878**	**154,416**

7. Loans and borrowings

	2020 £'000	2019 £'000
Current liabilities		
Secured bank loans	**6,337**	34,909
Lease liabilities (2019: Finance lease liabilities)	**4,531**	—
	10,868	34,909
Non-current liabilities		
Secured bank loans	**69,156**	—
Lease liabilities (2019: Finance lease liabilities)	**25,155**	—
	94,311	—

8. Report and accounts

Copies of the Annual Report will be available as of 4 June 2020 on the Group's website, www.firstderivatives.com and from the Group's headquarters at 3 Canal Quay, Newry, BT35 6BP.