



**Interim results**  
for the six months to 30 September 2018

# ALL ABOUT THE DATA

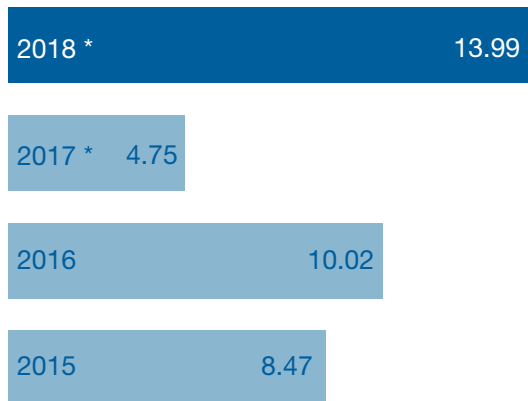
## Contents

- 01 Highlights
- 02 Chief Executive review
- 05 Our integrated core services
- 07 IFRS 8 reporting change
- 09 IFRS 15 implementation
- 10 Consolidated income statement
- 10 Consolidated statement of comprehensive income
- 11 Consolidated statement of changes in equity
- 12 Consolidated statement of financial position
- 13 Consolidated statement of cash flows
- 14 Notes to the interim financial information

## Headlines

### Revenue

(£m)

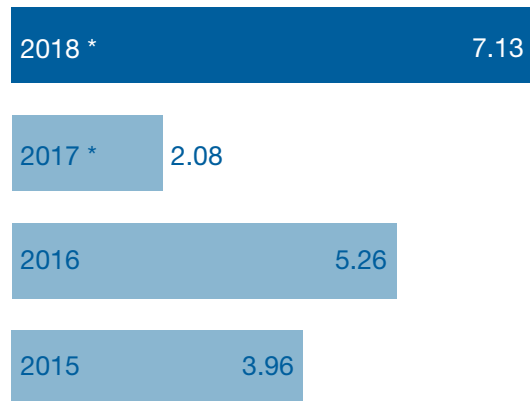


Up by **£9.24m**



### Gross profit

(£m)

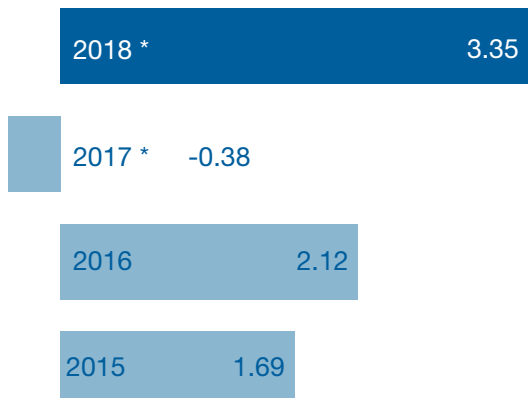


Up by **£5.05m**



### Adjusted profit before tax \*\*

(£m)

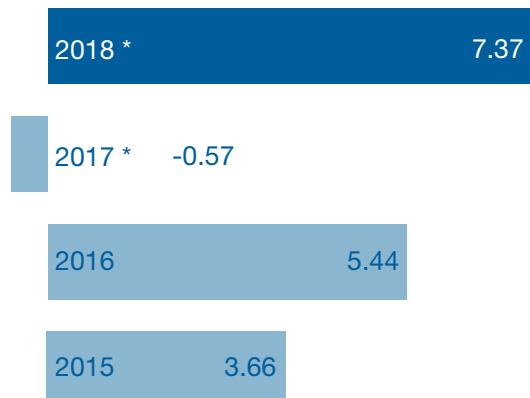


Up by **£3.73m**



### Adjusted diluted EPS \*\*

(pence)



Up by **7.94p**



\* Reported under IFRS 15

\*\* Before amortisation of intangibles, share based payments charges and foreign exchange gains.

# Chief Executive review

## Overview

The Group's stated strategic initiative to earn higher margin, recurring revenues by creating the innovative Celebrus data platform software and building the data platform solutions that financial services and consumer focussed organisations need to power their artificial intelligence, advanced analytics, compliance, marketing and customer experience initiatives continue at a fast pace with contract wins in the banking, insurance, retail, travel and telecommunications sectors.

Our focus on selling with and via partners that have global reach and penetration in our target market sectors comprising financial services and consumer facing organisations continues to provide us with increasing numbers of new opportunities in a wide range of enterprise class customers.

Our strategic partnerships have moved forward, and we have strengthened our relationships with Teradata, Pegasystems, SAS and Dell Technologies.

The first six months of the year have continued our acceleration into the data platform space, this combined with our hybrid cloud data platform solutions has enabled us to deliver strong growth during the first half. This marks a return to a more normal trading cycle following the unusual (H2 weighted) business phasing seen last year.

Along with the introduction of IFRS15 this year we have made the decision to improve the reporting of our business streams to provide increased clarity into the composition of our business. We have provided comparatives to previous years where appropriate.

To date D4t4 Solutions business income has been analysed into three revenue streams: software licence sales, projects and recurring revenue - derived from our hybrid cloud data platforms and data platform software licence sales.

Going forwards we will report on 4 revenue streams, these being:

	Six months ended 30 September	
	2018	2017
	£'000	£'000
Products - Own IP	6,395	826
Products - 3rd party	3,616	453
Delivery services	1,250	1,082
Support & maintenance	2,728	2,388
<b>Total revenue</b>	<b>13,989</b>	<b>4,749</b>

**Products own IP** – a combination of our Celebrus data platform software and our software written for use with our hybrid cloud data platform business comprising automated data management software tools, data migration tools and management support, monitoring and configuration software.

**Products 3rd party** – bought in products, hardware and software, to provide the environments for our hybrid cloud data platforms

**Delivery services** – Time and materials services for project inception and deployment

**Support and maintenance** – running, supporting and maintaining our data platform software and our hybrid cloud data platforms offerings.

A detailed explanation of this new revenue analysis is included on pages 7 and 8 of these interim accounts.

## Trading performance

The group performed well during the first half with all business areas showing strong growth.

Key highlights	Six months ended 30 September	
	2018	2017
Group revenue**	£13.99m	£4.75m
Gross profit***	£7.13m	£2.08m
Gross profit margin	50.98%	43.76%
Group adjusted pre-tax profit / (loss)***	£3.35m	£(0.38)m
Adjusted EPS****	7.37p	(0.57)p
+12% uplift in the interim dividend	0.7p	0.625p
Net cash position	£12.06m	£3.92m
Net current assets	£8.53m	£4.48m

\* The trading performance reported in this statement is based on unaudited management accounts

\*\* Includes an IFRS15 adjustment of £1.67m

\*\*\* Includes an IFRS15 adjustment of £1.08m

\*\*\*\* Adjusted for amortisation of acquired intangibles, share based payment charges and foreign exchange gains.

Revenue in the first half compared to HY 2017-18 was up by 194% to £13.99 million (HY 2017-18: £4.75m). This includes an IFRS15 adjustment of £1.67m of revenue. This marks a return to a more normal trading cycle following the unusual business phasing seen last year. We recorded an Operating profit of £3.91m compared to an Operating loss of £(0.56)m in HY2017-18. This includes an IFRS15 adjustment of £1.08m. The Post-tax profit was £3.36m versus a 2017-18 first half Post-tax loss of £(0.38m). Adjusted fully diluted earnings per share was 7.37p against earnings per share of (0.57)p in the comparable 2017-18 period. Net cash at the half-year stood at £12.06m (HY 2017-18: £3.9m).

	Year ended 31 March 2018			Period ended 30 September 2018
	As previously reported (audited) £m	IFRS 15 adjustment (unaudited) £m	Restated (unaudited) £m	IFRS 15 adjustment (unaudited) recognised in H1 2018-19 £m
Revenue	20.09	(1.67)	18.42	1.67
PBT	4.40	(1.08)	3.33	1.08

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## Breakdown by revenue stream:

### Products own IP

During the first half we experienced significant growth in revenue over the previous half year which resulted in revenues of £6.39m (HY2017-18 £0.83m) the growth was seen in both our Celebrus sales and our hybrid cloud data platform sales primarily as a result of our previous investment in sales, marketing and pre-sales across the US and EMEA regions.

### Products 3rd party

The first half revenues of £3.62m were considerably higher than previous year (HY2017-18 £0.45m) due to the higher level of revenue for our hybrid cloud data platform business during the period.

### Delivery services

Due to the increased level of sales for both the Celebrus data platform software and the hybrid cloud data platform areas revenues grew to £1.25m (HY2017-18 £1.08m).

### Support and Maintenance

This is typically of a recurring nature and increases with sales and as a result provided increased revenues of £2.73m (HY2017-18 £2.39m).

## Products and innovation

Celebrus continues to offer the most advanced real time data capture capability in the market, enabling enterprises to acquire customer data compliantly from websites and mobile applications in real-time as well as from across their entire digital landscape.

With our latest release, available now, Celebrus places this data into the hands of business users that can most rapidly drive value from it, enabling advances in understanding, experimentation and insight. The new Data Explorer in Celebrus delivers rapid understanding of data, helping analysts and data scientists to create, develop and test theories that guide creativity for enterprises. This innovation can be put to work in deepening engagement with customers and improving their experience on whichever channel they choose to interact with that enterprise.

This latest advance builds on our earlier product release this financial year which delivered connections with industry-standard advertising platforms, Google and Facebook, as well as integration with the leading marketing cloud from Adobe. Our tight connections with these platforms enable our clients to leverage their enterprise technology investments more effectively and create ever more value from customer data across their lines-of-business.

We continue to develop the Celebrus platform taking account of customer feedback and requirements as well as technology advances particularly in the Artificial Intelligence (AI) and machine learning (ML) areas. Bearing in mind that both AI and ML have limited capability without the availability of accurate real time data, we believe that Celebrus has strong potential in this area.

## Outlook and current trading

Since the start of the of the financial year, we are pleased to report that we have secured several new contracts for our Celebrus data platform software including a significant contract with a leading US Financial services company and a significant new multi-year contract with a major Scandinavian bank. We have secured a number of geographic extensions to existing global contracts adding countries such as Argentina, UAE and Taiwan. We have also received licence capacity upgrades from several existing users in the US, Europe and the Far East as well as additional functionality upgrades from customers in Europe and the Far East. New business opportunities continue to develop well on a global basis and we are seeing opportunities grow fastest in the Americas and across EMEA.

Our global partnerships continue to increase our addressable market whilst we have also made good progress with many of our strategic initiatives and our international offering continues to go from strength to strength.

Overall, our business is in a good position and together with a strong pipeline of opportunities makes this an exciting time for the business. Combine this with the people, skill set, and the flexibility to keep moving forward, we remain confident of delivering on management expectations for the financial year.

## Dividend

The Directors remain confident in the Group's prospects and future performance and, as a result, we are pleased to declare an interim dividend of 0.7p per share, a 12% increase over the comparative period last year. This will be paid on Thursday 10th January 2019 to Members on the Register as at 7th December 2018. The shares will become ex-dividend on 6th December 2018.

## Our integrated core services

The strategic review of the annual report dated 31 March 2018 contained the following information on the Group's vision and strategy.

### Group vision

Our business vision is to earn high-margin, recurring revenues by developing the innovative data platform software and building the data platform solutions that financial services institutions and consumer focussed organisations need to power their artificial intelligence, advanced analytics, compliance, marketing and customer experience initiatives.

### Group strategy

To deliver the vision our strategy is to focus our activity on two complementary areas that financial services and consumer organisations are investing in today and will continue to invest in for the foreseeable future:

- Increasing revenues derived from our Celebrus data platform generates high margin sales in the short-term as well as building a longer-term recurring revenue stream and creating more platform opportunities.
- Generating recurring income through developing, deploying and managing 'big data' platforms that combine the services, software and hardware needed to help our clients get strategic advantage from their data by deploying artificial intelligence and advanced analytics.

This strategy will be achieved by evolving our business based upon our core values of innovation, trust, collaboration and security and, by growing or enhancing the required core capabilities of data collection, data platforms, data management and data analytics.

### Our tactics

To deliver on the strategy we have four tightly integrated service lines that we offer to our clients.

### Our integrated core services

We keep this portfolio of services under constant review, adjusting our offering to suit the needs of our clients and to ensure we deliver the company vision and strategy. We are confident that building solid and successful relationships with clients in the data arena, deploying a mix of our own software and services, will lead to additional high-quality earnings that comprise greater levels of recurring revenue.

## Our integrated core services

### Data Capture



Collecting data from all consumer touchpoints, using our patented customer data platform software, to create behaviour profiles and then transferring data in real-time to personalisation, artificial intelligence and analytics systems.

### Data Platforms



Rapidly solving the issue of under-performing multi-siloed, mixed technology data environments by consolidating them into simpler, fully managed platforms or cloud services. These solutions integrate hardware and software using our own proprietary tools.

### Data Management



Flexible management services for data platforms including hosting, private cloud, public cloud and application management with an emphasis on secure, high-performance and mission critical systems.

### Data Analytics



Providing insight and models using analytical data platforms to join dis-similar data sets into a single environment in which visualisation, statistical and artificial intelligence tools can be deployed to quickly and efficiently create business value.

## Target markets

We have a depth of expertise and wide connections within the financial services sector, and to deliver on our strategy we currently concentrate on this sector above all others. This concentration facilitates the cross-sell of all four of our services to clients. We also have significant consumer sector expertise where we can leverage the knowledge, experience and tools we have developed.



## IFRS 8 reporting change

An important aspect of IFRS 8 is the requirement to disclose information that is actually being used internally by management. In line with this the segmental reporting has been updated to reflect the Group's management reporting based upon the integrated core services, as shown in the table below.

	Products - own IP	Products - 3rd party	Delivery services	Support & maintenance
Data Capture	✓		✓	✓
Data Platforms	✓	✓	✓	✓
Data Management		✓	✓	✓
Data Analytics			✓	✓

A tick in the table above reflects revenue associated with one of the core services. For example, when we sell Data Capture software (Products – own IP) we install it on the customer's systems (Delivery services) and then continue to support them (Support & maintenance) over the contract life.

### Products – Own IP

D4t4 develop, author, market and sell a software product, Celebrus, focused on the capture of customer data from all digital channels. This data is then used in applications that deliver artificial intelligence, customer insight and analytics, personalisation, decisioning and customer relationship management.

The group has also created its own IP in order to create architecture and deployments for high performance on premise or cloud solutions that combine hardware, software and services.

Perpetual licence revenue is recognised upon delivery as the company has no further obligations to the customer once the non refundable licences have been delivered. Any upgrade to the software will be supplied as part of an ongoing maintenance contract that the customer may make. This maintenance contract is covered under the hosting and support services policy below. Term licences are recognised upon delivery at the commencement of the term where the licence is not cancellable during the term.

### Products – 3rd Party

D4t4 services are focused on delivering data management using public and private cloud infrastructure that is securely designed to ensure our clients can operationalise data within their organisation. In addition, we design and build performant platforms for critical business, analytics, compliance, risk, marketing and artificial intelligence applications. Where these are on premise data platform solutions they will include both hardware and third party software. The revenue for each product is recognised when the full performance obligation has been satisfied, typically this is when the hardware and associated third party software is delivered to the customer's designated premises.

## Delivery Services

For delivery services the stage of completion is determined by reference to the time spent as a proportion of the total time expected. In relation to the delivery services, there is no one act which is more important than any other and therefore the revenue is recognised in proportion to time worked. In relation to time based projects, time on projects is recoverable on a time and expenses basis at an agreed daily rate and is invoiced to the customer in the month of performance, and associated value recognised. The risk and reward transfers as work progresses on a daily basis.

## Support & maintenance

Support and maintenance is typically of a recurring nature and made up of hosting, support services and maintenance where the performance consists of an indeterminate number of acts over a specified period. This revenue is recognised on a straight line basis over the period of the contract, normally 12 months.

The analysis of revenue provided in the Groups financial statements will be on the basis shown below for the current HY, prior HY and last FY, adjusted for IFRS 15:

	Six months ended 30 September (restated)	Year ended 31 March (restated)	
	2018	2017	2018
	£'000	£'000	£'000
Products - Own IP	6,395	826	6,805
Products - 3rd party	3,616	453	3,915
Delivery services	1,250	1,082	2,928
Support & maintenance	2,728	2,388	4,779
<b>Total revenue</b>	<b>13,989</b>	<b>4,749</b>	<b>18,427</b>

Previously the revenue would have been reported as:

	Six months ended 30 September (restated)	Year ended 31 March (restated)	
	2018	2017	2018
	£'000	£'000	£'000
License sales	2,146	875	2,905
Projects	9,115	1,486	10,742
Recurring income	2,728	2,388	4,780
<b>Total revenue</b>	<b>13,989</b>	<b>4,749</b>	<b>18,427</b>

## IFRS 15 implementation

Revenue from Contracts with Customers applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018. D4t4 Solutions has therefore adopted this for the first time from 1st April 2018.

The adoption of IFRS 15 has been applied to all figures presented in this interim statement. The effect is as follows:

- 6 months to 30 September 2018
  - Prepared on an IFRS 15 basis
  - The adoption of IFRS 15 has resulted in an increase in HY 30.9.2018 revenue and profit before tax of £1.67m and £1.08m respectively.
- 6 months to 30 September 2017
  - No adjustment required as a result of moving from IAS 18 to IFRS15
- 12 months to 31 March 2018
  - Restatement has been required as a result of moving from IAS 18 to IFRS15
  - The adoption of IFRS 15 has resulted in a reduction in FY 31.3.2018 revenue and profit before tax of £1.67m and £1.08m respectively. In addition, opening reserves at 1 April 2018 are £0.87m lower than the amount reported in the 31.3.2018 financial statements. These amounts are based on the Group applying the retrospective method in transitioning to IFRS 15 (refer note 1).

The effect of adopting IFRS 15 primarily impacts on the following areas:

Technology revenues/margins recognised under contracts with customers, which include both the supply of software and hardware, representing one performance obligation under IFRS 15 result in revenue recognition at a point in time, which is different to the previous treatment whereby the supply of software and hardware were treated as separate sale arrangements (refer note 1).

The adoption of IFRS 15 has not altered the total contract value or timing of cash receipts.

There have been no changes to the critical accounting judgements and key sources of estimation uncertainty as a result of IFRS 15.

## Consolidated income statement

for the period ended 30 September 2018 (unaudited)

	Six months ended		Year ended
	30 September		31 March
	2018	2017	(restated) 2018
	£'000	£'000	£'000
<b>Continuing operations</b>			
Revenue	13,989	4,749	18,427
Cost of sales	(6,857)	(2,671)	(7,987)
<b>Gross profit</b>	<b>7,132</b>	<b>2,078</b>	<b>10,440</b>
Administration expenses	(3,252)	(2,679)	(7,151)
Other operating income	28	38	67
<b>Profit from operations</b>	<b>3,908</b>	<b>(563)</b>	<b>3,356</b>
Finance income	-	-	1
Finance costs	(8)	(18)	(31)
<b>Profit before tax</b>	<b>3,900</b>	<b>(581)</b>	<b>(3,326)</b>
Tax	(544)	198	(424)
<b>Attributable to owners of the parent</b>	<b>3,356</b>	<b>(383)</b>	<b>2,902</b>
<b>Earnings per share from continuing operations</b>			
<b>Statutory</b>			
Basic	8.82p	-1.01p	7.62p
Diluted	8.50p	-1.01p	7.30p

## Consolidated statement of comprehensive income

for the period ended 30 September 2018 (unaudited)

	Six months ended		Year ended
	30 September		31 March
	2018	2017	(restated) 2018
	£'000	£'000	£'000
Attributable to owners of the parent	3,356	(383)	2,902
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Gains on property revaluation	-	-	706
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>	<b>3,356</b>	<b>(383)</b>	<b>3,608</b>

## Consolidated statement of changes in equity attributable to Owners of the Parent

for the period ended 30 September 2018 (unaudited)

	Share capital	Share premium	Merger reserve	Revaluation reserve	Own shares	Equity reserve	Retained earnings	Total £'000
Balance at 1 April 2017	759	1,923	5,804	323	(6)	242	8,504	17,549
Dividends paid	-	-	-	-	-	-	(645)	(645)
Issue of new shares - exercise of share options	6	49	113	-	-	(51)	-	117
Share-based payment charge	-	-	-	-	-	-	38	38
<b>Transactions with owners</b>	<b>6</b>	<b>49</b>	<b>113</b>	<b>-</b>	<b>-</b>	<b>(51)</b>	<b>(607)</b>	<b>(490)</b>
Profit for the period (unchanged)	-	-	-	-	-	-	(383)	(383)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(383)</b>	<b>(383)</b>
Deferred tax on outstanding share options	-	-	-	-	-	(35)	68	33
Balance at 30 September 2017	765	1,972	5,917	323	(6)	156	7,582	16,709
Dividends paid	-	-	-	-	-	-	(239)	(239)
Purchase of own shares	-	-	-	-	(302)	-	-	(302)
Settlement of share based payments	-	-	-	-	-	-	(20)	(20)
Share-based payment charge	-	-	-	-	-	-	62	62
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(302)</b>	<b>-</b>	<b>(197)</b>	<b>(499)</b>
Profit for the period (restated)	-	-	-	-	-	-	3,285	3,285
Other comprehensive income	-	-	-	706	-	-	-	706
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>706</b>	<b>-</b>	<b>-</b>	<b>3,285</b>	<b>3,991</b>
Deferred tax on outstanding share options	-	-	-	-	-	(23)	(64)	(87)
Balance at 31 March 2018	765	1,972	5,917	1,029	(308)	133	10,606	20,114
Dividends paid	-	-	-	-	-	-	(713)	(713)
Settlement of share based payments	-	-	-	-	128	(22)	(181)	(75)
Share-based payment charge	-	-	-	-	-	-	81	81
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128</b>	<b>(22)</b>	<b>(813)</b>	<b>(707)</b>
Profit for the period	-	-	-	-	-	-	3,356	3,356
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,356</b>	<b>3,356</b>
Deferred tax on outstanding share options	-	-	-	-	-	19	259	278
Balance at 30 September 2018	765	1,972	5,917	1,029	(180)	130	13,408	23,041

## Consolidated statement of financial position

as at 30 September 2018 (unaudited)

	Six months ended 30 September		Year ended 31 March (restated)
	2018	2017	2018
	£'000	£'000	£'000
<b>Non-current assets</b>			
Goodwill	8,696	8,696	8,696
Other intangible assets	1,137	1,384	1,261
Property, plant and equipment	4,142	2,684	3,892
Deferred tax assets	796	268	389
	<b>14,771</b>	<b>13,032</b>	<b>14,238</b>
<b>Current assets</b>			
Trade and other receivables	2,655	2,469	20,544
Inventories	708	348	590
Cash and cash equivalents	12,187	4,907	4,634
	<b>15,550</b>	<b>7,724</b>	<b>25,768</b>
<b>Total assets</b>	<b>30,321</b>	<b>20,756</b>	<b>40,006</b>
<b>Current liabilities</b>			
Trade and other payables	(6,580)	(2,821)	(18,575)
Tax liabilities	(430)	-	(291)
Borrowings	(8)	(428)	(695)
	<b>(7,018)</b>	<b>(3,249)</b>	<b>(19,561)</b>
<b>Non-current liabilities</b>			
Borrowings	(5)	(563)	(85)
Deferred tax liabilities	(257)	(235)	(246)
	<b>(262)</b>	<b>(798)</b>	<b>(331)</b>
<b>Total liabilities</b>	<b>(7,280)</b>	<b>(4,047)</b>	<b>(19,892)</b>
<b>Net assets</b>	<b>23,041</b>	<b>16,709</b>	<b>20,114</b>
<b>Equity</b>			
Share capital	765	765	765
Share premium account	1,972	1,972	1,972
Merger reserve	5,917	5,917	5,917
Revaluation reserve	1,029	323	1,029
Own shares	(180)	(6)	(308)
Equity reserve	130	156	133
Retained earnings	13,408	7,582	10,606
<b>Attributable to the equity holders of the parent</b>	<b>23,041</b>	<b>16,709</b>	<b>20,114</b>

## Consolidated cash flow statement

for the period ended 30 September 2018 (unaudited)

	Six months ended 30 September		Year ended 31 March (restated)
	2018	2017	2018
	£'000	£'000	£'000
<b>Operating activities</b>			
Profit before tax	3,900	(581)	3,326
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	157	116	251
Amortisation of intangible assets	123	123	246
Finance income	-	-	(1)
Finance expense	8	18	31
Share-based payments	81	42	100
Settlement of share-based payments	(74)	-	(20)
<b>Operating cash flows before movements in working capital</b>	<b>4,195</b>	<b>(282)</b>	<b>3,933</b>
Exchange (gain) / loss on cash and cash equivalents	(50)	70	116
Decrease / (Increase) in receivables	17,889	2,040	(16,275)
Increase in inventories	(118)	(7)	(249)
(Decrease) / Increase in payables	(11,995)	(2,133)	13,699
<b>Cash generated from operations</b>	<b>9,921</b>	<b>(312)</b>	<b>1,224</b>
Income taxes paid	(515)	(40)	(400)
<b>Net cash generated from / (used in) operating activities</b>	<b>9,406</b>	<b>(352)</b>	<b>824</b>
<b>Investing activities</b>			
Interest received	-	-	1
Purchase of property, plant and equipment	(408)	(205)	(844)
<b>Net cash used in investing activities</b>	<b>(408)</b>	<b>(205)</b>	<b>(843)</b>
<b>Financing activities</b>			
Dividends paid	(713)	(645)	(884)
Repayment of borrowings	(763)	(206)	(414)
Interest paid	(8)	(18)	(31)
Payments to finance lease creditors	(11)	(4)	(7)
Purchase of own shares	-	117	(302)
Sale of own shares on exercise of options	-	-	117
<b>Net cash used in financing activities</b>	<b>(1,495)</b>	<b>(756)</b>	<b>(1,521)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>7,503</b>	<b>(1,313)</b>	<b>(1,540)</b>
Cash and cash equivalents at start of year	4,634	6,290	6,290
Exchange gain / (loss) on cash and cash equivalents	50	(70)	(116)
<b>Cash and cash equivalents at end of period</b>	<b>12,187</b>	<b>4,907</b>	<b>4,634</b>

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## Notes to the interim financial information

### Note 1 - Basis of preparation

The financial information in these interim results is that of the Group. It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the IFRSs but does not include all of the disclosures that would be required under IFRSs. The interim financial information for the six months ended 30 September 2018 (HY2018-19) and comparative interim figures for 2017 (HY 2017-18) have neither been audited nor reviewed by the Group's auditors.

The financial statements for the year ended 31 March 2018 have been filed with the Registrar of Companies and contained an unmodified audit opinion and did not contain a statement under section 498(2) or (3) of the Companies Act 2006 they are also restated for the implementation for IFRS 15.

The accounting policies applied by the Group in this financial information reflect the adoption of IFRS 15 Revenue from Contracts with Customers which is effective as of 1 January 2018. The Group has applied IFRS 15 retrospectively under a full restatement approach. Other than the changes noted below for IFRS 15, the accounting policies adopted in the interim financial statements, including IFRS 9, are consistent with those adopted in the last annual report for financial year ended 31 March 2018.

### IFRS 15 Revenue from Contracts with Customers

An analysis of the key changes that IFRS 15 has on the Group's revenue streams, taking into account the move from the recognition of revenue on the transfer of risks and rewards to the transfer of control are summarised below:

The adoption of IFRS 15 has been applied to all figures presented in this interim statement. The effect is as follows:

- 6 months to 30 September 2018
  - Prepared on an IFRS 15 basis
  - The adoption of IFRS 15 has resulted in an increase in HY 30.9.2018 revenue and profit before tax of £1.67m and £1.08m respectively.
- 6 months to 30 September 2017
  - No adjustment required as a result of moving from IAS 18 to IFRS15
- 12 months to 31 March 2018
  - Restatement has been required as a result of moving from IAS 18 to IFRS15
  - The adoption of IFRS 15 has resulted in a reduction in FY 31.3.2018 revenue and profit before tax of £1.67m and £1.08m respectively. In addition, opening reserves at 1 April 2018 are £0.87m lower than the amount reported in the 31.3.2018 financial statements. These amounts are based on the Company applying the retrospective method in transitioning to IFRS 15.

The effect of adopting IFRS 15 primarily impacts on the following areas:

Technology revenues/margins recognised under contracts with customers, which include both the supply of software and hardware, represent one performance obligation under IFRS 15 and result in revenue recognition at a point in time, which is different to the previous treatment whereby the supply of software and hardware were treated as separate sale arrangements.

The adoption of IFRS 15 has not altered the total contract value or timing of cash receipt.

There have been no changes to the critical accounting judgements and key sources of estimation uncertainty as a result of IFRS 15.



The table below shows the effect of IFRS 15 on the restated Consolidated statement of comprehensive income for the year to 31 March 2018:

	As previously reported (audited) £'000	IFRS 15 adjusted (unaudited) £'000	Restated (unaudited) £'000
<b>Continuing operations</b>			
Revenue	20,092	(1,665)	18,427
Cost of sales	(8,577)	590	(7,987)
<b>Gross profit</b>	<b>11,515</b>	<b>(1,075)</b>	<b>10,440</b>
Administration expenses	(7,151)	-	(7,151)
Other operating income	67	-	67
<b>Profit from operations</b>	<b>4,431</b>	<b>(1,075)</b>	<b>3,356</b>
Finance income	1	-	1
Finance costs	(31)	-	(31)
<b>Profit before tax</b>	<b>4,401</b>	<b>(1,075)</b>	<b>3,326</b>
Tax	(628)	204	(424)
<b>Attributable to owners of the parent</b>	<b>3,773</b>	<b>(871)</b>	<b>2,902</b>
<b>Earnings per share from continuing operations</b>			
<b>Statutory</b>			
Basic	9.90p	(2.28)p	7.62p
Diluted	9.49p	(2.19)p	7.30p
<b>Adjusted</b>			
Basic	11.49p	(2.28)p	9.21p
Diluted	11.01p	(2.19)p	8.82p

The adjustments under IFRS 15 include the following items:

- A contract for revenue which included both hardware and associated software was recognised in accordance with IAS 18 in the year ended 31 March 2018. Under IFRS15, £1.67m of this would not have met the performance obligations and has been reversed accordingly with the corresponding adjustments recognised through deferred income;
- Cost of sales of £0.59m in connection with this revenue has correspondingly been reversed and recognised as an asset in Inventory;
- Taxation expense has been adjusted for the current tax effect of the above adjustments to profit before tax.
- Earnings per share calculations have been adjusted to show the impact of the IFRS15 adjustments on the calculated EPS numbers.

## Notes to the interim financial information (Continued)

The table below shows the effect of IFRS 15 on the restated Consolidated statement of financial position as at 31 March 2018:

	As previously reported (audited) £'000	IFRS 15 adjusted (unaudited) £'000	Restated (unaudited) £'000
<b>Non-current assets</b>			
Goodwill	8,696	-	8,696
Other intangible assets	1,261	-	1,261
Property, plant and equipment	3,892	-	3,892
Deferred tax assets	389	-	389
	<b>14,238</b>	<b>-</b>	<b>14,238</b>
<b>Current assets</b>			
Trade and other receivables	20,544	-	20,544
Inventories	-	590	590
Cash and cash equivalents	4,634	-	4,634
	<b>25,178</b>	<b>590</b>	<b>25,768</b>
<b>Total assets</b>	<b>39,416</b>	<b>590</b>	<b>40,006</b>
<b>Current liabilities</b>			
Trade and other payables	(16,910)	(1,665)	(18,575)
Tax liabilities	(495)	204	(291)
Borrowings	(695)	-	(695)
	<b>(18,100)</b>	<b>(1,461)</b>	<b>(19,561)</b>
<b>Non-current liabilities</b>			
Borrowings	(85)	-	(85)
Deferred tax liabilities	(246)	-	(246)
	<b>(331)</b>	<b>-</b>	<b>(331)</b>
<b>Total liabilities</b>	<b>(18,431)</b>	<b>(1,461)</b>	<b>(19,892)</b>
<b>Net assets</b>	<b>20,985</b>	<b>(871)</b>	<b>20,114</b>
<b>Equity</b>			
Share capital	765	-	765
Share premium account	1,972	-	1,972
Merger reserve	5,917	-	5,917
Revaluation reserve	1,029	-	1,029
Own shares	(308)	-	(308)
Equity reserve	133	-	133
Retained earnings	11,477	(871)	10,606
<b>Attributable to the equity holders of the group</b>	<b>20,985</b>	<b>(871)</b>	<b>20,114</b>

The adjustments under IFRS 15 include the following items:

- Inventory: Cost of sales of £0.59m in connection with the revenue adjustment has correspondingly been reversed and recognised as an asset in Inventory;
- Trade and other payables: deferred income of £1.67m recognised previously under IAS18 has been reversed;
- Current tax liabilities: these have decreased to account for lower taxes payable in relation to lower profits assessed to corporation tax as a result of the IFRS 15 adjustments.

The table below shows the impact on Consolidated statement of cash flows of IFRS 15 for the year ended 31 March 2018:

	As previously reported (audited) £'000	IFRS 15 adjusted (unaudited) £'000	Restated (unaudited) £'000
<b>Operating activities</b>			
Profit before tax	4,401	(1,075)	3,326
<b>Operating cash flows before movements in working capital</b>	<b>5,008</b>	<b>(1,075)</b>	<b>3,933</b>
Decrease / (Increase) in inventories	341	(590)	(249)
Increase in payables	12,034	1,665	13,699
<b>Cash generated from operations</b>	<b>1,224</b>	<b>-</b>	<b>1,224</b>

## Notes to the interim financial information (Continued)

### Note 2 -Business and geographical segments

#### Business segments

During the year, there has been a change in the way information is presented to the Chief Executive. In the past, information has been reported to the board on the basis of:

- Licence Sales
- Project work
- Recurring revenues

With the work that we have done to define our vision and strategy, we have four tightly integrated service lines that we offer our clients. These service lines combine one or more of 4 types of revenue to deliver on our core services.

Information is now presented to the Chief Executive on the revenue analysis below:

- Product - Own IP
- Product - 3rd party
- Delivery services
- Support and maintenance

No allocation of other income and costs to these categories is made because the Directors consider that any such allocation would be arbitrary and contract sensitive, as would be any allocation of assets and liabilities.

For the purposes of this interim report, the segmental reporting has been prepared under both the original segmental reporting analysis and now the current segmental reporting analysis.

Continuing operations HY2018-19	Licence sales £'000	Project work £'000	Recurring revenues £'000	Total £'000
Sale of goods	2,146	-	-	2,146
Services	-	9,115	2,816	11,931
Adjustment for agency basis	-	-	(88)	(88)
<b>Reported revenue</b>	<b>2,146</b>	<b>9,115</b>	<b>2,728</b>	<b>13,989</b>
<b>Segment result (gross profit)</b>	<b>1,913</b>	<b>3,561</b>	<b>1,658</b>	<b>7,132</b>
Other operating costs and income				(3,224)
Investing and financing activities				(8)
<b>Profit before tax</b>				<b>3,900</b>

<b>Continuing operations HY2017-18</b>	<b>Licence sales £'000</b>	<b>Project work £'000</b>	<b>Recurring revenues £'000</b>	<b>Total £'000</b>
Sale of goods	875	-	-	875
Services	-	1,486	2,507	3,993
Adjustment for agency basis	-	-	(119)	(119)
<b>Reported revenue</b>	<b>875</b>	<b>1,486</b>	<b>2,388</b>	<b>4,749</b>
<b>Segment result (gross profit)</b>	<b>568</b>	<b>253</b>	<b>1,257</b>	<b>2,078</b>
Other operating costs and income				(2,641)
Investing and financing activities				(18)
<b>Profit before tax</b>				<b>(581)</b>

<b>Continuing operations FY2018 (restated)</b>	<b>Licence sales £'000</b>	<b>Project work £'000</b>	<b>Recurring revenues £'000</b>	<b>Total £'000</b>
Sale of goods	2,905	-	-	2,905
Services	-	10,742	5,012	15,754
Adjustment for agency basis	-	-	(232)	(232)
<b>Reported revenue</b>	<b>2,905</b>	<b>10,742</b>	<b>4,780</b>	<b>18,427</b>
<b>Segment result (gross profit)</b>	<b>2,186</b>	<b>5,794</b>	<b>2,460</b>	<b>10,440</b>
Other operating costs and income				(7,084)
Investing and financing activities				(30)
<b>Profit before tax</b>				<b>3,326</b>

## Notes to the interim financial information (Continued)

The revised segmental reporting analysis is as follows:

	Six months ended		Year ended
	30 September (unaudited)		31 March
	(restated)		(restated)
	2018	2017	2018
	£'000	£'000	£'000
Products - Own IP	6,395	826	6,805
Products - 3rd party	3,616	453	3,915
Delivery services	1,250	1,082	2,928
Support & maintenance	2,728	2,388	4,779
<b>Revenue</b>	<b>13,989</b>	<b>4,749</b>	<b>18,427</b>
Cost of sales	(6,857)	(2,671)	(7,987)
<b>Gross profit</b>	<b>7,132</b>	<b>2,078</b>	<b>10,440</b>
Other operating costs and income	(3,224)	(2,641)	(7,084)
Investing and financing activities	(8)	(18)	(30)
<b>Profit before tax</b>	<b>3,900</b>	<b>(581)</b>	<b>3,326</b>

### Geographical information

	Six months ended		Year ended
	30 September (unaudited)		31 March
	(restated)		(restated)
	2018	2017	2018
	£'000	£'000	£'000
United Kingdom	1,481	2,050	3,586
Europe	1,794	1,247	2,409
United States of America	10,166	905	10,971
Others	548	547	1,461
	<b>13,989</b>	<b>4,749</b>	<b>18,427</b>

The geographical revenue segment is determined by the domicile of the external customer.

Non current assets, including Property, Plant & Equipment, Goodwill and Intangibles, are all located in England.

### Note 3 - Earnings per share

	Six months ended 30 September (unaudited) (restated)	Year ended 31 March (restated)	
	2018	2017	2018
	£'000	£'000	£'000
Profit attributable to owners of the parent	3,356	(383)	2,902
Amortisation of intangible assets	124	123	246
Share-based payments	81	38	100
Net foreign exchange differences	(754)	44	402
Tax on the adjustments	104	(39)	(142)
Adjusted profit attributable to owners of the parent	2,911	(217)	3,508
	2018	2017	2018
	Number	Number	Number
Basic weighted average number of shares, excluding own shares, in issue	38,039,350	38,040,233	38,104,967
Dilutive effect of share options	1,454,728	1,626,436	1,670,139
Diluted weighted average number of shares, excluding own shares, in issue	39,494,078	38,040,233	39,775,106

As the group made a loss for H1 2017-18 the potentially dilutive effect of the share options for the period ended 30 September 2017 was not included in the calculation of the weighted average number of shares for the purpose of diluted earnings per share as the effect was anti-dilutive in that period.

	Six months ended 30 September (unaudited) (restated)	Year ended 31 March (restated)	
	2018	2017	2018
	Pence per share	Pence per share	Pence per share
Basic Earnings per share	8.82	(1.01)	7.62
Diluted Earnings per share	8.50	(1.01)	7.30
Adjusted Basic Earnings per share	7.65	(0.57)	9.21
Adjusted Diluted Earnings per share	7.37	(0.57)	8.82

## Notes to the interim financial information (Continued)

### Note 4 - Dividends

	Six months ended 30 September (restated) 2018 £'000	Year ended 31 March (restated) 2017 £'000	Year ended 31 March (restated) 2018 £'000
<b>Amounts recognised as distributions to equity holders</b>			
Final dividend for the year ended 31 March 2018 of 1.875p (2017: 1.7p)	713	-	-
Final dividend for the year ended 31 March 2017 of 1.7p (2016: 1.5p)	-	645	645
Interim dividend for the year ended 31 March 2018 of 0.625p (31 March 2017: 0.55p)	-	-	239
	<b>713</b>	<b>645</b>	<b>884</b>

An interim dividend of 0.70p per share will be paid in the week commencing 7 January 2019 to Members on the Register as at 7 December 2018. The shares will become ex-dividend on 6 December 2018.







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