Annual Report & Accounts

year ending 31 March 2019

Company Registration Number 01892751

ALL ABOUT THE DATA

Strategic report

Headlines

Revenue
(£m)

2019	25.24
2018 restated*	18.43
2017	17.67
2016	18.61

Up by **£6.81m**

GP margin
(%)

2019	56.69
2018 restated*	56.66
2017	55.82
2016	49.52

Up by **0.03%**

Adjusted profit before tax **
(£m)

2019	6.02
2018 restated*	4.07
2017	4.22
2016	3.50

Up by **£1.95m**

Adjusted diluted EPS **
(pence)

2019	13.89
2018 restated*	8.82
2017	9.97
2016	8.24

Up by **5.07p**

* Restated due to application of IFRS 15 as outlined in note 30.

** Before amortisation of intangibles, share based payments charges and foreign exchange gains/(losses) as per note 13 on page 82.

Strategic report

Statement by the Chairman

> "Our focus on the financial services industry, higher levels of brand awareness from industry analysts and demonstrable return on investment by organisations with high levels of data maturity have all contributed to a very successful year with revenue growth of 37% compared to last year."

Dear Shareholder

I am delighted to deliver this Annual Financial Report for 2018/19.

It has been another excellent year for D4t4 with strong growth in revenues and profitability, delivering overall results slightly ahead of market expectations and with very good progress achieved against the key areas of strategic focus for the future.

It was pleasing to see the phasing of revenues return to a more normal distribution between H1 and H2 and the nature of the product and services revenue has given the Board greater visibility of order pipeline throughout the year.

Our data collection product, Celebrus, continues to evolve and now provides one of the best real time omnichannel CDPs (customer data platforms). Our focus on the financial services industry, higher levels of brand awareness from industry analysts and demonstrable return on investment by organisations with high levels of data maturity have all contributed to a very successful year with revenue growth of 37% compared to last year's restated revenue.

Highly targeted business development focussed around partners who work with global financial services organisations has seen demand for our hybrid cloud data platform services grow significantly during the year and levels of client satisfaction from successful implementations remains reassuringly high, with a strong pipeline of future work and a growing level of recurring and repeat revenues from existing clients.

Achievements and Strategic Outlook

We continue to hone our strategic direction and have increased our focus on specific target accounts within the top 500 global financial services organisations and large consumer facing organisations with high levels of data and a strong track record in using that data for commercial advantage.

Work continues to broaden our network of strategic partners and to deepen relationships globally with our existing partners. We have also expanded our global sales and support coverage. The results of this activity are now being realised with increasing numbers of new opportunities forming the new business pipeline.

A review of the segmental reporting used within the business has improved visibility for both our management teams and our investors. This has given us the opportunity to show more accurately the level of our own IP (intellectual property) sales within the business and to better explain the nature of the larger contracts delivered to clients.

In the areas of security and compliance we passed our ISO 27001 audit and finalised our compliance with the new GDPR (General Data Protection Regulation) standards introduced during 2018.

We continue to invest in product innovation and customer satisfaction as well as extending our sales, marketing and consulting capabilities.

People

At 31 March 2019 the Group employed a total of 125 staff in its operations located in India, EMEA and the USA. Our people are vital to our success and we will continue to build upon our Company culture with its high levels of staff engagement with a focus on people development, retention and recruitment of the highest calibre people.

2018/19 has been another successful year and it is testament to our team that we have once again delivered such a strong performance.

On behalf of the Board and all our stakeholders I would like to thank all our people for being so passionate in their efforts and for their contribution to our Company and in helping turn D4t4's vision into action.

Board and Corporate Governance

On behalf of the Board I would like to express thanks to Roger McDowell who retired from the Board on 31 March 2019 after eleven years as a Non-Executive Director. Roger has been closely involved in the development of the business over this period and his contribution greatly benefitted the business.

I am delighted that Peter Whiting joined the Board as a Non-Executive Director in July 2018. Peter brings a wealth of relevant experience including working in Equities Research at UBS and more recently as a board member at a number of quoted companies.

I would also like to express our gratitude to CFO Carmel Warren who is leaving the Company this summer. Carmel has made a significant contribution to the growth in value of the Company and has been a key member of the Board bringing insight, clarity and direction. We hope to be in a position to announce her successor in the near future.

In September we carried out a Board effectiveness exercise. This showed no major areas of weakness although the process highlighted a number of areas for continuous improvement including communication between Board Committees and Executive Directors.

Current Trading & Outlook

The new financial year is trading in line with the Board's expectations which together with a healthy level of new business opportunities in our pipeline, leads us to be confident for the year ahead.

I am excited about the prospects we have to develop our business further and, for the future, we have clear plans for further organic growth, and growth of our existing customer relationships.

Looking forward there are many opportunities to continue our growth in our core markets where we expect to develop our business with existing and new customers, increase our share of current markets and continue to expand internationally.

We have also increased the level of focus and activity to search out potential value enhancing acquisitions with particular emphasis on opportunities to accelerate international expansion and add adjacent or complementary products.

We look forward to keeping you up to date on progress during what looks to be a very interesting and profitable year.

Peter Simmonds
Non-Executive Chairman
24 June 2019

Statement by the Chief Executive Officer

"As a business, we have successfully grown both top line revenue and profits over the comparable year and it is pleasing to witness that the Group has achieved notable sales success in North America following our recent sales and marketing investment in the region"

Introduction

I am pleased to present to all stakeholders our Strategic and Financial Report for the year ended 31 March 2019, which records another strong year of profitable growth for the Group and culminated in the signing of a number of international contracts, some that benefited the 2018/19 year and some that will benefit 2019/20 and beyond (see RNS release dated 26 March 2019) - more details below.

As a business we have successfully grown both top line revenue and profits over the previous year and it is pleasing to report that the Group has achieved notable sales success for our Celebrus software product with both Perpetual Licence and Annual Recurring Revenue licence sales.

This pleasing performance stems from the effectiveness of the Group's investment programme into our core products for both data capture (with the release of Celebrus v9 and its successful implementation on behalf of our clients) and in our hybrid cloud data platform service business, which provides a scalable platform to allow our clients to focus on understanding their customers' behaviour better, calculate risk and ensure regulatory compliance.

Overview

D4t4 has made great progress with the continuous investment in our international regions both from adding people in those regions to provide functions such as project management, consultancy and support to our clients, whilst at the same time investing in and strengthening relationships with strategic partners.

We have continued to build on our previously stated strategic objectives of empowering our clients to gain significant value from their customer data and through this to deliver major uplifts in terms of their revenues and profitability.

As a result, I am delighted to report a 37% increase in top-line growth with total revenues for the Group rising to £25.24m (2018 restated: £18.43m).

Importantly, we have been able to maintain gross profit margin levels through a combination of our own intellectual property sales, our hybrid cloud data platform, our delivery services business and our recurring revenue business, which has resulted in a 48% growth in underlying profitability yielding an adjusted pre-tax profit for the Group of £6.02m (2018 restated: £4.07m).

During the year in review we implemented IFRS15 which had a one-time effect on our 2017/18 and 2018/19 results.

We have included a chart below to show that one-time effect on the Group's results.

	As previously reported 31.3.2018 £m	IFRS15 Adjustment £m	Restated 31.3.2018 £m
Revenue	20.09	(1.66)	18.43
Cost of Sales	(8.57)	0.58	(7.99)
Gross Profit	11.52	(1.08)	10.44
Adjusted Profit before tax	5.15	(1.08)	4.07
Basic EPS	9.90p		7.62p
Adjusted basic EPS	11.49p		9.21p
Diluted EPS	9.49p		7.30p
Adjusted diluted EPS	11.01p		8.82p

During the year we also changed our business reporting categories to more clearly explain the makeup of our business. This has been well received by investors and analysts at the half year results and shows the value of our intellectual property to the business (see note 4, page 75).

Our clients continue to operate in markets where, in many cases, the only differentiation that they have from their competitors is how well they understand and interact with their customers and how quickly they can capitalise on that customer interaction. This, coupled with a challenging market environment characterised by legislative uncertainties, and increased (and ever increasing) regulatory demands, for example GDPR, and in the financial markets – CCAR, CECL and IFRS 17 (Insurance Contracts) - is driving increasing demand for more scalable and cost-effective, compliant data collection and analytical platforms.

New customer wins in the UK, mainland Europe, the Pacific Rim and North America were represented across our targeted industry segments including banking, insurance, and consumer facing organisations, and our "land and expand" methodology for sales continues to enjoy a high level of success with an increasing proportion of our client base now using our Celebrus product set.

The North American market contributed greatly to new sales in 2018/19 following last year's further investment in the North American team. This important market continues to provide a large opportunity for the complete D4t4 product offering and we will continue to invest in the relevant expertise in line with and, in some cases, ahead of sales growth. Europe also featured strongly in our mix of sales with new sales in both banking and insurance.

This, in addition to forming further strategic alliances and partnerships, will enable us to continue to expand our client base within this region.

Our strategic partnerships remain a major focus for our business and we recognise that the geographical reach and business diversity that our partners bring to us is key to our own future growth. During the year under review we have successfully continued to promote and enhance our relationships with Teradata, SAS, Microsoft, Pegasystems and Adobe both directly and via their partners.

Summary review of the year ended 31 March 2019

D4t4 has had another highly successful financial year.

Our business delivered revenues of £25.24m (2018 restated: £18.43m) producing an adjusted profit before tax of £6.02m (2018 restated: £4.07m) see page 6, with a statutory profit before tax of £6.34m (2018 restated: £3.33m). The Group remains strongly cash generative and net cash reserves were at £11.00m compared to £3.85m the previous year (net cash is gross cash less any loans). The more even phasing of H1/H2 revenues resulted in trade debtors at the year-end returning to more normal levels than the previous at £4.06m (2018 restated: £19.53m).

The last twelve months have seen an acceleration of the evolution of our business into the data platform software and services market space with continued focus on growing both our Celebrus software Customer Data Platform base and our hybrid cloud data platform services sales, which in turn contribute to our Own IP, recurring and delivery services revenues.

As we have indicated earlier, we have invested in our partner, sales and pre-sales teams, particularly in North America, the outcome of which we are pleased to report is the winning of several significant contracts with both new

"Our strategy continues to deliver and is reflected in our strong overall growth. At the same time, we continue to innovate our product, grow geographically and deepen our relationships with our strategic partners. The business enters the new financial year in robust shape after closing a number of significant contracts in the second half year. These contracts will have an impact on 2018/19 and on subsequent years, and we are encouraged by the opportunities and outlook for the business in the coming year. Consequently, as a Board we are confident of delivering results in line with expectations for the financial year ending March 2020."

Strategic report

Statement by the Chief Executive Officer (continued)

and existing clients. We have also invested in our partner-based sales strategy and in 2019/20 we will continue to scale up these relationships which will reap rewards in both this coming year and in the future.

During the last 12 months we have seen a shift in the mix of sales within the Group.

Firstly, through the growth in the demand for term or recurring licence sales of our Celebrus product set which had an impact on the perpetual licence sales that we have enjoyed in the past. This has had the beneficial effect of increasing our visibility of future revenues.

Secondly, we have seen an increase in demand for our hybrid cloud data platform services which have developed well in the year, particularly in the North American market. As with our Celebrus sales we are beginning to see customer demand for the provision of our cloud data platform to be delivered as a "Platform as a Service" (PaaS), recurring revenue styled service.

Our own intellectual property product revenues have increased in the year under review to £9.20m (2018 restated: £6.81m) driven by the increase in sales of both our Celebrus customer data platform and our hybrid cloud data platform.

Our 3rd party product revenues also increased as a result of the increase in sales from our hybrid cloud data platform business and finished the year at £7.35m (2018 restated: £3.92m).

Delivery services revenues enjoyed good growth and are underpinned by the increase in sales of our own intellectual property products which resulted in revenues of £3.13m (2018 restated: £2.93m).

Recurring revenues from our managed service and software licence support and maintenance service enjoyed strong growth and delivered income of £5.56m (2018 restated: £4.78m). This marks a return to double digit growth as a result of completing the transition from our old Systems Integration business model to our newer data and analytics business model. As mentioned above, this steady growth in performance was due in part to the increase in our Celebrus software revenues and hybrid cloud data platform sales during the year.

	2019	Restated 2018	Year on year growth
Revenue (new split)			
Products - Own IP	£9.20m	£6.81m	35.16%
Products - 3rd Party	£7.35m	£3.92m	87.68%
Delivery Services	£3.13m	£2.93m	7.02%
Support & Maintenance	£5.56m	£4.78m	16.35%
	£25.24m	£18.43m	36.97%
Revenue (old split)			
Licence sales	£4.13m	£2.91m	42.18%
Projects	£15.55m	£10.74m	44.74%
Recurring income	£5.56m	£4.78m	16.32%
	£25.24m	£18.43m	36.97%
Gross profit	£14.31m	£10.44m	37.04%
GP margin	56.69%	56.66%	0.05%
Profit before tax	£6.34m	£3.33m	90.70%
Adjusted profit before tax *	£6.02m	£4.07m	47.84%
Basic EPS	14.78p	7.62p	93.96%
Adjusted basic EPS	14.12p	9.21p	53.31%
Diluted EPS	14.53p	7.30p	99.04%
Adjusted diluted EPS	13.89p	8.82p	57.48%
Dividend for the year	3.00p	2.50p	20.00%
Net cash position **	£11.00m	£3.85m	185.27%

* *Before amortisation of intangibles, share based payments charges and foreign exchange gains as per note 6 on page 79.*
** *Net cash is gross cash less outstanding borrowings.*

Gross profit in the year was £14.31m (2018 restated: £10.44m) whilst statutory profit before tax for the period was £6.34m (2018 restated: £3.33m). Administration costs were £8.02m (2018 restated: £7.15m) due in part to staff cost increases (see page 80). Adjusted profit for the year before tax is £6.02m (2018 restated: £4.07m). This includes a foreign exchange gain for the year of £0.73m (2018: £0.40m loss), the gain being due primarily to the significant shift in the US Dollar exchange rate early in the year.

Trade and other receivables at the year-end were £6.28m (2018: £20.54m), due to the more normal timing of contracts.

Cash and cash equivalents at 31 March 2019 stood at £11.00m (2018: £4.63m). Total net assets at the end of the year were £24.84m (2018 restated: £20.11m).

Adjusted fully diluted earnings per share grew 57.48% to 13.89 pence (2018: 8.82 pence), diluted earnings per share were 14.53 pence (2018: 7.30 pence) which was up 99.04%. This was attributable not only to the underlying growth in the business but also the IFRS 15 adjustment and the low effective tax rate for this year (see note 10).

Dividend

As stakeholders are aware, the Company remains committed to a progressive dividend policy whilst balancing its investments for future growth. It is the Board's intention to declare future dividends based on the overall Company performance.

The Board is recommending a final dividend of 2.3p (2018 restated: 1.875p) which, if approved by shareholders at the Annual General Meeting, which is to be held on the 22 August 2019, will be paid on 13 September 2019 to Members on the Register at the close of business on 9 August 2019. The Ordinary shares become ex-dividend on 8 August 2019.

People

2018-19 has been a very successful year for the Group, which of course is made up of a great many team and individual successes. This is a testament to the hard work, expertise and professionalism of the D4t4 team.

At the end of March 2019, the Group employed 125 staff in its operations located in India, EMEA and North America (March 2018: 128 staff).

I personally would like to welcome all new joiners to the business and to thank everyone for their contribution to another successful year, during which our people have demonstrated outstanding efforts and commitment to ensure that our clients and their customers receive the maximum benefit from the products and services that we supply.

Outlook

As documented in our trading update released in April, during the last quarter of the year under review we signed a number of significant contracts, some of which were recognised during the year in review and others that will be recognised during 2019/20 and beyond.

This gives us an excellent start to the current year and when combined with a growing opportunity pipeline the Board remains confident in the future of the business and believes that it has a clear strategy in place to develop the opportunities that will deliver sustainable growth and enable us to achieve our plans for the year ahead.

I really hope that you enjoy reading about D4t4 in this Annual Report and I look forward to keeping you updated on our business and contract wins throughout the forthcoming year.

Peter Kear
Chief Executive Officer
24 June 2019

What we do: A client example

Supporting DNB become a data driven bank

DNB is Norway's leading financial services provider – not just in regard to size, but also with its progressive digital transformation program; with over 2.1m retail customers and 221,000 corporate customers.

Digitalisation has brought explosive growth in data, bringing new challenges and opportunities to the business. For DNB the imperative is, and will always be, to stay relevant to customers in their daily digital lives. "Our customers are talking to us every second of the day on digital channels, and we have to have the ability to listen and respond effectively to their needs," says Aidan Millar, Chief Data Officer at DNB. This is the challenge of digitalisation that he believes is too often overlooked. "Everyone talks about going digital, but if you're not capitalising on data streams that are generated through your digital channels, then you're going digital without listening. My role is to leverage digital interaction data to reconnect and stay relevant to our customers on digital channels."

Millar is deeply passionate about handling data in a legally compliant and ethical way. "We've got to be seen as the trusted data custodian that capitalises on data driven insights to deliver value for our customers, and we've got to do this in an ethical and compliant way." The DNB transformation to a data driven organisation is underpinned by a focus on the ethical and compliant use of data. "Regulations are often seen as a burden and should be reframed as best practice, but why wouldn't you want to be compliant with best practice?" says Millar. The General Data Protection Regulation (GDPR) is about protecting customer data and data rights, who would disagree with that as a principle, he asks. "The ethical use of data will be a strategic differentiator for banks of the future".

"We're looking at digital channel interaction data to assess customer journeys on our digital channels using a leading-edge digital capture solution, provided by D4t4 Solutions"

The data itself is managed within DNB's multi cloud solution, whereby both Amazon Web Services (AWS) and Microsoft Azure have been leveraged as the bank migrates onto scalable and adaptable cloud platforms. The cornerstone of DNB enterprise data and analytics platform, Millar says, has been the establishment of DNB's advanced cloud-based data science laboratory which provides the analytics capability and the technical scalability required to process the massive volumes of data in near real time. "Traditionally, most big banks went with one data vendor, but that didn't enable them to leverage the niche capabilities of multiple partners." DNB has taken a different route, bringing in the flexible, best of breed solutions including Celebrus from D4t4 for leading edge tagless digital channel capture.

About DNB

DNB is Norway's largest financial services group and one of the largest in the Nordic region in terms of market capitalization. The Group offers a full range of financial services, including loans, savings, advisory services, insurance and pension products for retail and corporate customers. DNB's bank branches in Norway, in-store postal and banking outlets, Post office counters, Internet banking, mobile services and international offices ensure that they are present where their customers are.

All of this advanced technology, and the work involved in implementing it, ultimately builds customer-centricity. One area that has benefited is the continued development of DNB's online and mobile digital services. "We're looking at digital channel interaction data to assess customer journeys on our digital channels using a leading-edge digital capture solution, provided by Celebrus D4t4", Millar explains. "We can assess whether our digital channels are aligned to customer preferences and continuously improve the digital experience." The platforms can also be optimised to deliver highly tailored digital offerings to meet anticipated customer needs and wants, he says. "Our analytics capabilities are focused on meeting delivering the right product, at the right price, through the right channel, at the right time," says Millar.

Through the application of data and advanced technologies to optimise both internal efficiency and the customer experience, DNB is well on its way to maximising the value of the bank's digital transformation. The focus on reconnecting with customers, not only to deliver added value but also to generate impactful insights to steer strategy effectively, is bolstered by Millar's unerring dedication to maintaining DNB's reputation as a trusted data custodian. As the bank's customers continue to transition to its digital offerings, it is certainly positioned to continue with its powerful and successful data driven digital transformation journey while reinforcing its admirable corporate values of a trusted service provider.

DNB

KEY FACTS

2.1m
Personal customers

221,000
Corporate customers

1.3m
Internet banking users

269m
Payment transactions in 2018

869,000
Mobile banking users

*This article first appeared in Fintech magazine, May 2019

Strategic report

Powering the fintech artificial intelligence revolution

Financial technology, often shortened to fintech, is the technology and innovation that aims to compete with traditional financial methods in the delivery of financial services. It is an emerging industry that uses technology to improve activities in finance.

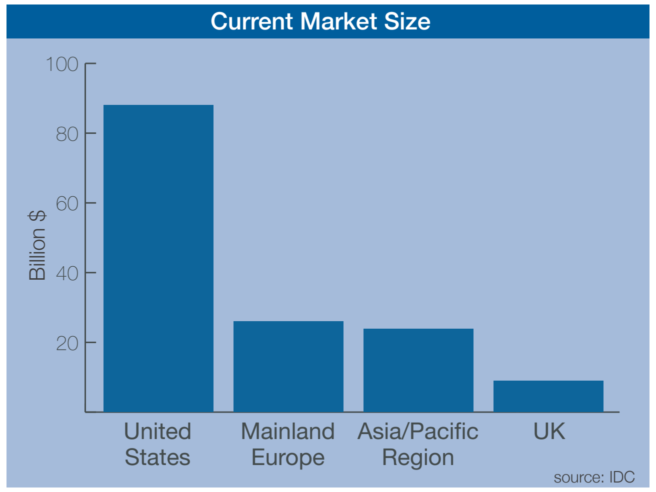
In 2018 the awareness of the power and potential of artificial intelligence (AI) within this arena became far more widely recognised as new developments received much greater media coverage. This awareness is now triggering changes to the global marketplace and accelerating growth around the world; this is a trend the Board of D4t4 expects to continue.

As AI becomes more widely understood and practical uses begin to multiply the Board of D4t4 expect that customers will become ever more aware of the need for better quality data to power algorithms. The oldest adage in the data world is “garbage in = garbage out”; this has never been a more appropriate piece of advice and will power customer investment for many years to come. To counter this challenge organisations will have to make significant investment and within this report we will detail what we consider to be the opportunity.

Dynamic growing market

D4t4 Solutions operates within the fast-growing ‘big data’, artificial intelligence, machine learning and the business intelligence market. This market which has been estimated to be valued at US$189 billion by the global independent analyst International Data Corporation (IDC), with a projected growth of 13.2% annually until 2022 at which point it is anticipated the market could be worth US$274 billion.

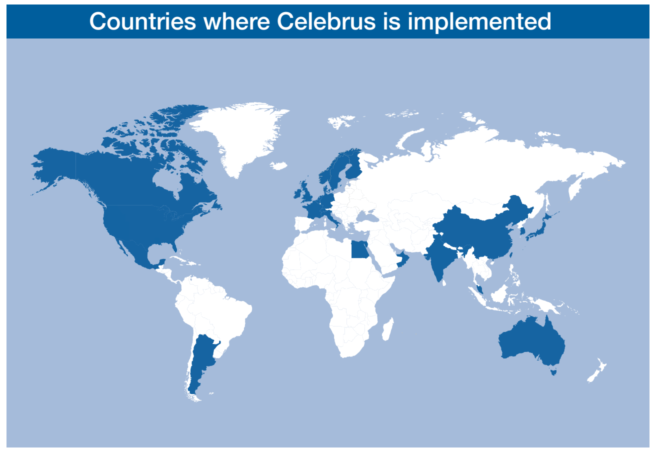
The specific areas of focus for D4t4 are data and analytics related to the collection of data on how consumers interact with digital channels such as websites and apps, the management and analysis of that data and the implementation of cost effective technology platforms to enable companies to get real value from their data assets.



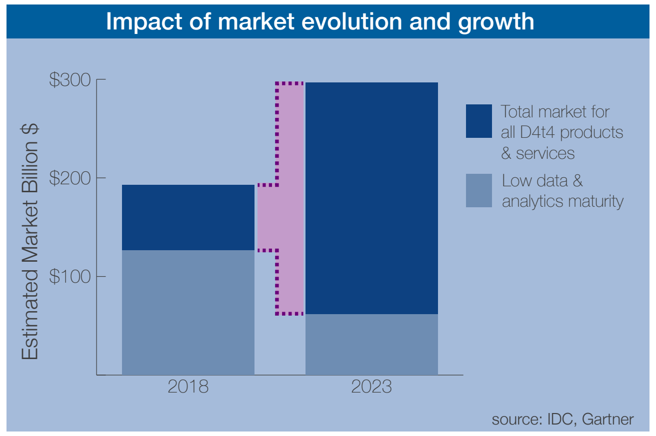
“Growing in a rapidly expanding niche market”

Celebrus, our main software product, is a customer data platform (CDP), that is in a rapidly expanding niche market according to independent research carried out by the Customer Data Platform Institute (CDPI). This niche area is expected to grow from £300m in 2016 to £1bn in 2019. The charts to the right illustrate geographic spread of Celebrus clients today.

As organisations evolve their analytical capabilities and extend the use of data throughout the business the need for better data, delivered faster at lower cost grows. Typically, it takes 5-7 years for organisations to develop from basic data and analytics capabilities to a more advanced level; it is at this more advanced level that D4t4 excels.



The chart to the right shows both the expected growth in the market and the probable shift in the type of client, technology and tools that is anticipated over the coming four years. The total market D4t4 seeks to address is predicted to grow significantly faster than the market in general.

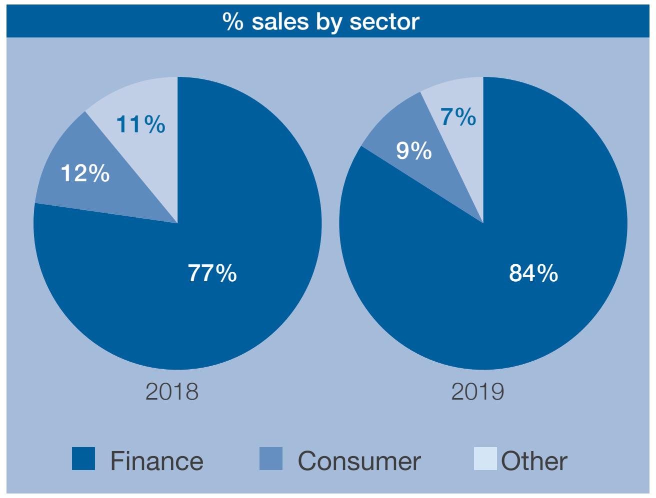


The market opportunity for D4t4 Solutions

There is a growing number of mature data and analytics companies that understand the value of data, have data deeply baked into the organisation and require the specialist tools backed by higher margin services supplied by D4t4. This is a major growth driver of the business.

Industry sectors

D4t4 is focused on the finance and consumer sectors. This emphasis allows the business to build a deep understanding of the core sectors and more effectively design, sell and deliver software and services.



D4t4 Solutions is at the heart of the fintech revolution

Financial technology (Fintech) companies consist of new companies and established technology companies trying to replace or enhance the usage of financial services provided by existing financial companies. Many existing financial institutions are implementing fintech solutions and technologies in order to improve and develop their services, as well as gaining an improved competitive stance.

The finance sector remains very attractive because of the potential disruption from fintech companies, its global nature, the number of clients undergoing transformation programmes and, the financial health of the sector.

There remains considerable scope for growth within the financial services sector across the globe. The deep knowledge of the sector D4t4 has is a key enabler.

D4t4 Solutions has growth potential in the consumer sector

The consumer sector encompasses all those businesses that interact directly with large numbers of consumers, including e-commerce, travel, telecoms and automotive organisations. The large data volumes, increasing concerns about privacy, data security and data sharing make this a vibrant area on which D4t4 can focus.

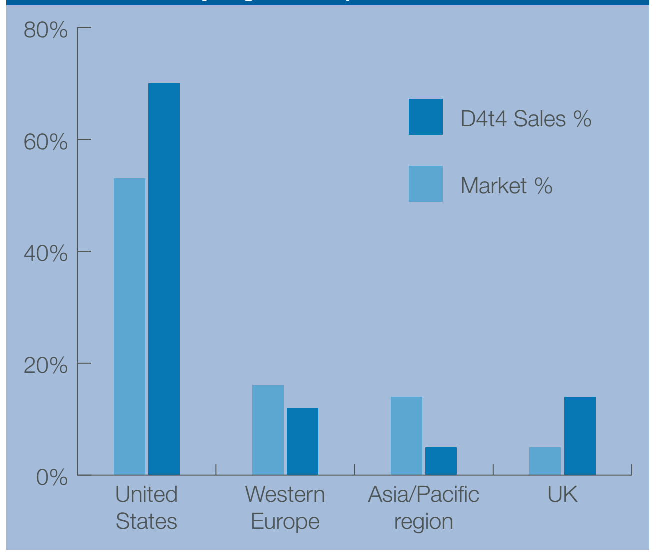
Therefore, the consumer sector is an area for future expansion, and the experience the Company is gaining today will enable growth in this area in the future.

Geographic reach

The market for data solutions is global and D4t4 has the working process, skills and people to serve clients wherever they may be around the world.

The largest global market is the USA and currently this is where the majority of D4t4 sales are made.

Sales by region compared to market



The Geographic opportunity

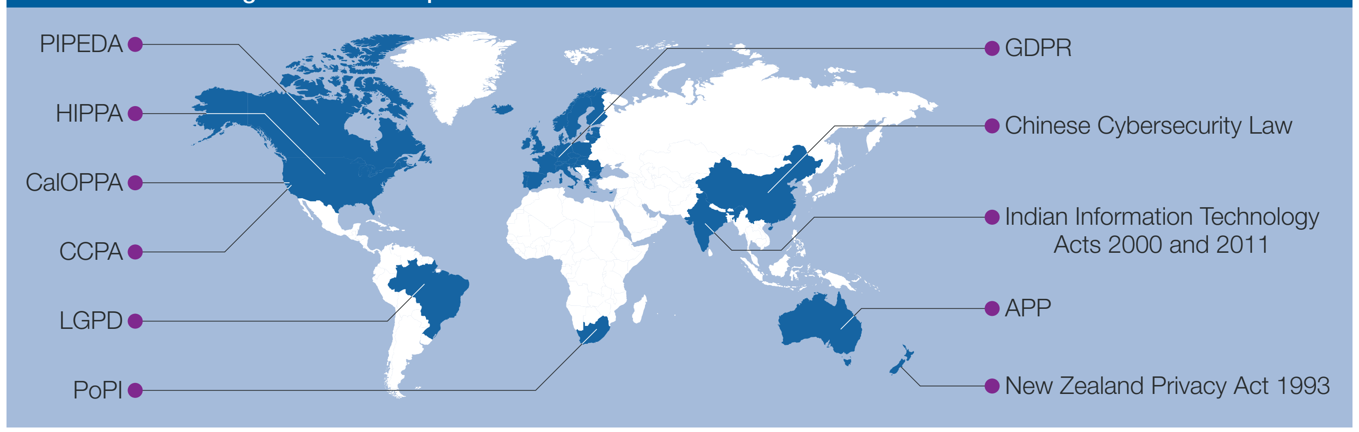
The Company plan is to continue the US investment strategy as it is the single largest market for data and analytics. With a faster growth trajectory and nearly the market size of Europe, D4t4 will look at expanding its presence in the Asian region.

Regulatory environment

The clients and the areas of the market D4t4 operates within are impacted by regulatory and accounting framework changes. Regulations such as Comprehensive Capital Analysis and Review and the Current Expected Credit Loss framework drive additional demand within the financial services sector.

Regulations like GDPR and the proposed European e-Privacy Regulation together with the California Consumer Privacy Act have an impact on software development and sales, this can be positive or negative depending on the final shape they take.

A selection of the regulations that impact D4t4 clients and which our software and solutions have to take into account



The regulatory opportunity

The ever-expanding number of regulations drives organisations to spend money on enhancing control over their existing data and investing to ensure that value is created from it. This is a positive trend for D4t4, and unless there is a backlash against data collection it will continue.

> *"D4t4 Solutions operates in a dynamic and fast-growing market that has many opportunities for growth and value creation"*
>
> Peter Kear, CEO

Key new trends

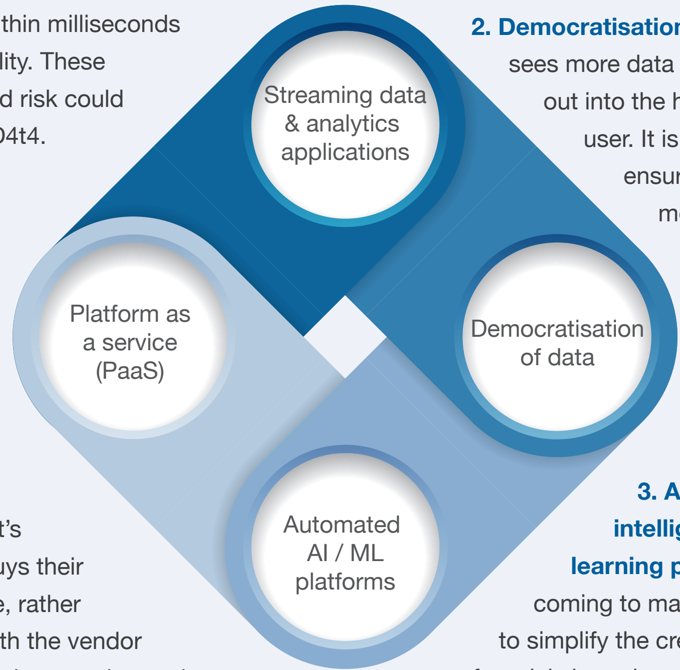
The market for data technologies and services is developing rapidly. Trends such as the drive amongst businesses to derive competitive advantage from data, the move to cloud computing, the arrival of hybrid cloud architecture and the rise of open source analytical software are now well established and expected to continue. Each year new trends emerge that cause the leadership of D4t4 to reflect on the business, its strategy and the tactics being used.

D4t4 is aware of these key trends and takes them into account when devising strategy and tactics to deliver growth. The market trends are also a core part of the strategy and business model reviews which take place annually or as required.

Four trends are currently of significant interest to the business

1. Streaming data and analytics applications are starting to become more prevalent; for example, D4t4 has clients that use behavioural data collected by Celebrus to detect application fraud the moment the fraudster starts to interact with the application form on a website. These applications typically require data collection, processing and decision making to happen within milliseconds and to have very high availability. These applications, often in fraud and risk could create new opportunities for D4t4.

2. Democratisation of data is a trend that sees more data access and tools pushed out into the hands of the business user. It is a welcome trend as it ensures organisations get more value from their data, however, it also increases workload and drives demand for more scalable and robust data platforms.



4. Platform as a service (PaaS) is an area that has been in existence for some time as evidenced by the growth in cloud computing. The new trend that D4t4 is exploring is the growth of private platforms delivered on appliances within the client's own data centre. The client buys their analytics platform as a service, rather than as a capital purchase, with the vendor taking full responsibility for implementation and operation of the platform. This is an opportunity that the management of D4t4 is actively exploring as this trend would reduce the sometimes variable phasing of D4t4 revenues, replacing them with a more predictable revenue flow.

3. Automated artificial intelligence and machine learning platforms are now coming to market at pace, promising to simplify the creation and deployment of models based upon artificial intelligence and machine learning. The arrival of these tools may create new opportunities to partner, create data connectors or to operationalise models within our customer data platform, Celebrus.

Vision & strategy

Our vision

Our business vision is to create an innovative and steadily growing business that earns high margin, recurring revenues by creating market leading data platform software and building data platform solutions that financial services institutions and consumer focused organisations need to power their AI, advanced analytics, compliance, fraud, risk, marketing and customer experience initiatives.

Our 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 expected to continue to invest in for the foreseeable future:

1. Increasing revenues derived from our customer data platform, Celebrus, which generates high margin sales in the short term as well as building a longer term recurring revenue stream and creating platform opportunities.

2. Generating recurring income through developing, deploying and managing 'big data' platforms that combine the intellectual property, services, software and hardware needed to help our clients get strategic advantage from their data by deploying artificial intelligence and advanced analytics as well as meeting stringent regulatory requirements.

> *"Our strategy is constant and we are relentlessly focussed on execution"*
>
> Peter Kear, CEO

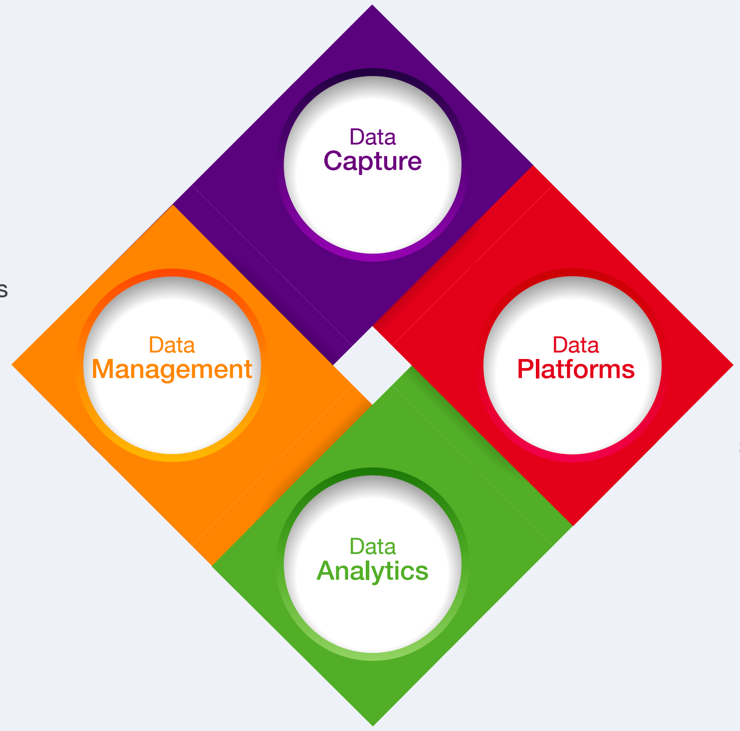
Our tactics

This strategy will be executed 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 capture, data platforms, data management and data analytics. We have depth of expertise and wide connections within the financial services and consumer sectors, and to deliver on our strategy we focus on these sectors above all others.

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, risk, fraud, artificial intelligence and analytics systems.

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

Strategic report

Our challenges

When executing any strategy there are challenges that the Company leadership has to tackle in order to succeed. D4t4 Solutions is no different to any business in that it has a small number of challenges that consume significant management effort and time. The table below sets out the key challenges and the main management actions that are being taken to ensure they are overcome.

Challenge

Sales cycle management

The sales cycle for our products and services is typically greater than one year due to the cutting-edge nature of the products. There are also typically multiple stakeholders within the client company that have to be addressed. Also due to the size of projects internal budgets have to be planned far in advance. The challenge is to manage the sales pipeline so that investor expectations for steady predictable growth are met.

Management actions

- Bi-weekly sales reviews
- Monthly Board review of the sales pipeline
- Account plans for every major client are being developed
- Relationship mapping is undertaken for major clients
- Flexible pilot projects offerings to engage the client early in the process are made available

Challenge

Expanding the relationship base

To grow the business faster and reduce risk the strategy calls for an increase in both the number of partners through which sales are made and the number of client relationships the business has. To achieve our stated financial performance targets our financial resources need to be carefully shared between sales, marketing and partnering activity.

Management actions

- Additional sales & marketing investment including Gartner and Forrester
- Growing partner base
- Mix of direct and indirect commercial relationships
- Deeper understanding of client data and analytics maturity and how it evolves

Challenge

Developing the right talent

The Company is still evolving into a data platform company, therefore retraining and redeployment of existing staff is still required. The challenge is to create a balanced, flexible and highly motivated team across three continents.

Management actions

- Retraining investment is being made as required
- Working location flexibility is offered to all staff
- Refurbished offices to improve the working environment
- Increasing number of company-wide events to develop a greater team spirit
- Total remuneration, including share options, is reviewed annually in light of the competitive market

Challenge

Creating the right products

Development resources are allocated based upon financial performance targets and consequently management has to prioritise product development carefully. The challenge is to understand the market and make the right investment decisions.

Management actions

- Frequent client and partner engagement to understand changing requirements
- Interaction with industry analysts to understand current and future trends
- Attending events and seminars to gain new knowledge
- Growing the number of developers, especially in the mobile arena
- Structured product planning meetings involving all stakeholders

Strategic report

Business model

The Board is confident that the D4t4 business model supports the business strategy of growing software and recurring revenues year-on-year, and it will be reviewed as the business grows.

Our strengths

People
Our teams are at the heart of the business. They understand the markets we operate in, create innovative solutions, write product code, drive sales and deliver solutions. In order to maintain and drive the business forward D4t4 seeks to attract and retain the best talent in our marketplace. The business is primarily organised as a single entity, rather than divisions. As the business wins and delivers new contracts this format gives D4t4 the best flexibility to deploy skilled staff on to the right projects at the right time.

Intellectual property
To deliver the strategy the business invests in developing intellectual property (IP). Competitive advantage is maintained through continual investment in the core functionality of our software product, developing solution ‘know-how’, building tools to automate processes (such as software deployment), applying for additional legal protection for our IP and the development of a network of partners who rely on the technology for their own business.

Partners
Our route to market is to sell our software and solutions in conjunction with other third party organisations, including SAS Institute, Dell EMC, Teradata, Pegasystems, Microsoft and Adobe. The solutions D4t4 deliver primarily contain components from SAS Institute, Microsoft and Dell EMC and our own software, Celebrus. We undertake joint sales and marketing activities with the organisations to generate the majority of our sales.

Security
Data security is vitally important to both our clients and D4t4. Regulations such as the European General Data Protection Regulation (GDPR) and the nature of the consumer data we handle means secure process and facilities that enable ISO27001 and PCI compliance are needed. Our software is regularly tested to ensure it is safe, private and secure.

Our core capabilities

Data Capture
Product planning and software development skills coupled with innovation capabilities and deep data collection domain knowledge.

Data Platforms
Architecture and deployment skills for high performance on premise, cloud or hybrid cloud solutions that combine hardware, software and services.

Data Management
Operational systems management skills coupled with strong security skills and in-depth technical knowledge across a broad range of technologies.

Data Analytics
Analytics strategy and business consulting skills, coupled to data solutions, data wrangling, visualisation and advanced analysis capabilities.

Value creation

The unique combination of these four elements makes D4t4 a distinctive business. The fundamentals create competitive advantage by enabling the D4t4 to offer complete enterprise scale data solutions for the largest financial services and consumer organisations.

For investors
Our strategy and business model are designed to create the opportunity to earn high margin recurring revenues, that deliver capital growth and a progressive dividend policy.

For customers
D4t4 provides an end-to-end data service that is designed, from the ground up, to be safe, secure and high quality, which result in delivering exceptional value to our clients over many years.

For employees
D4t4 provides a stable and secure working environment in which staff can develop their own careers. As a global business D4t4 aims to assist staff in gaining valuable international experience as well as broad exposure to all the latest data tools and technologies.

Business stream reporting
The core capabilities of the organisation and the business model are reflected in how the business is managed. The table below shows how each of the capabilities get reported within the accounts upon which management make their key decisions.

	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.

Our intellectual property

Intellectual property (IP) is the source of our competitive advantage, and it powers the growth of the business around the world. The following section provides an overview of the core IP assets of the business and how they enable competitive advantage.

Data Capture

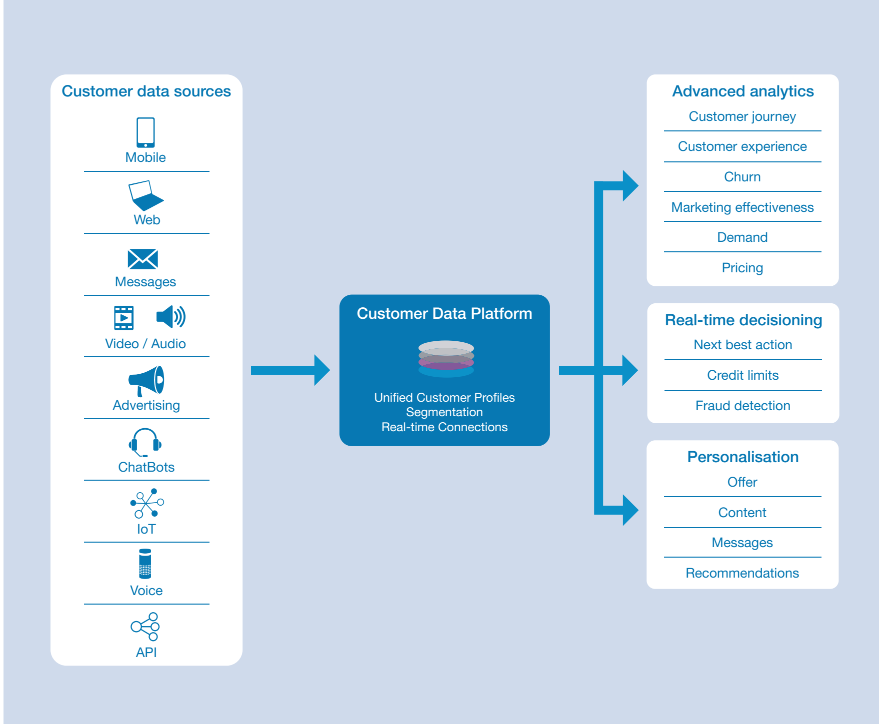
Celebrus is the ‘customer data platform’ (CDP) software that the Group acquired in 2015. The underlying technology has been in continuous development since 1999 and is protected by a number of patents. The core functions of Celebrus are to ***capture*** data, ***create*** profiles, ***connect*** the data to enterprise tools whilst keeping all the sensitive consumer data under complete ***control***.

Celebrus capabilities and competitive advantage

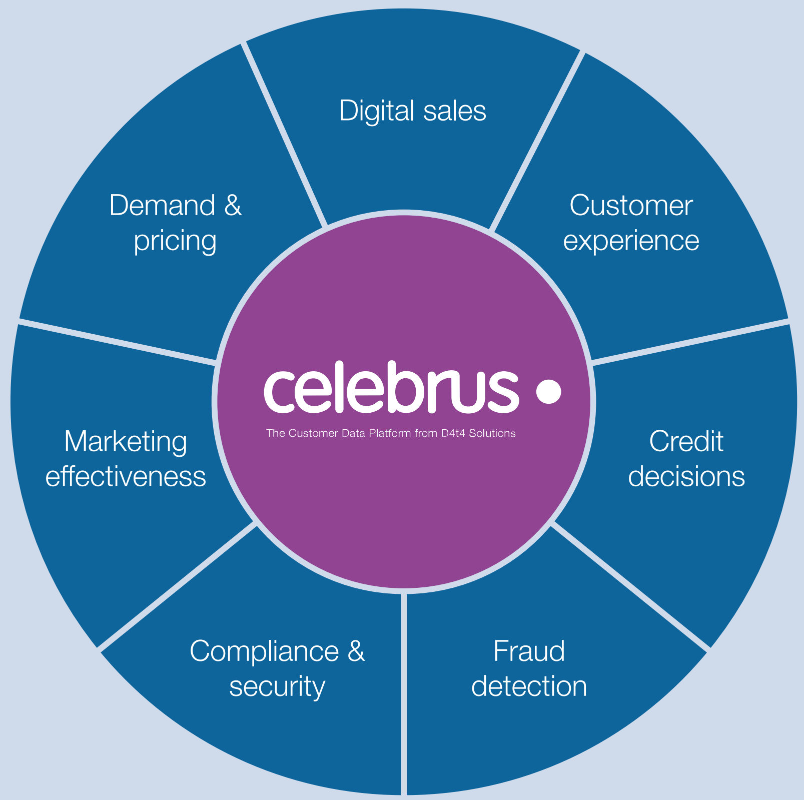
	CAPTURE	CREATE	CONNECT	CONTROL
CAPABILITIES	Capture customer behaviour and experience 1st-party data from all of your digital and physical channels	Create a unified stream of events and signals, structuring them into profiles at scale	Connect to advanced analytics tools and real-time decisioning to power fraud, risk and personalisation	Control customer data securely and compliantly with complete authority over processing and policies
COMPETITIVE ADVANTAGE	Patented data collection mechanisms that enable maximum capture at minimum cost	Unique capability to produce multiple data streams to enable multiple uses	Truly “instant data” is a unique capability that supports high value uses	Exceptional data management capabilities that maximise control and minimise cost

Celebrus is typically deployed across multiple digital channels to collect consumer interactions, and this data can be used to power over two hundred separate business processes that depend upon advanced analytics, personalisation and real-time decisioning.

Celebrus is typically bought by clients for a single use case (e.g. personalised messages) using data from a limited number of sources. As clients adopt Celebrus fully they typically expand the number of data sources, the number of countries deployed in and the number of use cases. All these trends combine to provide opportunities to increase revenue for D4t4 over time.



The major teams within a client that can use the data produced by Celebrus to deliver business advantage



Our intellectual property (continued)

What are the results of using Celebrus?

D4t4 clients usually keep their results confidential, however recently two clients have given public presentations at major technology vendor conferences that have revealed some of the results their "powered by Celebrus data" digital transformation projects have achieved.

Benelux insurer		French bank	
Digital sales	+27%	Increased digital sales rate	+300 to +900%
Churn recovery	+33%	Click rates on promotions	+500%
		Re-engagement rate for abandoned applications	+25%
		Re-engaged applicant conversion rate for loans	+38%

These results demonstrate the power of the data generated by Celebrus when deployed as part of a transformation programme. They give confidence in the product and a real sense of achievement to the D4t4 team.

These results have been further validated by Forrester Consulting who have produced a Total Economic Impact Study that shows how Celebrus created a 2.44 x return on investment for a small retail bank, paying back in less than two years. The bank generated $1.61 million net profit per million customers based upon a single use case. As noted above many Celebrus clients have multiple use cases and tens of millions of customers.

Forrester Consulting Report: Total Economic Impact of One Celebrus Use Case

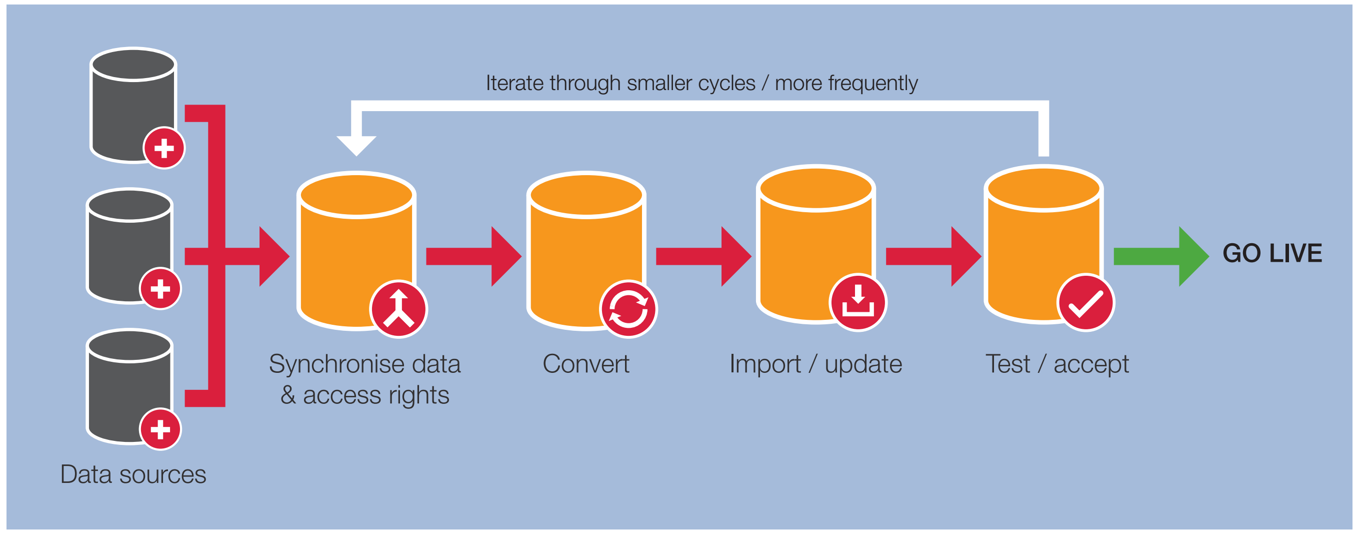
source: A Forrester Total Economic Impact™ Study Commissioned By D4t4 Solutions and Dell EMCDecember, 2018

Data platform tools

In the course of delivering data management solutions and data platforms, D4t4 has developed a suite of tools to assist in the migration of data to newer on-premise, cloud or hybrid platforms.

Our IP includes:

1. Tools for synchronising very large data quantities non-disruptively, taking across extended access control information, and converting data in the background between old and new formats. Using these tools, D4t4 speed up client adoption of new technology and enable them to test in parallel and converge on a working delivery quickly, thereby reducing the timescale and costs for new project implementation.



2. Distributed storage management – monitoring and controlling storage allocation and tuning synchronisation and backup through the use of snapshots to optimise usage of storage and meet requirements for RPO and RTO (Recovery Point Objective and Recovery Time Objectives) for big data platforms. This capability enables our clients to optimise use of existing investments, helping to keep investment and costs down.
3. Configuration control and change management know-how to build solutions quickly and deliver change efficiently thereby ensuring the greatest possible agility.
4. Vulnerability and threat management to monitor vulnerabilities and availability of supplier patches or mitigations, manage the roll out to production environments, and monitor that the weaknesses have been eliminated. Security is of prime concern to our clients, so these tools and techniques are critical to our success.

Growth plan

Our business model, our chosen markets, together with our innovative technology and IP are all harnessed to grow the business through four key initiatives.

1 Regional growth

Continued investment will enable the business to access market opportunities that are currently untapped

- In 2018/19 we increased our North American team significantly and created a pipeline of new clients
- In 2019/20 we will continue to grow the US team in order to exploit the largest and most sophisticated market in the world
- During the current financial year, we will begin investing in the Asia Pacific region to support our existing clients and access new opportunities

2 Additional use cases

Use cases are the business and technical 'know-how' needed to support new uses for Celebrus data in areas such as risk, fraud and vulnerable customer support

- Developing new ways to use Celebrus data creates new entry points into clients through different teams and partners as well as expanding Celebrus use with existing clients
- In 2018/19 we created a knowledge bank of all the use cases and started to use them as a tool to support and engage existing clients and prospects
- During 2019/20 we will expand our portfolio to create more use cases in risk, fraud and commercial decision making (e.g. pricing)

3 More engagement with clients

Investing in customer success teams to work more closely with clients to help creating value from data leads to cross-sell of services and expansion of existing relationships

- In 2018/19 we started to engage more clients directly, rather than through a partner, to enhance the quality of service and advice available to the client
- In 2019/20 we will advance our Celebrus customer success capability by dedicating more time and resource to working in closer collaboration with our clients outside the usual project-based activity

4 New partners

Adding new partners gives access to more solution sales opportunities that require the power of Celebrus or the D4t4 data platform capabilities

- In 2018 /19 we developed new relationships with Pegasystems, a leading decisioning software company, that uses Celebrus data to power real-time personalisation
- In 2019 /20 we will develop new relationships with a regional partner in Asia Pacific to support the regional growth goals and will extend our existing portfolio of systems integrators
- We will also seek new partners to support the new use cases in areas such as risk and fraud as they are developed

Technology Partners

Adobe
Microsoft
sas
teradata.
opentext™
DELL EMC
PEGA

Service Partners

servian
FELDM
BIMA Consulting
CORIOS
provice
OnMarc
EDLER & STIEGLER
BizTech
PEGASUS KNOWLEDGE SOLUTIONS

D4t4 has many potential growth areas; the Board ultimately makes the decisions regarding the balance of profit vs. growth investment. It is the Company policy to ensure steady profit growth as a primary objective balanced by an appropriate level of investment to deliver growth activities.

Strategic report

Key performance indicators

In addition to the growth in the Data Capture total sales (including recurring revenue, licenses and services), the Group's financial KPIs are revenue, gross profit margin, cash, profit before tax and adjusted earnings per share.

Group's financial key performance indicators

Revenue

+37.0%

2019 £25.24m

2018 (restated) £18.43m

Growth was recorded in all major areas of the business, and excluding the IFRS 15 adjustment the growth would have been a significantly improved 17%.

Gross profit margin

+0.03%

2019 56.69%

2018 (restated) 56.66%

Stable margin as all areas of the business grow, higher software margins offset by lower 3rd party margins. These are expected to be maintained in the future.

Adjusted profit before tax

+47.9%

2019 £6.02m

2018 (restated) £4.07m

Profit was impacted by the IFRS 15 adjustment (See note 30) and by our accelerated investment in growth activities in North America.

Adjusted diluted EPS

+57.5%

2019 13.89p

2018 (restated) 8.82p

Without the IFRS adjustment growth in EPS would have been 6.4% due to increased tax charge, increased holding of treasury shares and two in-year share issues.

Growth of data capture revenue

+42.6%

2019 ↑42.6%

2018 ↓11.1%

The Celebrus related business returned to very positive growth as the business became more focussed and the increased investment began to deliver expected results.

Net cash

+185.7%

2019 £11.00m

2018 £3.85m

Following the completion of a number of projects at the end of the last financial year there was a significant debtor balance that was paid in July 2018. Subsequently all borrowings have been repaid and the Company now has sufficient cash reserves for normal operations and some flexibility to fund new initiatives or acquisitions.

"I am delighted to present a complete set of positive KPIs and would like to thank the whole D4t4 team around the world for their efforts this year"

Peter Kear, CEO

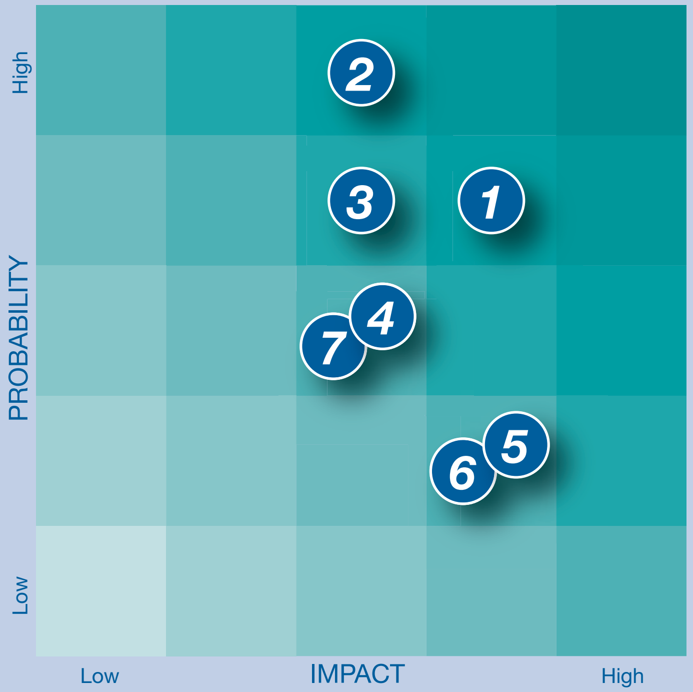
Principal risks and uncertainties

D4t4 Solutions faces all the normal economic, commercial and political risks facing any UK based business that trades internationally.

The major risks to the Group that the Board focuses upon are shown below:

Risk heat map

1 Execution timing
2 People risks
3 Market and regulatory changes
4 Competition
5 Client or partner loss
6 Data loss and reputational risk
7 Foreign currency



1 Execution timing

At the centre of our strategy is the delivery of product and projects in line with our business plan. Failure to deliver these projects and products within the constraints of our fiscal periods would impact our overall objectives.

Change in risk

No change in risk level

Risk remains mitigated with ongoing improvement to standardised project delivery processes.

Mitigation

Our clients are typically engaged with us on multi-year programmes, so we invest significantly in sales, marketing and partner activities to ensure we can plan and predict the associated growth and revenue targets.

2 People risks

A loss or severe issue with key personnel could impact the ability of the group to execute on its strategy, causing severe reputational and operational challenges.

Change in risk

Increase in risk level

Perceived to have increased due to growth and complexity of the business.

Mitigation

Key individuals are identified, succession plans put in place and actions taken to spread the risk between more individuals.

3 Market and regulatory changes

The Group is exposed to the risks of changing regulations for the collection of consumer data. Some of these changes may be positive, but others negative which can impact on D4t4's performance and outlook.

Change in risk

Increase in risk level

Increase in risk level due to the greater attention in policing the internet, company corporate governance and increasing financial reporting standards complexity.

Mitigation

D4t4 monitors the markets in which we operate by close collaboration with our clients, suppliers and partners. We then plan product, project or operational changes to ensure we are minimising the impact of changes. We follow proposed regulatory changes closely.

4 Competition

New competitors or changes to existing competitors' products can significantly alter the market dynamics, which in turn risks the position and standing that our own Intellectual Property has in the banking, finance and financial and consumer marketplace.

Change in risk

No change in risk

Mitigation

The Group continually scans the market for potential technology threats and has a development process in place to ensure its own technology continues to evolve to meet client needs, that cannot be easily disrupted, and which can be protected by patents.

Principal risks & uncertainties (continued)

5 Client or partner loss

The loss of a key client or significant sales partner would impact the ability of the Company to meet its key business objectives.

Change in risk

No change in risk level

No change in risk level as our clients and partners continue to engage and plan with D4t4.

Mitigation

The business has specific relationship management plans in place for both clients and partners. The status of the relationships is reviewed by management on a regular basis and actions put in place to reduce the risk of loss.

6 Data loss and reputational risk

A significant IP, data loss, or security breach could impact the brand and reputation of the Group.

Change in risk

No change in risk level

No change as although complexity increases, so do D4t4's procedures and mitigation tools.

Mitigation

We are ISO 27001 certified and operate an information security process that controls and minimises the risks. This process is externally assessed yearly.

7 Foreign currency

Changes in foreign exchange rates can result in reduced profitability due to cash collection values not matching transaction values and an increased potential for currency losses in the income statement.

Change in risk

Increase in risk level

Perceived to have increased due to the increasing value of revenue invoiced in foreign currency.

Mitigation

The use of financial instruments (eg forward contracts) can help reduce the risk of impact of fluctuating foreign exchange rates.

Corporate Social Responsibility and Sustainability

D4t4 Solutions aims to work in a way that delivers socially responsible and environmentally sustainable business performance. We ensure observance of the law and conduct activities to the highest ethical standards, and we expect our customers and suppliers to embrace these same principles.

Environment

Policy statement

D4t4 Solutions fully supports the principles of, and is committed to, promoting good environmental practice and sustainability in the conduct of its activities. It is our policy to ensure that any adverse effects on the environment are kept to a minimum.

D4t4 Solutions therefore:

- wholly supports the requirements of accepted international standards and current EU environmental legislation and codes of practice.
- minimises consumption through the reduction, reuse or recycling of materials as much as possible.
- encourages efficient use of energy, utilities and natural resources.
- continually strives to improve environmental performance.
- communicates our environmental commitment to clients and suppliers and encourages their support.

Carbon emissions

Our recent Head Office refurbishment was conducted with a strong environmental ethos at its core, focusing on delivering the latest standards in insulation, lighting, heating and energy waste reduction.

The electricity supply at our Head Office is based almost entirely on renewable energy sources and will be moving to 100% renewable sources within the next year.

The rollout of improved office collaboration software is facilitating a more dynamic and flexible workforce whilst further reducing travel and associated environmental impacts.

Moving forward, we will be exploring further areas for reduction of carbon emissions and consideration of carbon emissions offset options for the Company as a whole.

People

D4t4 Solutions values teamwork, taking personal responsibility, positive attitudes and working hard to deliver beneficial outcomes for all our customers, staff and shareholders alike. We encourage personal learning and development of our team members in order to create a more sustainable workforce.

Ethical Business Practices

Human rights

D4t4 Solutions fully recognises and supports the protection of Human Rights, the UN Universal Declaration of Human Rights (UDHR) and the ten principles of the UN Global Compact.

Anti-corruption and bribery

It is our policy to conduct all of our business in an honest and ethical manner. We take a zero tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, and implementing and enforcing effective systems to counter bribery.

We will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate. However, we remain bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct both at home and abroad.

Modern slavery

We have a zero tolerance approach to modern slavery and will act ethically and with integrity in all our business dealings and relationships. Our approach is also underlined by our recognition and support for UDHR and UN Global Compact.

Supplier engagement includes a check on approach to modern slavery and a record is noted with respect to their statement on modern slavery.

Equal opportunity

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at our Company will be based on merit, qualifications and abilities. Except where required by law, employment practices will not be influenced or affected by an applicant's or employee's race, colour, religion, gender, national origin, political affiliation, marital status, sexual orientation, age or any other characteristic protected by law. This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to benefits and training.

On behalf of the Board.

Peter Kear
Chief Executive Officer
24 June 2019

Corporate Governance

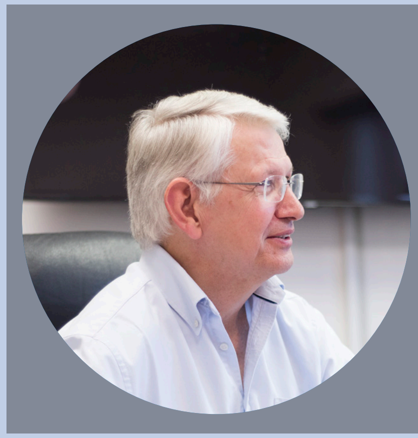
Board of Directors

Peter Kear
Chief Executive Officer

Peter co-founded D4t4 Solutions in 1985. Prior to this he was a divisional director for Hawke Electronics, then a subsidiary of Lex Service plc. He became CEO in 2016, having been responsible until then for both the sales and business development aspects of the Company. His position as CEO involves overall responsibility for the management of the Group's activities and he works closely with the other Executive Directors on the determination of the Group's overall strategy.

Carmel Warren
Chief Financial Officer

Carmel was appointed to the Board in 2015 following the acquisition of Celebrus. She qualified as a Chartered Accountant with EY and has over 25 years' experience across multiple industries. Her operational and board level experience ranges from start-ups to blue chip companies as well as gaining strong listed company experience. Carmel joined Celebrus as Chief Financial Officer in 2007 after having held senior positions at EY, ExxonMobil and Brightside Group plc.



Jim Dodkins
Chief Technical Officer

Jim is responsible for the Company's strategic direction in technology, specialising in solution architecture for D4t4 Solutions and its clients. Prior to joining D4t4 Solutions he worked for Logica plc in various roles, where he gained wide industry experience and later managed the division responsible for projects in the broadcast and media sector.

Mark Boxall
Chief Operating Officer

Mark brings a wealth of knowledge and experience in the areas of sales, delivery, operations and finance having been both board director and senior manager at technology consultancies and product based technology companies such as rbase, Morse, PTC and Siemens, and most recently Dell EMC.

Matthew Tod
Chief Data Officer

Matthew brings a wealth of expertise in big data, analytics and software to the Board. Prior to joining D4t4 Solutions Matthew founded a data and analytics company in 2002, Logan Tod & Co, that was acquired by PwC in 2012. He subsequently became a partner leading PwC's Customer Consulting Group. Matthew has established himself as a digital data expert within the key sectors of retail, e-commerce, mail-order, media, consumer goods and financial services.

Non-Executives

Peter Simmonds
Non-Executive Chairman

Peter was appointed to the Board as Chairman in April 2015. He is Chairman of the Audit and Nomination Committees and is also a member of the Remuneration Committee. He was CEO of dotDigital Group plc for eight years and a major contributor to their success prior to stepping down. He is also Chairman of Cloudcall Group plc and is a Board member of the Quoted Company Alliance.

John Lythall
Non-Executive Director

John co-founded the company in 1985 and was Managing Director of D4t4 Solutions from 1985 to 2016 when he retired - handing over the reins to long term business partner Peter Kear - taking up a role as Non-Executive Director with the company. Prior to forming D4t4 he was Managing Director of Hawke Electronics, a computer systems distribution business which he and his partners sold to the Lex group. He has a wealth of experience in sales, operations and finance and is a member of the Remuneration Committee.

Peter Whiting
Non-Executive Director

Over a 30-year career, Peter has gained extensive financial and commercial experience. His core skills are centred around the financial services and technology industries; he has the proven ability to quickly understand complex technologies and their applications and at the same time successfully developed strong interpersonal and management skills which have enabled him to build a technology-led NED portfolio. He is currently a Non-Executive Director of FDM Group plc, Keystone Law plc, Microgen plc and TruFin plc. Peter is Chairman of the Remuneration Committee (appointed 2 October 2018) and is also a member of the Audit and Nomination Committees.

Corporate governance

Chairman's introduction to governance

The Board recognises the importance of high standards of corporate governance for delivering long-term success to the Group and acknowledges its role in setting the culture, values and ethics of the Group (as outlined in Principle 8) and communicating these to all the Group's stakeholders. The Board meets regularly to discuss the monitoring and promotion of a healthy corporate culture. The Chairman has ultimate responsibility for corporate governance matters and has overseen the preparation of this governance statement accordingly.

In March 2018, AIM Rule 26 was amended to require all AIM companies to disclose details of a recognised corporate governance code that its Board of Directors has decided to apply, how the Group complies with that code and, where it departs from its chosen corporate governance code, an explanation of the reasons for doing so.

Since then and to assist the Board's aim to operate as effectively as possible, the Board has formally applied the principles of the Corporate Governance Code published by the Quoted Companies Alliance (the QCA Code) to ensure compliance with AIM Rule 26 and for the production of the Group's Annual Report and Accounts.

Board discussions are conducted openly and transparently, which creates an environment for sustainable and robust debate. In the year, the Board has constructively and proactively challenged management on Group strategies, proposals, operating performance and key decisions, as part of its ongoing work to assess and safeguard the position and prospects of the Group.

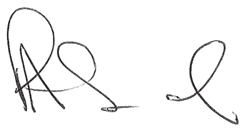
Key risks and uncertainties affecting the business are regularly assessed and updated. The Board challenges management to ensure appropriate risk mitigation measures are in place. The Board has completed a full, specific review of the Group's key risks and uncertainties (page 28 of the 2019 Annual Report), in light of the new and emerging risks or uncertainties arising from the Group's strategic growth plans and the wider economic, political and market conditions. As part of a critical review of the Group's procedures, a rolling risk review process has been developed which seeks to ensure that risks are constantly monitored, assessed and quantified, so that action may be prioritised by the Board accordingly.

Whilst the current composition of the Board demonstrates a wide balance of skills, our Nomination Committee has been working to further strengthen the balance of independent Non-Executives on the Board. This will allow us to address ongoing diversity issues in order to further progress towards achieving full compliance with the QCA Code.

Finally, the Board continues to engage with shareholders and welcomes ongoing dialogue throughout the year and as always, I welcome shareholder attendance and participation at the Annual General Meeting.

A statement of the Directors' responsibilities in respect of the accounts is set out on page 58 of the 2019 Annual Report.

On behalf of the Board



Peter Simmonds
Non-Executive Chairman
24 June 2019

Corporate governance

Statement of corporate governance

This statement explains how D4t4 Solutions plc has applied the main and supporting principles of corporate governance and describes the Group's compliance with the provisions of the QCA Corporate Governance Code (2018).

For the purposes of clarity and candour, the description of how the group complies with the ten key principles of the QCA Code begins with a summary of the two areas where the Group does not yet fully comply, followed by a review of each of the principles in turn.

No significant corporate governance matters arose during the period covered by the 2019 Annual Report nor subsequently to the date of this statement on which it was considered necessary for the Board or any of its Committees to seek external advice.

The Board consults with its Nominated Adviser and other professional advisers on routine matters arising in the ordinary course of its business.

Exceptions to the application of the QCA Code

The following table summarises the specific areas within two of the principles where the Board considers that the Group does not fully comply, or may be perceived as not fully complying, with the QCA Code.

Principle 5 (Maintain the Board as a well-functioning, balanced team led by the Chair)	Exceptions and explanations
Application: The Board should have an appropriate balance between Executive and Non-Executive Directors.	During the period covered by the 2019 Annual Report, the Board consisted of 9 members, 5 Executive and 4 Non-Executive. On 31 March 2019 R McDowell resigned from the Board which meant that at the year end the Board comprised 5 Executive and 3 Non-Executive members. Neither breakdown meets the general expectation that at least half of a Board should be independent Non-Executives. The Board has recognised this imbalance for some time and is currently undertaking a recruitment exercise to increase the number of Non-Executive Board members.
Application: The Board should have at least two independent Non-Executive Directors. Independence is a Board judgement.	Following the appointment made in July 2018 of P Whiting and year end resignation of R McDowell, the Board currently has three Non-Executive Directors. P Simmonds and P Whiting are deemed to be independent, and therefore this provision of the Code was met from July 2018. J Lythall is not considered independent due to the fact that prior to 1 April 2016 he acted in the capacity of Chief Executive Officer. Consequently he is subject to a requirement to retire and offer himself for re-election on an annual basis, rather than on the basis of the general rotation of one-third of the Board annually. J Lythall was re-elected at the Company's AGM held on 23 August 2018.

Statement of corporate governance (continued)

Principle 6 (Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities)	Exceptions and explanations
Application: The Board should contain the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the Group's strategy over the medium to long term.	The male to female ratio on the Board is presently 7:1 and there are currently no female Non-Executive Directors. We believe that this reflects a strong gender bias in the technology industry as a whole, and the Board remains confident both that the opportunities in the Group are not excluded or limited by any diversity issues (including gender) and that the Board nevertheless contains the necessary mix of experience, skills and other personal qualities and capabilities necessary to deliver its strategy.

The Principles of the QCA Code

Principle 1 - Establish a strategy and business model which promote long-term value for shareholders

The Board's shared view of the Group's purpose, business model and strategy, and the values underpinning them, are detailed in the Strategic Report within pages 8 to 25 of the 2019 Annual Report as follows:

- "What we do" (pages 8 to 13) explains what D4t4 Solutions' services and products are.
- "Vision and strategy" (pages 14 to 15) considers how D4t4 Solutions seeks to realise its' vision of earning high-margin, recurring revenues.
- "Business model" (pages 18 to 19) reviews D4t4 Solutions' key strengths, capabilities and values.

The Group's approach to delivering long-term value for shareholders is addressed in the Statement of the Chief Executive Officer on pages 4 to 7. Pages 24 to 25 set out the Group's three-pronged "Growth acceleration plan" and pages 28 to 30 ("Principal risks and uncertainties") detail the key risks faced by the business and how these continue to be addressed.

Principle 2 – Seek to understand and meet shareholder needs and expectations

Relations with shareholders and dialogue with institutional shareholders

The Board as a whole is responsible for ensuring that a dialogue is maintained with shareholders based on the mutual understanding of objectives.

Members of the Board meet with major shareholders on a regular basis, including presentations after the Group's announcement of the year-end results and at the half year.

In addition to regulatory news announcements the Directors have published the annual report and accounts, the annual results presentation, the half year results and announcements on new contract wins as they arise.

In the period from 1 April 2018 to the date of this corporate governance statement, the following activities and events with stakeholders were carried out with the view to:

- Communicating the Group's business model, strategy and values,
- Provide financial updates and explanations sought by shareholders, and
- Engage with shareholders to fully understand their needs and expectations.

Date	Description of engagement	Group participants	Notes
June 2018	Preliminary results roadshow	P Kear, C Warren	
August 2018	AGM	Directors	Shareholders invited to attend with Q&A session
November 2018	Interim results roadshow	P Kear, C Warren	
February 2019	Technology Demo Day	M Tod, C Warren	
June 2019	Preliminary results roadshow	P Kear, C Warren	
August 2019	AGM (scheduled 22 August)	Directors	Shareholders invited to attend with Q&A session
Various	Shareholder / potential shareholder meetings		

The Board is kept informed of the views of shareholders and other stakeholders at each monthly Board meeting through a report from the Chief Executive Officer together with formal feedback on shareholders' views gathered and supplied by the Group's advisers. The views of private and smaller shareholders, typically arising from the AGM or from direct contact with the Group, are also communicated to the Board on a regular basis.

P Simmonds is available to shareholders if they have concerns where contact through the normal channel of Chief Executive Officer has failed to resolve or for which such contact is inappropriate. P Simmonds can be contacted through the UK head office contact information shown on our website.

Constructive use of the AGM

The Board uses the AGM to communicate with private and institutional investors and welcomes their participation. Eight members of the Board attended the Group's AGM held on 23 August 2018 and all Board members are expected to be in attendance at the meeting in August 2019.

P Simmonds as Chairman invites all shareholders to the AGM and ensures that he is available to meet them and answer their questions at this time.

At these meetings, shareholders are asked to confirm that their questions have been successfully answered. At the year end and interim presentations to shareholders, the Group's Nominated Advisor consults with attendees for feedback to ensure that future presentations encapsulate their requirements where possible.

Corporate governance

Statement of corporate governance (continued)

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board is fully aware that the long term success of the Group relies upon maintaining successful relationships with a range of different stakeholders, both internal and external. The table below identifies who the key stakeholders are and how we engage with them.

Stakeholders	Reason for engagement	How we engage
Staff	Our ability to provide an industry leading software and services business is dependent upon good communications within our organisation.	We have identified our internal values in order to recruit and maintain talented and motivated staff. These values form the basis of all communications which are sought through internal appraisals and bi-weekly company informal meetings, which allow staff to engage with other parts of the organisation and recognise the successes of others. During the year, quarterly Group-wide meetings are held to provide staff with an operation and sales update on what is happening within the business. These meetings are followed by lunch.
Clients	Understanding current and emerging requirements of clients enables us to develop new and enhanced services, together with software to support the fulfilment of those services.	We have account managers and account directors whose primary responsibility is to engage with our clients to understand and develop our products and services so that we can work with them to exceed their requirements. In relation to our own IP products we seek formal and informal feedback on product roadmap and enhancements via our support offering and annual user group meetings.
Suppliers	Our relationships with our suppliers are key to the core success of our business.	We treat all suppliers as individuals, build long term collaborative relationships and where possible work within the local community. Our partnership and purchasing teams seek to build ongoing communication with our suppliers so that feedback can be received and acted upon. We seek to ensure that supplier invoices are processed and paid promptly.
Shareholders	As a public company it is vital that we build relationships with our shareholders so that we can both inform them of our successes and listen to their guidance.	This is achieved in several ways: □ Regulatory news releases □ Investor relations section of the website □ Annual and half-year reports and presentations □ AGM □ Capital markets and Technology demo events Our intention is to engage with our shareholders to inform them of our successes and to listen to the question and comments. This feedback is usually received at the AGM and the investor presentations.
Industry bodies	Information security is fundamental to our business, clients, partners, suppliers and associated data subjects and so we ensure that our policies and procedures provide a cohesive approach to this important area.	We have an established information security management system which encompasses independently audited ISO27001 and PCI DSS controls, industry best practices, as well as latest regulatory requirements including General Data Protection Regulations (GDPR) and the UK Data Protection Act (2018). Our experienced Information Security Committee ensure that governance, risk and compliance is actively managed and that our policies and procedures evolve to meet ongoing requirements.
Communities	We consider that it is important to be a business that makes a positive contribution to local economies and is attractive as an employer and partner.	We look to recruit locally experienced staff and through the local universities, both in the UK and India. We employ local suppliers where possible and throughout the year, we encourage staff to identify charities that they have an affiliation with for the Group as a whole to support.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board's risk management controls and mitigation strategies are described in the 2019 Annual Report at pages 28 to 30 ("Principal risks and uncertainties") and page 44 ("Control environment").

The Directors and operating Company management have a clear responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks. To this end the Board has established a Risk sub-Committee, reporting directly to the Board, consisting of one Non-Executive Director, one Executive Director, a senior member of the finance team and a senior member of the Operations team (the Information Security and Process Manager); other members of the Company can be seconded to the Committee as required.

The remit of the Committee is to examine the vulnerability of the Group to all types of risk, the mitigation of such risks, maintain the risk register to properly reflect this and to report back to the Board with any changes in, or new areas of, vulnerability to risks and recommendations for mitigation.

This is done at three levels:

- A review of the risk register is included in the monthly Board pack.
- A quarterly report provided to the Board.
- A formal assessment of risks during the annual budget process.

Corporate governance

Statement of corporate governance (continued)

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair

Composition

Directors' biographies are shown both in the 2019 Annual Report on pages 32 to 33 and on the Group website.

Following the resignation of R McDowell on 31 March 2019, the Board comprises eight members, made up of five executive directors and three non-executive directors.

At the date of this corporate governance statement, the following Non-Executive Directors are considered to be independent:

P Simmonds (Chair)
P Whiting

Please see the "Exceptions" section above for details of why J Lythall, the Board's other Non-Executive Director, is not considered to be independent.

The Board does not presently consider it necessary to appoint an independent Director to a Senior Independent Director role but will keep the appropriateness of this position under review.

All Directors are subject to election by shareholders at the first AGM immediately following their appointment and thereafter are subject to re-election at intervals of no more than three years. All Non-Executive Directors are appointed for fixed terms in line with corporate governance requirements, although those Non-Executive Directors whose independence may be called into question are subject to re-election annually. The Non-Executive Director currently subject to annual re-election is J Lythall, as described in the "Exceptions" section above.

All of the Executive Directors are full-time employees of the D4t4 Solutions plc.

Operation of the Board

The Board is responsible to shareholders for the proper management of the Group. A statement of the Directors' responsibilities in respect of the financial statements is set out on page 58 and a statement of going concern is given on page 54.

The Board normally meets once a month. The formal schedule of matters specifically reserved to it for decision was reviewed and adopted by the Board on 25 April 2019 and will be reviewed annually (see website).

Other matters are delegated to the Executive Directors, supported by policies for reporting to the Board. Presentations are made to the main Board at each monthly meeting by the Executive Directors and also on regular occasions by operational management.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed, and that applicable rules and regulations are complied with and for advising the Board, through the Chairman, on corporate governance matters. The Group maintains appropriate insurance cover in respect of any legal action against the Group's Directors and the Company Secretary, but no cover exists if a Director is found to have acted fraudulently or dishonestly.

The Non-Executive Chairman and the Non-Executive Directors are able to meet without Executives present prior to each Board meeting. The agenda and relevant briefing papers are distributed in advance of each Board meeting.

When Directors have concerns which cannot be resolved about the running of the Group or a proposed action, these concerns are recorded in Board minutes. Upon resignation, a Non-Executive Director is required to provide a written statement to the Chairman for circulation to the Board if there are any such concerns.

Commitment

All Directors are expected to attend the monthly meeting of the full Board, or to make themselves available to join the meeting by telephone, and to attend all meetings of any Committee(s) of which they are members. In addition, the Directors are expected to attend strategy and business planning meetings each year. The Non-Executive Directors are expected to make themselves available at all reasonable times for consultation by other members of the Board.

Prior to each monthly Board meeting the Directors receive a detailed pack which includes:

- Board meeting agenda
- Minutes from previous Board meeting
- Board pack which includes financial summary, update on each part of the business, strategy execution update and risk assessment update
- Papers as required for additional items requiring Board attention.

Meetings and attendance

The following table summarises the number of Board, Audit Committee, Remuneration Committee and Nomination Committee meetings held during the period covered by the 2019 Annual Report and the attendance record of individual Directors at those meetings:

	Board	Audit	Remuneration	Nomination
MG Boxall	12/12	-	-	-
JL Dodkins	10/12	-	-	-
PJ Kear	12/12	-	-	3/3
J Lythall	11/12	-	4/4	-
RS McDowell (resigned 31 March 2019)	10/12	1/2	4/4	2/3
PA Simmonds	12/12	2/2	4/4	3/3
M Tod	11/12	-	-	-
CE Warren	11/12	-	-	-
PF Whiting (appointed 2 July 2018)	8/9	1/1	3/3	2/2

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The 2019 Annual Report includes, at pages 32-33, particulars of the Directors who held office throughout the financial year to 31 March 2019 (apart from R McDowell who resigned on 31 March 2019).

It is Board policy that Executive Directors receive suitable training for their position, which is considered as part of the appraisal process.

The Chairman ensures that Directors update their skills and knowledge required to fulfil their roles on the Board and Committees. Ongoing training is provided as necessary and includes updates from the Company Secretary on changes to the AIM rules, requirements under the Companies Act and other regulatory matters. Directors may consult with the Company Secretary at any time on matters related to their role on the Board. More detail on the experience and capability of the Directors is included in their biographies on the corporate website.

Statement of corporate governance (continued)

On 2 July 2018 P Whiting was appointed as an additional independent Non-Executive Director and as a member of the Board's Remuneration and Nomination Committees. His biography can be found in the 2019 Annual Report on page 33 and on the Group website.

External Advice

No significant matters of a corporate governance nature arose during the period covered by the 2019 Annual Report nor subsequently to the date of this statement on which it was considered necessary for the Board or any of its committees to seek external advice, although the Board consults with its Nominated Adviser and other professional advisers on routine matters arising in the ordinary course of its business.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board annually informally reviews the effectiveness of itself, its Committees and the individual Directors in the following manner:

(i) The role of the Committees is considered by the Executive Directors without the presence of the Non-Executive Directors.

(ii) The Chairman and CEO examine the contribution and effectiveness of the individual Directors with regard to their line role and contribution at Board meetings.

(iii) The whole Board examines its purpose and effectiveness with regard to identified key areas.

(iv) The whole Board considers its structure, size and composition with particular regard to the skills, knowledge and experience of its members and otherwise as advised by the Nomination Committee.

In addition, a formal Board effectiveness evaluation process was introduced during the year ended 31 March 2019. The process involves all Directors completing a detailed individual evaluation of Board performance on a biennial basis. The evaluations cover effectiveness in several areas including Board composition, Board information, Board process, internal control and risk management, Board accountability, CEO/Senior management and Standards of conduct.

The results of these biennial evaluations are interpreted by an independent Non-Executive Director, with support from the Chairman, and outputs plus any associated recommendations are reviewed by the Board as a whole at an offsite Board strategy meeting. The results of the first evaluation, carried out during the summer of 2018, were interpreted by P Whiting and his recommendations were presented to the Board at the strategy meeting held in October 2018. The 2018 evaluation resulted in a number of areas being identified for improvement, action or closer monitoring, with the establishment of a separate (sub-Board) Risk Committee, which held its first meeting in March 2019, being a key outcome and updates on progress towards the objectives in each area being included in the information circulated to directors prior to each monthly Board meeting.

As the business expands and as part of succession planning, the Executive Directors will be challenged to identify potential internal candidates who could potentially occupy Board positions and set out development plans for these individuals.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

Our long-term growth strategy incorporates our objectives and the business model set out in the strategic report. It is also underpinned by our core values, which were redefined following a staff consultation process and are split between client and internal values.

Values

INNOVATION
D4t4 Solutions is dedicated to the development of innovative technology that provides insight into your business, drives value from your data and pragmatically addresses your challenges.

SECURITY
D4t4 Solutions' advanced technology collects, manages and enables analysis of your data, supporting it with the utmost care for its security.

TRUST
D4t4 Solutions takes pride in its relationships with clients, working hard to understand your business needs and developing trust through professional and responsive service provision.

COLLABORATION
D4t4 Solutions augments its own technology by collaborating with industry partners that provide further opportunities for engendering the long-term success of your operation.

PRIDE
D4t4 Solutions will be a Group in which we can be proud of our achievements, delivering the highest standards of quality and being confident in our ability to satisfy our clients' needs.

RECOGNITION
D4t4 Solutions will acknowledge the value of all employees and recognise their contribution to the Group's ongoing success.

TEAMWORK
D4t4 Solutions will create an environment of innovation in which we work together as a team to develop pioneering technology that solves our clients' challenges.

ENGAGEMENT
D4t4 Solutions will be a workplace in which all employees are engaged with our business and are empowered to get involved with our communications and decision-making processes.

The culture of the Group is characterised by these values which are communicated regularly to staff through internal communications and forums. These core values are also communicated to prospective employees in the Group's recruitment programmes and are further embedded within the induction process.

The Board believes that a culture that is based on the core values is a competitive advantage and consistent with fulfilment of the Group's mission and execution of its strategy.

The Board has a high proportion of Executive Director representation which means communication and feedback between the business and the Board is very well established. Recognition and respect of appropriately ethical values and behaviours within the organisation is therefore both well monitored and promoted. Engagement between the Board and the organisation via these Executive Directors is therefore deemed to be all-inclusive.

Ethical business practices

The Group is committed to corporate sustainability and to applying the highest standards of ethical conduct and integrity to its business activities in the UK and overseas. The Group does not tolerate any form of bribery: the Directors and senior management are committed to implementing and enforcing effective systems throughout the organisation to prevent bribery in accordance with its obligations under the Bribery Act 2010.

Corporate governance

Statement of corporate governance (continued)

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Roles and Responsibilities of Directors

The 2019 Annual Report includes, at pages 32 to 33, descriptions of the individual roles and responsibilities of the Chairman, Chief Executive Officer and other Directors.

The Board and its Committees

Board composition

The Board is currently comprised of the Non-Executive Chairman, five Executive Directors and two Non-Executive Directors.

The roles of Chairman and Chief Executive Officer are distinct, set out in writing and agreed by the Board. The Chairman is responsible for the effectiveness of the Board and ensuring communication with shareholders, and the Chief Executive Officer is accountable for the management of the Group.

Non-Executive Directors constructively challenge and assist in the development of strategy. They scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The Board has not appointed a Senior Independent Non-Executive Director, but currently this role is performed by the Chairman.

The Company Secretary is J Thorne, a solicitor of over 25 years standing, who was appointed to the role on 27 July 2017. He is not a Director of the Group.

To deal with specific aspects of the Group's affairs, the Board has formed certain Committees. Each of these Committees is governed by terms of reference available upon request from the Company Secretary.

Details of the membership, roles, responsibilities and activities of the Audit, Remuneration and Nomination Committees are described in more detail in the individual Committee reports commencing on page 46 of the 2019 Annual Report. The Chair of each Committee reports to the Board on the activities of that Committee.

The terms of reference for each of the Audit, Remuneration, Nomination can be found in the Annual Report on pages 46 to 48 and on the Group website.

Evolution of governance framework

In March 2018 the QCA Code was formally selected as the appropriate recognised corporate governance code to be applied for the purposes of AIM Rule 26. The Board will monitor the requirements of this code on an annual basis and revise its governance framework as appropriate as the Group evolves.

As part of ongoing governance efforts, the Group decided in the year ended 31 March 2019 that an extra Committee should be formed to review risk throughout the organisation. In March 2019, the first sitting of this Risk Committee took place. The Committee was formed to establish and review that the Group are performing risk management throughout the organisation (and, to emphasise the point, not trying to perform the risk management itself).

As the Group continues to grow the Board fully recognises both the importance and the need of the governance framework to continue to evolve, as evidenced in very recent times by additional consideration of matters reserved for the Board, the newly created Risk Committee and external advice being sought to assist the Remuneration Committee in making its decisions. Consideration of the need to further enhance the governance framework will attract ongoing focus with the Group.

Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

A range of fora exist at which the functioning of the Group is critically appraised and where opportunities exist for stakeholders to challenge management and hold them to account for the Group's performance.

Board Committees

A description of the work of the Board's Committees in the financial year to 31 March 2019, including a report from each of the Audit, Remuneration and Nomination Committees, is set out at pages 29 to 35 of the 2019 Annual Report.

The work of the Nomination Committee resulted in the appointment on 2 July 2018 of Peter Whiting as an independent Non-Executive Director. This Committee continues to actively seek new Non-Executive appointments.

Votes at General Meetings

All resolutions put to the AGM held on 23 August 2018 were passed by majorities of not less than 90% of the votes cast.

The most recent results for the Group, together with Annual Reports for the preceding ten years and notices of all General Meetings, can be found on the Group's website.

Corporate governance

Audit Committee report

Audit Committee membership

- Peter Simmonds (Committee Chairman)
- Roger McDowell (resigned 31 March 2019)
- Peter Whiting (appointed 2 July 2018)

Dear Shareholder

I am pleased to present the report of the Audit Committee for the year ended 31 March 2019.

The Audit Committee comprises two Non-Executive Directors of the Company, Peter Simmonds and Peter Whiting. Peter Whiting replaces Roger McDowell, who resigned as a Non-Executive Director at the year end. The Committee is chaired by Peter Simmonds and met twice during the year under review. It operates under formal terms of reference, which are available on request from the Company Secretary or at the AGM. The Committee provides a forum for reporting by the Group's auditors. By invitation, the meetings are also attended by the CEO and CFO of the Company.

The Audit Committee is responsible for reviewing a wide range of financial matters including ensuring that the financial performance of the Group is adequately measured and controlled, correctly represented, reported to and understood by the Board. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration, both for audit and non-audit work, and discusses the nature and scope of their audit.

The Audit Committee meets the auditors at least once a year without any Executive Directors present.

The Audit Committee includes one financially qualified member as recognised by the Consultative Committee of Accountancy Bodies. All Audit Committee members are expected to be financially literate. Following the above, the Audit Committee has recommended to the Board that RSM UK Audit LLP is re-appointed.

The two main issues that the Audit Committee are concerned with are in relation to revenue recognition and the carrying value of goodwill. The Committee review the Group's revenue recognition policies to ensure they are compliant with current accounting standards, noting this is the first year that IFRS 15 has been adopted by the Group. They also review revenue streams in relation to various customers to ensure that the carrying value of goodwill in the financial statements remains supported.

Auditor Independence

To ensure auditor independence, consideration is given to their integrity and the objective approach of the audit process. The use of non-audit services is not considered to be significant and amounts paid in respect of these are disclosed in note 6.

I am satisfied that the Committee has satisfactorily discharged its duties in the year in accordance with its terms of reference, which are reviewed annually.

Peter Simmonds
Chair of the Audit Committee
24 June 2019

Corporate governance

Nomination Committee report

Nomination Committee membership

- Peter Simmonds (Committee Chairman)
- Roger McDowell (resigned 31 March 2019)
- Peter Kear (CEO)
- Peter Whiting (appointed 2 July 2018)

Dear Shareholder

I am pleased to present the report of the Nomination Committee for the year ended 31 March 2019.

The Nomination Committee comprises three Directors; two Non-Executives, myself and Peter Whiting, and one Executive Director, Peter Kear. In the performance of its duties, the Committee held three meetings in the year.

The principal activity of the Nomination Committee in the year was leading the recruitment process and ultimately recommending the appointment of a new Non-Executive Director (Peter Whiting).

The process included a merit-based assessment based on objective criteria having regard to the Group's current and future requirements.

The Board's policy is to ensure that all appointments are merit-based and based on clear and objective criteria, giving due regard to equality of opportunity, and to promote inclusion and diversity. The Board notes that achieving diversity in the technology sector is challenging, having regard to the available pool of individuals with the right skills, experience and talent. Given the size of the Board and the Group, the Nomination Committee does not currently set any measurable objectives for implementing a diversity policy, but it acknowledges the role of the Board in promoting diversity, including gender diversity, throughout the Group. Currently there is one female member of the Board, representing 12.5% of Board membership.

In relation to succession planning, the Nomination Committee keeps under review, and takes appropriate action to ensure, orderly succession for appointments to the Board and to senior management, thereby maintaining an appropriate balance of skills and experience within the Group and on the Board. With regards to Non-Executive Directors, the Committee considers, amongst other factors, their other significant outside commitments prior to making recommendations. This is designed to ensure that they have sufficient time to meet what is expected of them and keeps any changes to these commitments under review.

I am satisfied that the Nomination Committee has satisfactorily discharged its duties in the year in accordance with its terms of reference, which are reviewed on an annual basis.

Peter Simmonds
Chair of the Nomination Committee
24 June 2019

Corporate governance

Remuneration Committee report

Remuneration Committee membership

- Peter Whiting (Chair, appointed 2 October 2018)
- Roger McDowell (resigned 31 March 2019)
- John Lythall
- Peter Simmonds

Dear Shareholder

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2019.

The Committee consists of three Non-Executive Directors; Peter Simmonds, John Lythall and me as Chair. Roger McDowell resigned from the Committee and as a Non-Executive Director at the year end. The Committee's terms of reference require it to meet not less than once each year. The Committee met four times in the year ended 31 March 2019. It is responsible for reviewing and determining the policy of the Group on executive remuneration including specific remuneration packages for each of the Executive members of the Board, pension rights and compensation payments. The Committee is also responsible for monitoring compliance with the implementation by the Group of the legal requirements and, so far as reasonably practical, recommendations and guidelines relating to Directors' remuneration.

None of the Committee has any personal financial interest (other than as shareholders or as noted in the Directors' report), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays any part in any discussion about his or her own remuneration.

For 2018/2019, the Remuneration Committee has continued to operate a simple remuneration structure made up of basic salary, performance-related bonuses, share options, benefits and pensions. As previously, a significant proportion of executive remuneration is based on performance, designed to align executive pay with shareholder interests. In this respect, the Committee has assessed the performance of Executive Directors for the year reported, set performance targets for the following financial period and made recommendations to the Board on the overall package for Executive Directors.

I am satisfied that the Committee has appropriately discharged its duties in the year in accordance with its responsibilities and encourage you to read the Directors Remuneration Report on the following pages.

Peter Whiting
Chair of the Remuneration Committee
24 June 2019

Corporate governance

Directors' Remuneration Report

This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the QCA Corporate Governance Code 2018 and the Listing Rules.

The report is in two sections:

- The Directors remuneration policy which sets out the Company's current policy on remuneration for Executive and Non-Executive Directors; and
- The Directors' Remuneration Report. This section sets out details of how the remuneration policy was implemented for the year ended 31 March 2019.

Directors' remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Company's position as a market leader and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management, and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the Non-Executive Directors is determined by the Board within limits set out in the Articles of Association.

The Company's policy is that a substantial proportion of the potential remuneration of the Executive Directors should be performance related. The performance criteria set should motivate the executive directors to create value for the shareholders.

There are five main elements of the remuneration package for Executive Directors and senior management:

Element of remuneration	Link to Group strategy	Operation	Framework
Base salary	Ensures that the company can recruit and retain high-quality executives to deliver on the company strategy in the interest of the shareholders.	Base salary is paid monthly and reviewed annually, with any increases applying from 1 April.	An Executive Director's salary is determined by the Remuneration Committee in March of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Remuneration Committee considers the Company as a whole and relies on objective research which gives up to date information on a comparable group of companies.
Benefits	Ensures that the Company can recruit and retain high-quality executives to deliver on the company strategy in the interest of the shareholders.	Benefits principally comprise private healthcare and death in service insurance. In addition, two Executive Directors receive company cars.	In relation to health care and death in service benefits, premiums are paid by the Company to an external broker to arrange cover, in line with other Group employees. These benefits are standard for all Group employees. The Company offers company cars / car allowances to a number of employees across the organisation.
Annual bonus	Rewards and incentivises the Executive Directors for achievement of strategic objectives.	The Committee sets annual performance targets, linked to strategic objectives and risk management. Bonus payments in respect of a year are made in June, or later if any element is deferred.	The Remuneration Committee sets bonus plans for executive directors based upon achieving a number of pre- defined growth targets including revenue and EPS.

Directors' Remuneration Report (continued)

Element of remuneration	Link to Group strategy	Operation	Framework
Share option plan	Aligns the interests of the Executive Directors with the interest of the long term shareholders as the options only deliver value if the share price rises.	The Remuneration Committee has discretion to make option grants to Executive Directors and other staff, subject to the scheme rules, and to determine appropriate performance conditions.	The share option plans are subject to rules and limits approved by shareholders in general meeting. Options are granted at an exercise price based on the mid-market price of ordinary shares on the day prior to the date of grant. Any exercise is subject to satisfaction of the specified performance conditions defined.
Pension	Ensures that the Company can recruit and retain high-quality executives to deliver on the Company strategy in the interest of the shareholders.	Pension contributions are made by the Company to a defined contribution scheme operated by third party providers.	Executive Directors are members of the Company Money Purchase pension scheme. To the extent that contributions to the Company scheme are restricted by HMRC limits, the Company contributes 6% of the Director's salary providing the Director contributes a minimum of 4% of his or her salary by way of salary sacrifice. There are no unfunded pension promises or similar arrangements for Directors. There were 5 Directors in the scheme in 2019 (2018:5).
Chairman and Non-Executive Director fees	Ensures that the Company can recruit and retain a high-quality Chairman and Non-Executive Directors to deliver on the company strategy in the interest of the shareholders.	Fees for Non-Executive Directors are set by the Board (excluding Non-Executive Directors). Fees are paid monthly or quarterly.	A basic fee is set for normal duties, commensurate with fees paid for similar roles in other similar companies, taking account of the time commitment, responsibilities, and committee position(s). Supplementary fees are paid for any additional duties at fixed day rates. Non-Executive Directors are not eligible for pensions, incentives, bonus or any similar payments other than normal out-of-pocket expenses incurred on behalf of the business. Compensation for loss of office is not payable to Non-Executive Directors.

Remuneration policy considerations

Recruitment

The Company's Nomination Committee is responsible for leading the process for Board appointments and making recommendations to the Board. Refer to the report of the Nomination Committee for details.

Loss of office payments

In the event of early termination, all of the Directors contracts provide for compensation up to a maximum of basic salary plus benefits for the notice period.

Wider staff employment conditions

The Remuneration Committee considers pay and employment conditions for other senior Executives and staff members of the Group when designing and setting Executive remuneration. Underpinning all pay is an intention to be fair to all staff of the Group, taking into account the individual's seniority and local market practices.

Consultation with shareholders

The Remuneration Committee is committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements. The Committee takes into account the views of significant shareholders when formulating and implementing the policy.

Consultation with employees

The Board and the Remuneration Committee did not consult with employees when formulating and implementing the policy.

Service contracts and letters of appointment

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of one year's notice.

Executive Directors

P Kear and J Dodkins have Directors' service agreements which can be terminated on twelve months' notice. These agreements were dated 29 August 1997. C Warren has a service agreement which can be terminated on 3 months notice dated 1 June 2007. M Boxall has a service agreement which can be terminated on 3 months notice dated 1 November 2015. M Tod has a service agreement which can be terminated on 4 weeks notice dated 4 April 2016.

Non-Executive Directors

P Simmonds, J Lythall and P Whiting each have an agreement for 12 months. The fees of the Non-Executive Directors are determined and confirmed by the full Board excluding (in each case) the Non-Executive Director concerned.

Policy on Director shareholdings

The Company has no policy on Director shareholdings.

Outside appointments

Executive Directors are entitled to accept appointments outside the Company providing that the Chairman's permission is sought and fees in excess of £20,000 from all such appointments are accounted for to the Company.

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

	2019 £000	2018 £000
Emoluments (Fees / basic salary, benefits and annual bonus)	1,615	1,223
Money purchase pension contributions	44	37
IFRS 2 share-based payment charge	84	66
	1,743	1,326
Employer's National Insurance	217	162
Total	1,960	1,488

Four directors (2018: nil) exercised 1,388,864 options during the year with gains on exercise of share options during the year totalling £2,471k (2018: nil).

There are no other long term incentive schemes.

Directors' Remuneration Report (continued)

Single figure for the total remuneration (audited)

31 March 2019	Fees/basic salary £000	Benefits £000	Bonus £000	Sub total £000	Pension £000	**Total 2019 £000**	Total 2018 £000
Executives							
P Kear	177	26	177	380	10	**390**	328
J Dodkins	138	15	138	291	8	**299**	229
C Warren	117	3	117	237	7	**244**	172
M Boxall	165	2	142	309	10	**319**	239
M Tod	145	2	125	272	9	**281**	209
Non-Executives							
P Simmonds	50	-	-	50	-	**50**	35
J Lythall	20	7	-	27	-	**27**	33
R McDowell (resigned 31/3/19)	15	-	-	15	-	**15**	15
P Whiting (appointed 2/7/18)	34	-	-	34	-	**34**	-
Total	861	55	699	1,615	44	**1,659**	1,260

Remuneration of highest paid Director

	2019	2018
Remuneration	380	319
Company contributions to money purchase pension schemes	10	9
	390	328

Emoluments for the highest paid Director for the year ended 31 March 2019 and 31 March 2018 are included in the table above.

The highest paid Director exercised 435,000 share options during the year (2018: nil) with gains on exercise of those share options totalling £823k (2018: nil).

Directors share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors.

Details of options for Directors who served during the year are as follows:

	Number at 31 March 2018	Number at 31 March 2019	Option price	Expiry date	Exercisable from
P Kear	35,000	-	18.5p	4 Jan 2020	07 Jan 2013
	400,000	-	51.0p	31 Jul 2025	31 Jul 2018
J Dodkins	400,000	-	51.0p	31 Jul 2025	31 Jul 2018
C Warren	53,864	-	27.85p	24 May 2024	24 Jun 2015
	150,000	50,000	90.5p	22 Jan 2026	22 Jan 2017
M Boxall	300,000	300,000	75.0p	2 Nov 2025	2 Nov 2016
		166,667	149.0p	13 Aug 2028	1 Jul 2019
		166,667	149.0p	13 Aug 2028	1 Jul 2020
	-	166,666	149.0p	13 Aug 2028	1 Jul 2021
M Tod	250,000	250,000	113.0p	26 Jun 2026	26 Jun 2017
J Lythall	400,000	-	51.0p	31 Jul 2025	31 Jul 2018

P Simmonds, R McDowell, and P Whiting did not hold any share options during the year.

All reductions in options held by Directors between 31 March 2018 and 31 March 2019 have arisen due to the exercising of options held at 31 March 2018. No options lapsed.
Four Directors exercised options in the year (2018: nil) and the total number of options exercised was 1,388,864 (2018: nil).
The total gain on exercising these options was £2,471k (2018: nil).

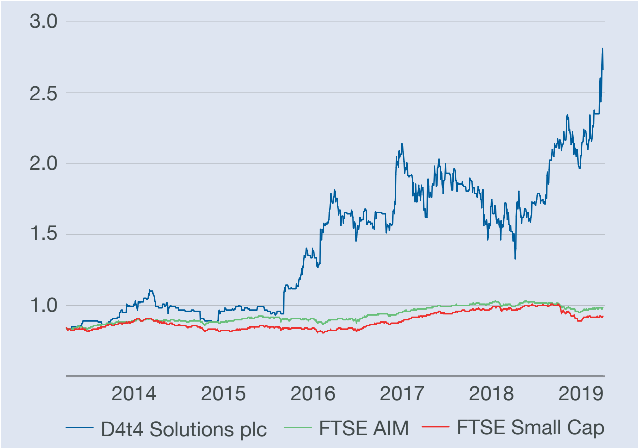
The market price of the shares at 31 March 2019 was 257.0p (118.5p at 31 March 2018) and the range in the period under review was 98.0p to 275.0p.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year. As the share options have been issued on different dates, they have different performance criteria attached. However, these performance criteria are in line with increasing Earnings Per Share.

Directors shareholdings and dividends paid to Directors are disclosed in the Directors' Report on page 55.

Performance graphs

Company share price



The graph to the left shows the Company's share price performance compared with the performance of the FTSE AIM All-Share and FTSE SmallCap Index (GTBP) for the last six years. The FTSE Aim All-Share and FTSE SmallCap Index (GBP) have been selected for this comparison because it is the Board opinion that they give a true comparison to its peers.

Peter Whiting
Chair of the Remuneration Committee
24 June 2019

Corporate governance

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2019, which should be read in conjunction with the Strategic Report on pages 8 to 25. The Corporate Governance Statement set out on pages 34 to 45 forms part of this report.

Incorporation

D4t4 Solutions Plc is a company incorporated in the United Kingdom under the Companies Act 1985.

Dividends

The Directors recommend a final dividend of 2.3p (2018: 1.875p) per ordinary share to be paid on 13 September 2019 to ordinary shareholders on the register on 9 August 2019.

Future outlook

The Group's future outlook and opportunities are referred to in the Chief Executive Officer report on page 4.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 22. The Company has one class of ordinary shares which carry no right to fixed income. Each share (other than own shares held in treasury) carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 27.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on page 35.

Under its Articles of Association, the Company has authority to issue 50,000,000 ordinary shares.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above and the risks and uncertainties summarised. The Group and Company has sufficient financial resources to cover budgeted future cash-flows and also has contracts in place with a number of customers and suppliers across different geographic areas and industries. As a consequence of these factors, the Directors believe that the Group is well placed to manage its business risks successfully.

Having reviewed the future plans and projections for the business, the Directors believe that the Group and Company and its subsidiary undertakings have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In accordance with the Companies Act s414c(11) information in relation to the business and risks is shown in the Strategic Report.

Supplier Payment Policy

It is Company policy to pay all claims from suppliers according to agreed terms of payment upon receipt of a valid invoice which is materially correct. The Company does not follow a code on standard payment practice. At 31 March 2019 the Company had 71 days (2018: 65 days) of outstanding liabilities to creditors.

Directors and Directors' Interests

The Directors who held office during the year and to the date of signing, unless otherwise stated, were as follows:

P J Kear
J L Dodkins
C E Warren
M G Boxall
M L Tod
P A Simmonds
J Lythall
R S McDowell (resigned 31 March 2019)
P Whiting (appointed 2 July 2018)

At the AGM, P Kear, J Lythall and J Dodkins will offer themselves for re-appointment in accordance with the Articles.

The Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company as recorded in the register of Directors' share and debenture interests.

	Interest at 31 March 2019	Interest at 31 March 2018 *
P J Kear	1,665,752	1,340,752
J L Dodkins	690,266	490,266
C E Warren	225,000	129,275
M G Boxall	10,000	10,000
M L Tod	10,000	10,000
P A Simmonds	311,500	301,500
J Lythall	2,213,960	1,913,960
R S McDowell	Nil	1,550,000
P Whiting	Nil	Nil

* or date of appointment if later

During the year the Directors received dividends on their shares at the same rate as any other shareholder. Details of share options can be found on page 53.

Corporate governance

Directors' Report (continued)

Substantial Holdings

As far as the Directors are aware, as at 31 May 2019, the only holdings of 3% or more of the Company's issued share capital are the following:

	Number of ordinary shares	%
Canaccord Genuity Wealth Management	5,622,000	14.33
Herald Investment Management	2,724,800	6.95
Ennismore Fund Management	2,329,981	5.94
J Lythall Esq	2,213,960	5.64
Otus Capital Management	1,974,839	5.04
P Kear Esq	1,665,752	4.25
Banque de Luxembourg	1,350,000	3.44
M Ward Esq	1,283,532	3.27

Acquisition of the company's own shares

At the end of the year, the Directors had authority, under the shareholders' resolution of 23 August 2018, to purchase through the market up to 3,801,320 of the Company's shares at a maximum price of 105% of the average middle market price for the five business days immediately preceding the date of purchase and a minimum price of 2p per share. This authority expires at the AGM to be held on 22 August 2019. 671,538 shares were purchased and 440,473 shares were sold in the year ending 31 March 2019.

Own shares are ordinary 2p shares purchased in order to satisfy outstanding option obligations. Sales from own shares are the shares issued to option holders on exercise of their options. The maximum number of own shares held in the year was 478,880 (2018: 247,815), which represents 1.21% (2018: 0.65%) of the issued share capital.

Employees

The Group has a policy of offering equal opportunities to employees at all levels in respect of the conditions of work. Throughout the Group it is the Board's intention to provide employment opportunities and training for disabled people and to care for employees who become disabled having regard to aptitude and abilities.

Regular consultation and meetings, formal or otherwise, are held with all levels of employees to discuss problems and opportunities. Information on matters of concern to employees is presented in house.

The Company operates share option Schemes which are open to all employees. The two current Schemes are the D4t4 Solutions Employee Share Options 'A' Scheme and the D4t4 Solutions EMI Share Options Scheme. Details of the share options are laid out on page 91 within note 27 to the accounts.

Treasury Policy

The Group's operations are funded by cash reserves. The policy of the Group is to ensure that all cash balances earn a market rate of interest. Bank relationships are maintained to ensure that sufficient cash and unutilised facilities are available to the Group.

Research and Development

The Group has continued to attach a high priority to research and development throughout the year aimed at the development of new products and maintaining the technological excellence of existing products.

Financial Instruments

The Group's financial risk management objectives and policies are discussed on page 93 within note 29 to the accounts.

Branch operations

The Group has branch operations located in Chennai, India.

Political and Charitable Contributions

The Group made no political contributions or charitable donations during the year (2018: nil).

Insurance

The Group holds Directors and Officers Liability insurance.

Disclosure of Information to the Auditor

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

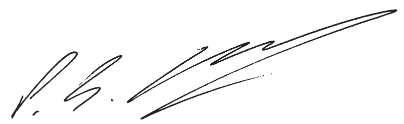
- so far as each of the Directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of RSM UK Audit LLP as the auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board



Peter Kear
Chief Executive Officer
Windmill House, 91-93 Windmill Road, Sunbury-on-Thames, TW16 7EF
24 June 2019

Corporate governance

Corporate governance

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and also elected under Company Law to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing the Group and Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with IFRSs adopted by the EU;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the D4t4 Solutions website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Peter Kear

Chief Executive Officer

24 June 2019

Financial Statements

Independent auditors report to the members of D4t4 Solutions plc

Opinion

We have audited the financial statements of D4t4 Solutions Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise of the consolidated income statement, consolidated statement of comprehensive income, consolidated and company balance sheets, consolidated and company statements of changes in equity, consolidated and company cash flow statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group key audit matters

Revenue recognition

Risk

The group has several different revenue streams under product-own IP, product-3rd party, delivery services and support and maintenance segments. See notes 2, 4 and 5 for further details.

The product segments include revenue of one or more elements of hardware and software and are often included in the same contract as delivery services and support and maintenance. These transactions are often individually significant to the

Financial Statements

Independent auditors report (continued)

results of the group and include an element of judgement in allocating the transaction price between different performance obligations within a contract. We consider there to be a significant risk around the completeness of some elements of revenue as performance obligations within a contract often have different recognition periods. We also consider there to be a significant risk of misstatement of the financial statements related to transactions occurring close to the year end, as transactions could be recorded in the wrong financial period (cut-off). As such we have determined revenue recognition to be a key audit matter.

Our response

In order to address the risk of misstatement related to cut-off in revenue recognition, we performed testing, focusing in particular on the major contracts signed around both the current year and prior year ends, we tested balances recognised in the group's statement of financial position and tested individual transactions occurring either immediately before or after the year end. Our tests of detail focused on transactions occurring within proximity of the year end across these segments, obtaining evidence to support the appropriate timing of revenue recognition, based on terms and conditions set out in sales contracts and delivery documents.

In addition, for material contracts arising during the year, which have with multiple performance obligations, we assessed whether the transaction price had been appropriately allocated to different performance obligations, by reference to underlying pricing documentation. We also performed tests of details on accrued revenue, deferred revenue and trade receivables balances recognised at 31 March 2019. We also reviewed disclosure in the financial statements of the revenue recognition policies and key estimates and judgements in respect of revenue recognition.

Parent company key audit matters

We have not identified any key audit matters in respect of the company statement of financial position.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £515,000 which was not significantly changed during the course of our audit. Our materiality for the parent company financial statements as a whole was calculated as £480,000, which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Group and its control environment and assessing the risks of material misstatement. The financial statements were audited on a consolidated basis using Group materiality. The scope of our audit covered 100% of both consolidated profit before tax and consolidated net assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 58), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Clark
Senior Statutory Auditor
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London EC4A 4AB
24 June 2019

Consolidated income statement for the year ended 31 March 2019

	Notes	2019 £'000	2018 restated £'000
Continuing operations			
Revenue	4, 5	25,239	18,427
Cost of sales		(10,932)	(7,987)
Gross profit		14,307	10,440
Administration expenses		(8,022)	(7,151)
Other operating income	8	57	67
Profit from operations		6,342	3,356
Finance income	9	9	1
Finance costs	9	(8)	(31)
Profit before tax		6,343	3,326
Tax	10	(511)	(424)
Attributable to equity holders of the parent		5,832	2,902
Earnings per share from continuing operations attributable to equity holders of the parent	13		
Statutory			
Basic		14.78p	7.62p
Diluted		14.53p	7.30p
Adjusted			
Basic		14.12p	9.21p
Diluted		13.89p	8.82p

Consolidated statement of comprehensive income for the year ended 31 March 2019

		2019 £'000	2018 restated £'000
Attributable to equity holders of the parent		5,832	2,902
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Gains on property revaluation	16	70	706
Income tax on items that will not be reclassified to profit or loss		-	-
Total comprehensive income for the year attributable to equity holders of the parent		5,902	3,608

Consolidated statement of changes in equity attributable to Equity Holders of the Parent for the year ended 31 March 2019

	Notes	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	12	-	-	-	-	-	-	(884)	(884)
Purchase of own shares	23	-	-	-	-	(302)	-	-	(302)
Issue of new shares - exercise of share options	22, 24	6	49	113	-	-	(51)	-	117
Settlement of share based payments		-	-	-	-	-	-	(20)	(20)
Share-based payment charge	27	-	-	-	-	-	-	100	100
Deferred tax on outstanding share options	11	-	-	-	-	-	(58)	4	(54)
Transactions with equity holders		6	49	113	-	(302)	(109)	(800)	(1043)
Profit for the year (restated)		-	-	-	-	-	-	2,902	2,902
Other comprehensive income		-	-	-	706	-	-	-	706
Total comprehensive income		-	-	-	706	-	-	2,902	3,608
Balance at 1 April 2018		765	1,972	5,917	1,029	(308)	133	10,606	20,114
Dividends paid	12	-	-	-	-	-	-	(980)	(980)
Purchase of own shares	23	-	-	-	-	(1,469)	-	-	(1,469)
Issue of new shares - exercise of share options	22, 24	29	652	60	-	-	(26)	-	715
Settlement of share based payments		-	-	-	-	650	(48)	(351)	251
Share-based payment charge	27	-	-	-	-	-	-	162	162
Deferred tax on outstanding share options	11	-	-	-	-	-	(49)	178	129
Transactions with equity holders		29	652	60	-	(819)	(123)	(991)	(1,192)
Profit for the year		-	-	-	-	-	-	5,832	5,832
Other comprehensive income		-	-	-	70	-	-	-	70
Total comprehensive income		-	-	-	70	-	-	5,832	5,902
Foreign exchange and other movements		-	-	-	-	-	-	16	16
Balance at 31 March 2019		794	2,624	5,977	1,099	(1,127)	10	15,463	24,840

Financial Statements

Consolidated statement of financial position as at 31 March 2019

	Notes	2019 £'000	2018 restated £'000
Non-current assets			
Goodwill	14	8,696	8,696
Other intangible assets	15	1,014	1,261
Property, plant and equipment	16	4,106	3,892
Deferred tax assets	11	831	389
		14,647	**14,238**
Current assets			
Trade and other receivables	18	6,275	20,544
Inventories	19	45	590
Cash and cash equivalents		10,996	4,634
		17,316	**25,768**
Total assets		**31,963**	**40,006**
Current liabilities			
Trade and other payables	20	(6,774)	(18,575)
Tax liabilities		(133)	(291)
Borrowings	21	-	(695)
		(6,907)	**(19,561)**
Non-current liabilities			
Borrowings	21	-	(85)
Deferred tax liabilities	11	(216)	(246)
		(216)	**(331)**
Total liabilities		**(7,123)**	**(19,892)**
Net assets		**24,840**	**20,114**
Equity			
Share capital	22	794	765
Share premium account	22	2,624	1,972
Merger reserve	24	5,977	5,917
Revaluation reserve	25	1,099	1,029
Own shares	23	(1,127)	(308)
Equity reserve	26	10	133
Retained earnings		15,463	10,606
Attributable to the equity holders of the company		**24,840**	**20,114**

These financial statements were approved by the Board of Directors and authorised for issue on 24 June 2019 and were signed on its behalf by:

Peter Kear
Chief Executive Officer

Company registration number: 01892751 (England and Wales)

Consolidated cash flow statement for the year ended 31 March 2019

	2019 £'000	2018 restated £'000
Operating activities		
Profit before tax	6,343	3,326
Adjustments for:		
Depreciation of property, plant and equipment	315	251
Amortisation of intangible assets	247	246
Finance income	(9)	(1)
Finance expense	8	31
Share-based payments	162	100
Settlement of share based payments	-	(20)
Gain on sale of property, plant and equipment	(3)	-
Operating cash flows before movements in working capital	**7,063**	**3,933**
Decrease / (Increase) in receivables	14,269	(16,275)
Decrease / (Increase) in inventories	545	(249)
(Decrease) / Increase in payables	(11,811)	13,699
Cash generated from operations	**10,066**	**1,108**
Income taxes paid	(983)	(400)
Net cash generated from operating activities	**9,083**	**708**
Investing activities		
Interest received	9	1
Purchase of property, plant and equipment	(459)	(844)
Net cash used in investing activities	**(450)**	**(843)**
Financing activities		
Dividends paid	(980)	(884)
Repayment of borrowings	(763)	(414)
Interest paid	(8)	(31)
Payments to finance lease creditors	(17)	(7)
Purchase of own shares	(1,469)	(302)
Exercise of share options	966	117
Net cash used in financing activities	**(2,271)**	**(1,521)**
Net increase / (decrease) in cash and cash equivalents	**6,362**	**(1,656)**
Cash and cash equivalents at start of year	4,634	6,290
Cash and cash equivalents at end of year	**10,996**	**4,634**

Company statement of changes in equity attributable to Equity Holders of the Parent for the year ended 31 March 2019

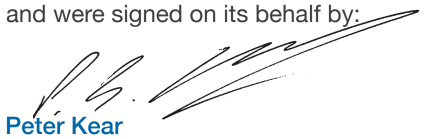
	Notes	Share capital	Share premium	Merger reserve	Revaluation reserve	Own shares	Equity reserve	Retained earnings	Total £'000
Balance at 1 April 2017		**759**	**1,923**	**5,804**	**323**	**(6)**	**242**	**8,663**	**17,708**
Dividends paid	12	-	-	-	-	-	-	(884)	(884)
Purchase of own shares	23	-	-	-	-	(302)	-	-	(302)
Issue of new shares - exercise of share options	22, 24	6	49	113	-	-	(51)	-	117
Settlement of share based payments		-	-	-	-	-	-	(20)	(20)
Share-based payment charge	27	-	-	-	-	-	-	100	100
Deferred tax on outstanding share options	11	-	-	-	-	-	(58)	4	(54)
Transactions with equity holders		**6**	**49**	**113**	**-**	**(302)**	**(109)**	**(800)**	**(1,043)**
Profit for the year (restated)		-	-	-	-	-	-	3,316	3,316
Other comprehensive income		-	-	-	706	-	-	-	706
Total comprehensive income		**-**	**-**	**-**	**706**	**-**	**-**	**3,316**	**4,022**
Balance at 1 April 2018		765	1,972	5,917	1,029	(308)	133	11,179	20,687
Dividends paid	12	-	-	-	-	-	-	(980)	(980)
Purchase of own shares	23	-	-	-	-	(1,469)	-	-	(1,469)
Issue of new shares - exercise of share options	22, 24	29	652	60	-	-	(26)	-	715
Settlement of share based payments		-	-	-	-	650	(48)	(351)	251
Share-based payment charge	27	-	-	-	-	-	-	162	162
Deferred tax on outstanding share options	11	-	-	-	-	-	(49)	179	130
Transactions with equity holders		29	652	60	-	(819)	(123)	(990)	(1,191)
Profit for the year		-	-	-	-	-	-	6,906	6,906
Other comprehensive income		-	-	-	70	-	-	-	70
Total comprehensive income		-	-	-	70	-	-	6,906	6,976
Balance at 31 March 2019		794	2,624	5,977	1,099	(1,127)	10	17,095	26,472

Company statement of financial position as at 31 March 2019

		2019 £'000	2018 restated £'000
Non-current assets			
Goodwill	14	8,696	8,696
Other intangible assets	15	1,014	1,261
Property, plant and equipment	16	4,106	3,892
Investment in subsidiaries	17	273	273
Deferred tax assets	11	347	186
		14,436	**14,308**
Current assets			
Trade and other receivables	18	8,441	21,458
Inventories	19	13	590
Cash and cash equivalents		10,996	4,634
		19,450	**26,682**
Total assets		**33,886**	**40,990**
Current liabilities			
Trade and other payables	20	(7,065)	(18,986)
Tax liabilities		(133)	(291)
Borrowings	21	-	(695)
		(7,198)	**(19,972)**
Non-current liabilities			
Borrowings	21	-	(85)
Deferred tax liabilities	11	(216)	(246)
		(216)	**(331)**
Total liabilities		**(7,414)**	**(20,303)**
Net assets		**26,472**	**20,687**
Equity			
Share capital	22	794	765
Share premium account	22	2,624	1,972
Merger reserve	24	5,977	5,917
Revaluation reserve	25	1,099	1,029
Own shares	23	(1,127)	(308)
Equity reserve	26	10	133
Retained earnings		17,095	11,179
Attributable to equity holders of the parent		**26,472**	**20,687**

The Company's profit for the year was £6.9m (2018 restated: £3.3m).

These financial statements were approved by the Board of Directors and authorised for issue on 24 June 2019 and were signed on its behalf by:



Peter Kear
Chief Executive Officer

Company registration number: 01892751 (England and Wales)

Financial Statements

Company cash flow statement for the year ended 31 March 2019

	2019 £'000	2018 restated £'000
Operating activities		
Profit before tax	7,676	3,740
Adjustments for:		
Depreciation of property, plant and equipment	315	251
Amortisation of intangible assets	247	246
Finance income	(9)	(1)
Finance expense	8	30
Share-based payments	162	100
Settlement of share based payments	-	(20)
Gain on sale of property, plant and equipment	(3)	-
Operating cash flows before movements in working capital	8,396	4,346
Decrease / (Increase) in receivables	13,017	(16,877)
Decrease / (Increase) in inventories	577	(249)
(Decrease) / Increase in payables	(11,927)	13,887
Cash generated from operations	**10,063**	**1,107**
Income taxes paid	(980)	(400)
Net cash generated from operating activities	**9,083**	**707**
Investing activities		
Interest received	9	1
Purchase of property, plant and equipment	(459)	(844)
Net cash used in investing activities	**(450)**	**(843)**
Financing activities		
Dividends paid	(980)	(884)
Repayment of borrowings	(763)	(414)
Interest paid	(8)	(30)
Payments to finance lease creditors	(17)	(7)
Purchase of own shares	(1,469)	(302)
Exercise of share options	966	117
Net cash used in financing activities	**(2,271)**	**(1,520)**
Net increase / (decrease) in cash and cash equivalents	**6,362**	**(1,656)**
Cash and cash equivalents at start of year	4,634	6,290
Cash and cash equivalents at end of year	**10,996**	**4,634**

Notes to the financial statements

1. General information

D4t4 Solutions plc is a public limited company incorporated and domiciled in England and Wales and quoted on the AIM Market, hence there is no ultimate controlling party. Details of substantial shareholdings are shown in the Directors' report on page 56.

The address of its registered office, registered number and principal place of business is disclosed on the inside cover of the financial statements.

The financial statements of D4t4 Solutions plc and its subsidiaries (the Group) for the year ended 31 March 2019 were authorised and issued by the Board of Directors on 24th June 2019 and the Consolidated Statement of Financial Position was signed on the Board's behalf by Peter Kear.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.
The financial statements have been prepared under the historical cost convention, with the exception of land and buildings which is held at valuation.

The presentation and functional currency of the financial statements is British Pounds and amounts are rounded to the nearest thousand pounds.

Going concern

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position and the risks and uncertainties are presented in the Strategic Report on pages 28 to 30. The Group and Company have sufficient financial resources to cover budgeted future cashflows, together with contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the Directors believe that the Group and Company are well placed to manage their business risks successfully.

Having reviewed the future plans and projections for the business, the Directors believe that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Adoption of new and revised standards

Standards, amendments and interpretations effective in the period to 31 March 2019 (all effective 1 January 2018, not early adopted last year):

IFRS 9 (New Standard)	Financial Instruments
IFRS 15 (New Standard)	Revenue from Contracts with Customers
IFRIC 22 (Amendment)	Foreign Currency Transactions and Advance Consideration
IFRS 2 (Interpretation)	Share Based Payments
IAS 40 (Interpretation)	Investment Property

IFRS 9 and IFRS 15 are discussed below separately. No significant impact is foreseen by the Group in respect of all other amendments and interpretations.

IFRS 9 is effective for the year ending 31 March 2019 onwards. IFRS 9 introduces:

- New requirements for the classification and measurement of financial assets and financial instruments;
- A new model for recognising provisions based on expected credit losses; and
- Simplified hedge accounting by aligning hedge accounting more closely with an entity's risk management methodology.

Following a review and further impact assessment, it was concluded that the Group's use of financial instruments is limited to short term trading balances such as receivables and payables. The Group has no financial borrowings and does not have complex financial instruments in place. Furthermore, there have also been no material changes arising from the adoption of the expected losses impairment model or loss allowance provisions made in respect of trade receivables and amounts due from Group Companies. On this basis the Group have concluded that adoption does not have a material impact on either the Income Statement or Statement of Financial Position of the Group or Company.

IFRS 15 is also effective for the year ended 31 March 2019 onward. The Group applied the standard for the first time in the half year report ending 30 September 2018 retrospectively under a full restatement approach, which has resulted in a restatement of the year end 31 March 2018 results (see note 30 for full details).

IFRS 15 replaces existing accounting standards used to determine the measurement and timing of revenue recognition and requires an entity to align the recognition of revenue to the transfer of goods and services at an amount that the entity expects to be entitled to in exchange for those goods and services.

Notes to the financial statements (continued)

Standards, amendments and interpretations to existing standards that have not been early adopted by the Group (all effective 1 January 2019):

IFRS 16	Leases
Various	Annual Improvements to IFRSs 2015 – 2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Investments in Associates and Joint Ventures
IAS 19	Employee Benefits (Plan Amendment, Curtailment or Settlement)

IFRS 16 will be effective for the year ending 31 March 2020. On the adoption of IFRS 16, lease arrangements will give rise to a right-of-use asset and a lease liability for future lease payables. The asset will be depreciated on a straight line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expenses recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expenses recognition being accelerated for leases which would be currently accounted for as operating leases. The Group has one leased property in India, details of which are in note 28, and the Directors are currently reviewing the requirements of the new standard to determine its impact.

The Directors anticipate that the adoption of IFRS 16 will not have a material impact on the financial statements of the Group.

The Directors do not expect the adoption of the other standards, interpretations and amendments in future periods to have any material impact on the financial statements of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the reporting date.

Investees are classified as subsidiaries where the Company has control, which is achieved where the Company has the power to govern the financial and operating policies of an investee entity, exposure to variable returns from the investee and the ability to use its power to affect those variable returns. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at acquisition date. The results of acquired entities are included in the Consolidated Statement of Comprehensive Income from the date at which control is obtained and are deconsolidated from the date control ceases.

In accordance with Section 408 of the Companies Act 2006 D4t4 Solutions plc is exempt from the requirement to present its own income statement and related notes that form a part of these approved financial statements. The profit of the parent is disclosed in the Company Statement of Financial Position and Statement of Changes in Equity for the year.

Property, plant and equipment

The carrying value of these assets is stated at cost or valuation, less accumulated depreciation and any impairment loss. Freehold land is not depreciated. The estimated lives of assets are reviewed annually by the Board, the lives and values are adjusted as necessary, and any impairment loss is recognised in the income statement. Freehold land and buildings are professionally valued periodically and were last valued at 31 March 2018. The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group makes provision for depreciation so that the cost less estimated residual value of each asset is written off by equal instalments over its estimated useful economic life as follows:

Buildings	- up to 35 years
Leasehold improvements	- up to 10 years
Fixtures and equipment	- up to 4 years
Motor vehicles	- up to 5 years

Revaluation gains/losses are shown on the statement of comprehensive income. Where losses are greater than previously recognised gains, these are taken to the income statement.

Acquisitions

On the acquisition of a business, net fair values are attributed to the identifiable assets and liabilities acquired. Where the cost of acquisition exceeds this net fair value, the difference is treated as purchased goodwill and capitalised in the Group Statement of Financial Position in the year of acquisition. If a subsidiary's assets are subsequently hived up into the parent then the corresponding amount of goodwill is capitalised in the Company Statement of Financial Position too.

Goodwill

Capitalised goodwill is shown in the balance sheet. Its carrying value is subject to annual review and any impairment is recognised immediately as a loss which cannot subsequently be reversed. Goodwill arising on acquisitions made before the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested annually for impairment.

Goodwill has arisen from the acquisition of businesses.

Investments in subsidiaries

The carrying value of investments is stated at cost less any provision for impairment. This value is reviewed annually by the Board with respect to future cash flows in respect of revenue streams related to the investment.

Other intangible assets

IPR

On the acquisition of a business, the fair value of IPR is estimated and capitalised taking into consideration the software development cycle and the amount of effort involved between updated versions of the software. The fair value is amortised over the expected development cycle which is estimated to be 8 years.

Capitalised IPR is shown in the balance sheet. Its carrying value is subject to annual review and any impairment is recognised immediately as a loss which cannot subsequently be reversed.

Trade name

On the acquisition of a business, the future value of the trade name of that business is estimated and capitalised. The fair value is amortised over 10 years.

Impairment of intangibles is reviewed annually with reference to future cash flows from the specific cash generating units to which the intangible asset has been allocated.

Inventory policy

Inventories are stated at the lower of cost or net realisable value. The valuation method for each item of inventory remains consistent from one accounting period to the next.

Research and development costs

To assess whether research and development expenditure has generated an intangible asset the Group classifies the expenditure into two phases, the research phase and the development phase.

Expenditure on the research phase is recognised as an expense when it is incurred.

Expenditure on the development phase is recognised as an intangible asset if, and only if, each of the following can be demonstrated:

(a) the technical feasibility of completing the asset;

(b) its intention to complete and use or sell the asset;

(c) its ability to use or sell the asset;

(d) how the asset will generate future economic benefit;

(e) the availability of sufficient resources to complete the development and to use or sell the asset;

(f) the ability to measure reliably the expenditure incurred on the asset during its development.

The intangible asset is recognised using the cost model and is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

Foreign currencies

In line with IAS 21, transactions denoted in foreign currencies are recorded at an approximation of the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Similarly, for translation of foreign operations, transactions are recorded at an approximation of the exchange rate ruling in the period of consolidation. Monetary assets and liabilities are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the Consolidated Statement of Changes in Equity.

Profit from operations

Profit from operations is stated before investment income, finance costs and other gains and losses. Other gains and losses principally include movements in property valuation and are included in the Statement of Comprehensive Income after tax.

Lease commitments

Rentals payable under operating leases are recognised as a cost on a straight line basis over the life of the lease. Similarly, rental income arising from operating leases is credited to income on a straight-line basis over the period of those leases.

Dividends

Final dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Interim and prior period dividends paid are included in the Statement of Comprehensive Income.

Share-based payments

Periodically the Group offers share options (at the prevailing market price) to employees. The Group has conformed

Notes to the financial statements (continued)

with the requirements of IFRS2 "Share Based Payment" for share options issued after 7 November 2002 and unvested at 1 January 2012. Those options are measured at fair value (using the Black-Scholes model and management's best estimates) and are expensed on a straight-line basis over their vesting period. Options vest only when the Remuneration committee is satisfied that the vesting criteria have been met, and are settled subsequently by equity shares in the parent company and unless the Board, at its discretion, agrees to settle in cash.

Treasury shares
From time to time the Company purchases its own shares for the purpose of satisfying the future exercising of outstanding share options. These shares are held in treasury and are shown as a reduction in the Company's reserves.

Own shares
On the acquisition of a business, the accrual for the future value of own shares contingent upon no warranty claims being made is classified as equity where there is a fixed value and hence fixed number of the company's shares to be issued. Where the value of the contingent shares is not fixed at the point of acquisition, these would be treated as a financial liability under IAS 32.

Pension costs
The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation
Current tax (UK and foreign) is calculated on the profit for the year (adjusted for appropriate tax reliefs, allowances, non-deductible expenses and timing differences) using the appropriate tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all material temporary differences in the treatment of certain items for taxation and accounting purposes which have arisen but have not reversed by the balance sheet date. It is recognised at the expected prevailing rate at the time of reversal, and is recognised as an asset only to the extent that it is probable that taxable profits will be available to utilise it. It is reviewed annually.

Revenue recognition
Revenue is measured at the transaction price received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, rebates and discounts and after the elimination of intercompany transactions within the Group.

The Group recognises revenue as it satisfies its performance obligations by transferring promised goods and services to its customers. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

In the course of the year ended 31 March 2019 there has been a change in the segmental reporting information being used internally. This change was made to better reflect the Group's management reporting based on the integrated core services of the business. In line with the requirements of IFRS 8 Segmental Reporting, which requires the disclosure of segmental reporting information that is actually being used internally by management, the following segmental reporting is now in use:

Products – Own IP
D4t4 create, 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 customers designated premises. This is when control passes to the customer.

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. This is because costs are incurred in proportion to the Group's progress as it satisfies its performance obligations.

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 an associated value is recognised. The Group has a right to consideration from its customers in an amount that corresponds directly with the value to the customer of the Group's performance completed on a daily basis.

Support & maintenance
Support and maintenance is typically of a recurring nature and is made up of hosting, support services and maintenance. The Group's efforts are expended evenly throughout the performance period therefore revenue is recognised on a straight-line basis over the period of the contract, normally 12 months.

Bundled goods and services
Products (software and hardware), delivery services and support and maintenance services are often bundled together in a contract.

The products and the services are considered to be separate performance obligations on the basis that the products can be delivered with or without the hosting and other services and therefore the products and services are not interdependent or interrelated with another good or service. Software and hardware however require combined delivery to the customer to benefit from them and are therefore considered to be interdependent and interrelated and one performance obligation.

In allocating the consideration to the separate performance obligations, the standalone selling price is determined by reference to an internal price book.

The contracted invoice schedule does not always coincide with the recognition of the income from the sale. Therefore management have considered the time value of money and concluded that a financing benefit is provided to the customer. This is adjusted against revenue and recognised as interest income over the period of the contract using an effective interest rate.

Previous segmental analysis
Prior to this year, revenue was classified as being derived from

- Licence sales;
- Project work; and
- Recurring revenues

Licence sales were recognised as described under Products Own IP above.

Project work comprised an element of what is now classified as Products Own IP, Products 3rd Party and Delivery Services revenue. However, as explained in Note 30, IFRS 15 has impacted upon the revenue recognition policy in this area.

Recurring revenues were recognised as described under Support and maintenance above.

Partnerships with third party organisations
The Company sells both directly to the customer and through partnerships. There are two types of partnerships. The first is where the company acts as principal in the sale to the partner. The partner then uses the products and services purchased from the company as part of their sale to their customer. The second is where the company acts on an agency basis. Here the company acts as a supply channel on behalf of the software supplier who dictates the sell and buy price and provides details of the customer. In the first case, the revenue will consist of a combination of licence, project and recurring as defined in the revenue recognition policy above, and hence is recognised as defined there. In the second case, where the company acts on an agency basis, revenue will be recognised at the point of sale to the end customer.

Recognition of financial instruments
Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets
Initial and subsequent measurement of financial assets

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Company with maturities of less than three months.

Trade, Group and other receivables
Trade receivables are initially measured at their transaction price. Group and other receivables are initially measured at fair value plus transaction costs.

Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual

Notes to the financial statements (continued)

arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Initial and subsequent measurement of financial liabilities

Trade, Group and other payables
Trade, Group and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Equity instruments
Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

Derecognition of financial assets (including write-offs) and financial liabilities
A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset it is derecognised ('written off').

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

Impairment of financial assets
An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Trade and other receivables
For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the ageing of the receivable. The Group has adopted a simplified approach to calculating its expected credit loss provision. For intercompany loans that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the subsidiary does not have sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the parent Company assesses the expected manner of recovery, applying discounting to the period in which the cash is realised where the impact of discounting is material.

Borrowings
Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss over the period using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowing costs
Borrowing costs are recognised as an expense in the period in which they arise.

Related party transactions
The Company has taken advantage of the exemption under IAS24 from disclosing related party transactions with entities that are wholly owned subsidiary undertakings of the D4t4 Solutions plc Group.

3. Critical accounting judgements and key sources of estimation uncertainty
In applying the accounting polices described in note 2 the Directors are required to make judgements, estimates and assumptions of the carrying values of assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimations means that actual outcomes could differ from those estimates. These judgements are reviewed on an ongoing basis, and recognise revisions to accounting estimates in the period in which we revise the estimate and in any future periods affected. It is considered that all judgements have an element of estimation.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of goodwill and intangible assets
The ongoing valuation of goodwill for the purposes of determining impairment requires the evaluation of future cash flows from the cash generating units to which the goodwill has been allocated. Note 14 shows the carrying values of the components of goodwill.

Revenue recognition for bundled goods and services
In determining revenue for each of the component elements of a bundled contract, consideration is given to price books which are compiled following a review of standard industry practice and expected gross profit margins.

4. Business and geographical segments
IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and assess their performance.

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

- Licence sales
- Project work
- Recurring revenues

The Group has now identified four tightly integrated service lines that are offered to clients. These service lines combine one or more of 4 types of revenue to deliver on our core services.

Details of these are laid out in the Strategic Report on page 19.

Information is now presented to the Board on the revenue analysis below:

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

All revenue streams are recognised on a point in time basis apart from Support and maintenance which is recognised over time.

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.

The segment reporting set out below is consistent with that provided to the Board of Directors and has been prepared under both the original segmental reporting analysis and now the current segmental reporting analysis.

Notes to the financial statements (continued)

The revised segmental reporting analysis is as follows:

Continuing operations 2019	Group	
	2019 £'000	2018 restated £'000
Products - Own IP	9,198	6,805
Products - 3rd party	7,349	3,915
Delivery services	3,132	2,928
Support and maintenance	5,560	4,779
Revenue	25,239	**18,427**
Cost of sales	(10,932)	(7,987)
Gross profit	14,307	**10,440**
Other operating costs and income	(7,965)	(7,084)
Investing and financing activities	1	(30)
Profit before tax	6,343	**3,326**

Major customers (partners) over 10% of revenue	2019 £'000	2019 £'000	2018 restated £'000
	Customer 1	Customer 2	Customer 1
Products - Own IP	5,576	1,581	4,590
Products - 3rd party	6,774	-	3,226
Delivery services	1,055	48	1,107
Support and maintenance	2,206	1,102	1,808
Total revenue	15,611	2,731	**10,731**

Previously reported segmented reporting analysis is as follows:

Continuing operations 2019	Licence sales £'000	Project work £'000	Recurring revenues £'000	Total £'000
Sale of goods	4,196	-	-	4,196
Services	-	15,483	5,696	21,179
Adjustment for agency basis	-	-	(136)	(136)
Reported revenue	4,196	15,483	5,560	25,239
Segment result (gross profit)	3,666	7,261	3,380	14,307
Other operating costs and income				(7,965)
Investing and financing activities				1
Profit before tax				6,343
Major customers (partners) over 10% of revenue				
Customer 1	323	12,717	2,571	15,611
Customer 2	1,581	48	1,102	2,731

The adjustment for agency basis relates to arrangements where the company acts as a supply channel on behalf of a software supplier. This software supplier dictates the sell and buy price and provides details of the customer.

Continuing operations 2018 restated	Licence sales £'000	Project work £'000	Recurring revenues £'000	Total £'000
Sale of goods	2,905	-	-	2,905
Services	-	10,742	5,012	15,754
Adjustment for agency basis	-	-	(232)	(232)
Reported revenue	2,905	10,742	4,780	18,427
Segment result (gross profit)	2,186	5,794	2,460	10,440
Other operating costs and income				(7,084)
Investing and financing activities				(30)
Profit before tax				3,326
Major customer (partner) over 10% of revenue				
Customer 1	-	8,994	1,737	10,731

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

Notes to the financial statements (continued)

5. Revenue

Geographical information

	Group	
	2019	2018 restated
	£'000	£'000
England	3,452	3,586
Rest of Europe	2,972	2,409
United States of America	17,543	10,971
Others	1,272	1,461
	25,239	18,427

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. These are not reported to management on a segmented basis.

	Group	
Analysis of revenue	2019	2018 restated
Continuing operations	£'000	£'000
Sale of goods	4,196	2,905
Rendering of services	21,043	15,522
	25,239	**18,427**

	Group	
Timing of transfer	2019	2018 restated
	£'000	£'000
Goods and services transferred at a point in time		
Products - Own IP	9,198	6,805
Products - 3rd party	7,349	3,915
Delivery services	3,132	2,928
Goods and services transferred over time		
Support and maintenance	5,560	4,779
	25,239	**18,427**

	Group	
Contract balances	2019	2018 restated
	£'000	£'000
Receivables included within Trade and other receivables	4,064	19,530
Contract assets	1,210	471
Contract liabilities	(3,318)	(14,086)

Contract assets predominantly relate to fulfilled obligations in respect of Own IP and 3rd Party Products, Delivery services and Support and maintenance which have not been invoiced.

At the point of invoice, the contract asset is derecognised and a corresponding trade receivable is recognised.

Contract liabilities relate to consideration received from customers in advance of work being completed. The contract assets of £471k at 31 March 2018 have been fully reclassified as a receivable in the year 31 March 2019. £14,086k of the contract liabilities at 31 March 2018 were recognised as revenue in the year ended 31 March 2019.

Of the balance of £3,318k classified as deferred income at 31 March 2019, it is expected that £3,151k will be recognised as revenue in the year ended 31 March 2020 and £167k will be recognised as revenue in the year ended 31 March 2021 on account of performance obligations having been satisfied in those periods.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and chosen to not disclose information relating to performance obligations for contracts that had an original expected duration of one year or less, or where the right to consideration from a customer is an amount that corresponds directly with the value of the completed performance obligations.

6. Analysis of expenses by nature

	2019	2018
The breakdown by nature of expenses is as follows:	£'000	£'000
Employee remuneration		
(see note 7)	**9,598**	**8,152**
Intangible assets		
Amortisation of intangible assets (see note 15)	247	246
Research and development costs expensed	576	474
	823	**720**
Property, plant and equipment		
Depreciation of property, plant & equipment (see note 16)	315	251
Gain on disposal of property, plant & equipment	(3)	-
	312	**251**
Auditor's remuneration		
- for audit services (Group and Company, the Company fee is not separately quantifiable)	47	45
- for tax advisory services	-	5
- for other services	10	14
	57	**64**
Inventories recognised as an expense during the year	545	341
Write-off and provision of doubtful receivables	-	2
Operating leases	58	44
Net foreign exchange (gains) / losses	(727)	402
Other expenses	8,288	5,162
Total cost of sales and administration expenses	**18,954**	**15,138**

Notes to the financial statements (continued)

7. Staff costs

	Group		Company	
The average number of employees (including directors) during the year was:	2019 Number	2018 Number	2019 Number	2018 Number
Production and support	88	90	87	90
Distribution	24	22	20	20
Administration	10	10	10	10
	122	122	117	120
Their aggregate remuneration comprised:	£'000	£'000	£'000	£'000
Salaries	8,181	6,982	7,108	6,390
Social security costs	873	729	806	701
Defined contribution costs	382	341	345	327
Share-based payments: equity settled	162	100	162	100
	9,598	8,152	8,421	7,518

Details of directors' remuneration required by the Companies Act are set out in the audited information included in the Directors' Remuneration report on pages 52 to 55. For the purposes of IAS 24 "Related Party Disclosures" these figures also equate to the salary disclosure required of the key management personnel.

Other related party transactions including loans and dividends, involving directors are disclosed in the Directors' Remuneration report on pages 52 to 55.

The Group has taken advantage of the exemption in IAS 24 from reporting related party transactions between members of the group because they are wholly owned subsidiaries.

8. Other operating income

	Group	
	2019 £'000	2018 £'000
Analysis of other operating income		
Operating lease receipts (see note 28)	57	67
	57	67

9. Finance income and finance costs

	Group	
	2019 £'000	2018 £'000
Analysis of finance income		
Bank interest received	9	1
Analysis of finance costs		
Mortgage interest paid	(2)	(6)
Bank loan interest	(5)	(21)
Directors' loan interest	-	(3)
Other	(1)	(1)
	(8)	(31)

10. Taxation

	2019 £'000	2018 restated £'000
Current UK tax	796	602
Foreign tax	57	68
Less: double taxation relief	(10)	(22)
Over provision in prior year	(6)	-
	837	648
Deferred tax		
- temporary differences	(61)	(21)
- US tax losses current year	(265)	(129)
- US tax losses prior year	-	(74)
Corporation tax	511	424
The charge for the year can be reconciled to the reported profit as follows:		
Profit before tax	6,343	3,326
UK corporation tax at 19% (2018: 19%)	1,205	632
Research and development credit	(142)	(117)
Relief for exercising of share options	(610)	(81)
Difference between writing-down allowances and depreciation	13	25
Other non-deductible expenses	14	12
Effect of different rates in other jurisdictions	47	33
Utilisation of tax losses	(10)	(6)
Over provision in prior year	(6)	-
Recognition of US tax losses prior year	-	(74)
Tax charge as above	511	424

11. Deferred tax

Group	Other timing difference £'000	Equity reserve £'000	Share based payments £'000	Tax losses £'000	Intangibles £'000	Total £'000
Balance at 1 April 2017	6	114	110	-	(256)	(26)
Recognised within the Statement of Changes in Equity	-	(58)	4	-	-	(54)
(Charge) / credit to Income Statement	(38)	-	17	202	42	223
Balance at 1 April 2018	(32)	56	131	202	(214)	143
Recognised within the Statement of Changes in Equity	-	(49)	178	17	-	146
(Charge) / credit to Income Statement	(11)	-	31	265	41	326
Balance at 31 March 2019	(43)	7	340	484	(173)	615

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Notes to the financial statements (continued)

Company	Other timing difference £'000	Equity reserve £'000	Share based payments £'000	Intangibles £'000	Total £'000
Balance at 1 April 2017	6	114	110	(256)	(26)
Recognised within the Statement of Changes in Equity	-	(58)	4	-	(54)
(Charge) / credit to Income Statement	(38)	-	17	42	21
Balance at 1 April 2018	(32)	56	131	(214)	(59)
Recognised within the Statement of Changes in Equity	-	(49)	178	-	129
(Charge) / credit to Income Statement	(11)	-	31	41	61
Balance at 31 March 2019	(43)	7	340	(173)	131

The financial statements include a deferred tax asset of £484k (2018: £202k) in respect of trading losses in the Group's US subsidiary. In accordance with the requirement of IAS 12 Income Taxes, the Directors have considered the likely recovery of this deferred tax asset. The Directors have taken into account expected future taxable profits and expect an improvement in profitability and profits in future periods and that this will be sustained. Accordingly the Directors have satisfied themselves that it is appropriate to recognise the above deferred tax asset.

12. Dividends

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders:		
Final dividend for the year ended 31 March 2018 of 1.875p (for the year ended 31 March 2017: 1.70p) per share	713	645
Interim dividend for the year ended 31 March 2019 of 0.7p (31 March 2018: 0.625p) per share	267	239
	980	884
Proposed final dividend for the year ended 31 March 2019 of 2.3p		

The proposed final dividend is subject to shareholders' approval at the AGM and has not been included as a liability in these financial statements.

13. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the parent and the weighted average number of ordinary shares in issue during the year.

The adjusted earnings per share figures have been calculated based on earnings before adjusted items. These have been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares arising from share options granted to employees where the exercise price is less than market price of the Company's ordinary shares at the year end.

Details of the adjusted earnings per share are set out below:

	2019 £'000	2018 restated £'000
Profit attributable to owners of the parent	5,832	2,902
Amortisation of intangible assets (see note 15)	247	246
Share-based payments	162	100
Net foreign exchange differences	(727)	402
Tax on the adjustments	60	(142)
Adjusted profit attributable to owners of the parent	5,574	3,508

	2019 No.	2018 restated No.
Basic weighted average number of shares, excluding own shares, in issue	39,471,172	38,104,967
Dilutive effect of share options	654,078	1,670,139
Diluted weighted average number of shares, excluding own shares, in issue	40,125,250	39,775,106

	2019 Pence per share	2018 restated Pence per share
Basic Earnings per share	14.78	7.62
Diluted Earnings per share	14.53	7.30
Adjusted Basic Earnings per share	14.12	9.21
Adjusted Diluted Earnings per share	13.89	8.82

14. Goodwill

	Group £'000	Company £'000
Cost of goodwill		
Balance at 1 April 2017, 31 March 2018 and 31 March 2019	10,952	10,608
Accumulated impairment charges		
Balance at 1 April 2017, 31 March 2018 and 31 March 2019	2,256	1,912
Carrying amount at 1 April 2017, 31 March 2018 and 31 March 2019	8,696	8,696
Allocation of goodwill		
AXL customers	100	100
Chapter26 customers	918	918
Speed-Trap customers	7,678	7,678
Balance at 1 April 2017, 31 March 2018 and 31 March 2019	8,696	8,696

The carrying amount of goodwill represents the balance of the original cost of goodwill attached to the subsidiary companies on acquisition. The Group is required to test this value at least annually for impairment.

The extant customers of the subsidiaries (all of whom are now customers of the parent company) continue to form identifiable cash generating units (CGU's). For AXL and Chapter26, all the CGUs are within the United Kingdom, while for Speed-Trap the CGUs are spread globally.

Notes to the financial statements (continued)

The recoverable amount of these CGU's has been determined based on a value-in-use calculation. To calculate this, pre tax cashflow projections are based on financial budgets calculated using both current year and prior year knowledge of customer contracts and approved by the Board for the year ended 31 March 2019. These are then extrapolated for five years with 2% (2018: 2%) growth rate applied, and extended beyond five years at 2% (2018: 2%), which the Board considers conservative given the long-term opportunities that exists in the regions that the CGU's operate in. The discount rate applied to cashflow projections is 15% pre tax (2018: 15%).

The same growth and discount rate assumptions have been applied to each CGU due to the fact that they are the same class of business and same type of customer.

Key assumptions used for the value-in-use calculations

Key assumptions are made by management based on past experience taking into account external sources of information around gross margins, growth rates and discount rates for similar businesses.

The calculation of value in use is most sensitive to assumptions around:

- operating cashflows, based on financial budgets for the year ended 31 March 2020 approved by the Board;
- growth rates in the current year budget which are based on individual customer contracts, same treatment as 2018;
- growth rates in year 2 onwards, which we have maintained at a conservative 2%;
- the discount rate, based on the pre-tax weighted average cost of capital of the Group:
- the CGU gross margins achieved.

Sensitivity to changes in assumptions

Having reviewed the key assumptions, the margins achieved are based on actual margins, the growth rates are based on budget for the current year and a very conservative 2% growth rate ongoing, the discount rate is the variable with the maximum impact. By varying this 20% all CGU's would still allow the recoverable amount to exceed the carrying value. Therefore management is confident in the assumptions used.

Management are satisfied that a reasonable change in the key assumptions used in assessing the recoverable amounts of the cash generating units, would not give rise to the recoverable amount exceeding the carrying value of each cash generating unit.

15. Other intangible assets

Group & Company	Internally generated IPR £'000	Purchased IPR £'000	Trade name £'000	Total £'000
Cost				
Balance at 1 April 2017, 31 March 2018 and 31 March 2019	56	1,858	142	2,056
Accumulated amortisation				
Balance at 1 April 2017	56	465	28	549
Amortisation	-	232	14	246
Balance at 1 April 2018	56	697	42	795
Amortisation	-	232	15	247
Balance at 31 March 2019	56	929	57	1,042
Carrying amount				
Balance at 1 April 2017	-	1,393	114	1,507
Balance at 31 March 2018	-	1,161	100	1,261
Balance at 31 March 2019	-	929	85	1,014

The amortisation charge for the year is booked to administration expenses.

The remaining amortisation period for the Purchased IPR is 4 years (2018: 5 years) and the Trade name is 6 years (2018: 7 years). The internally generated IPR has been fully amortised.

16. Property, plant & equipment

Group and Company	Land & buildings £'000	Fixtures & equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
Balance at 1 April 2017	2,200	923	106	3,229
Additions	442	402	-	844
Revaluation	658	-	-	658
Disposals	-	(103)	-	(103)
Balance at 1 April 2018	3,300	1,222	106	4,628
Additions	-	436	23	459
Disposals	-	-	(18)	(18)
Balance at 31 March 2019	3,300	1,658	111	5,069
Depreciation				
Balance at 1 April 2017	-	594	40	634
Depreciation charge	47	182	22	251
Revaluation	(47)	-	-	(47)
Eliminated on disposals	-	(102)	-	(102)
Balance at 1 April 2018	-	674	62	736
Depreciation charge	70	225	20	315
Revaluation	(70)	-	-	(70)
Eliminated on disposals	-	-	(18)	(18)
Balance at 31 March 2019	-	899	64	963
Carrying amount				
Balance at 1 April 2017	2,200	329	66	2,595
Balance at 31 March 2018	3,300	548	44	3,892
Balance at 31 March 2019	3,300	759	47	4,106

The net book value of assets held under finance lease or hire purchase contracts, included above, are as follows:

Group and Company	2019 £'000	2018 £'000
Motor vehicles	-	19

Allocation of depreciation charge	2019 £'000	2018 £'000
Cost of sales	79	78
Administration expenses	236	173
Charge for year	315	251

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Notes to the financial statements (continued)

Tangible Assets held at valuation

In respect of tangible assets held at valuation, the comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model are as follows:

Group and Company	2019 £'000	2018 restated £'000
Land and buildings	1,798	1,842

Included in land & buildings (valued in 2018) is freehold land at £1,230,000 (2018: £1,230,000) which is not subject to depreciation. The land and buildings original purchase cost was £2,224,000.

For detail on the fair value measurement of the freehold land and buildings see note 29.

17. Investment in subsidiaries

Company	2019 £'000	2018 restated £'000
Cost of investment		
Balance at 1 April 2018 and 31 March 2019	273	273
Accumulated provision for impairment		
Balance at 1 April 2018 and 31 March 2019	-	-
Carrying amount at year end	273	273

	Country of Incorporation	Nature of business	Proportion of ownership of ordinary shares
IS Solutions Ltd (formerly Celebrus Ltd)†	England & Wales	Dormant	100%
Celebrus Technologies Ltd*†	England & Wales	Dormant	100%
Chapter26 Ltd†	England & Wales	Dormant	100%
D4t4 Solutions Inc.§	USA	Software & services	100%
Internet Service Solutions Ltd†	England & Wales	Dormant	100%
Internet Systems Solutions Ltd†	England & Wales	Dormant	100%
Internet Site Solutions Ltd†	England & Wales	Dormant	100%
Magiq Ltd*†	England & Wales	Dormant	100%
Speed-Trap Holdings Ltd†	England & Wales	Dormant	100%

* Owned by Speed-Trap Holdings Ltd.

† Registered address - Windmill House, 91-93 Windmill Road, Sunbury-on-Thames, TW16 7EF, UK

§ Registered address - 2626 Glenwood Avenue, Suite 550, Raleigh, North Carolina 27608, USA

All subsidiaries individually prepare and file their own financial statements.

The principal place of business is considered to be the registered address.

18. Trade and other receivables

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade receivables	4,064	19,530	4,064	19,530
Amounts due from Group undertakings	-	-	2,506	917
Other debtors	114	63	114	60
Prepayments	887	480	547	480
Accrued income	1,210	471	1,210	471
	6,275	20,544	8,441	21,458

Trade receivables Ageing of receivables:	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Less than 30 days	3,703	18,982	3,703	18,982
31 to 60 days	97	264	97	264
61 to 90 days	3	47	3	47
91 to 120 days	186	138	186	138
More than 120 days	75	99	75	99
	4,064	19,530	4,064	19,530

The average credit period taken on sales of goods and services was 87 days (2018: 67 days).

In accordance with IFRS 9, the Group performed a year end impairment exercise to determine whether any write down in amounts receivable was required, using an expected credit loss model. The expected loss rate for receivables less than 120 days old is 0% on the basis of the Group's history of bad debt write offs and above 120 days has not been considered on the basis of immateriality.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Definition of default

The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is significantly more than the associated credit terms past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

Determination of credit-impaired financial assets

The Company considers financial assets to be 'credit-impaired' when the following events, or combinations of several events, have occurred before the year-end:

- significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or group support;
- a breach of contract, including receipts being more than materially past due;
- it becoming probable that the counterparty will enter bankruptcy or liquidation.

Write-off policy

Receivables are written off by the Group when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration. Receivables will also be written off when the amount is more than materially past due.

Notes to the financial statements (continued)

Additionally the recoverability of intercompany debts is considered. After review, the Directors believe that no further expected credit loss provision is required. The policy of credit risk management is covered in note 29.

During the year no trade receivable was considered impaired and there was no charge to the income statement as shown on note 6 (2018: £2k).

Included within Other debtors is £17k (2018: nil) due from a Director further to a share option exercise undertaken in March 2019. The amount due was repaid in May 2019.

19. Inventories

	Group		Company	
	2019 £'000	2018 restated £'000	2019 £'000	2018 restated £'000
Finished goods and goods for resale	45	590	13	590

The amount of inventories recognised as an expense during the year amounted to £545k (2018: £341k).

There was no write down in the recognised value of inventories (2018: nil).

20. Trade and other payables

	Group		Company	
	2019 £'000	2018 restated £'000	2019 £'000	2018 restated £'000
Trade payables	1,476	2,609	543	481
Amounts owed to Group undertakings	-	-	1,378	2,753
Other taxes and social security	343	277	343	277
Other creditors	21	12	21	12
Accruals	1,616	1,591	1,462	1,377
Deferred income	3,318	14,086	3,318	14,086
	6,774	**18,575**	**7,065**	**18,986**

There is no material difference between the fair value of receivables and their carrying value.

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 57 days (2018: 53 days). Their carrying value approximates to their fair value.

21. Borrowings

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Obligations under finance lease and hire purchase agreements	-	17	-	17
Bank loans and mortgages (see Borrowings below)	-	763	-	763
	-	**780**	**-**	**780**

Borrowings (Group and Company)	Finance Leases		Bank loan and mortgage	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance at 1 April 2018	17	24	763	1,177
Repaid during the year	(17)	(7)	(763)	(414)
Balance at 31 March 2019	**-**	**17**	**-**	**763**
Repayable within one year	-	8	-	687
Repayable within one to two years	-	9	-	76

The finance lease which was taken out in 2016 in respect of a motor vehicle was fully paid off in the year.

The bank loan and mortgage were fully paid off during the year. The 2018 year end balance of £763k comprised a bank loan of £573k and a mortgage of £190k.

At 31 March 2019 there were no undrawn facilities (2018: nil).

22. Share capital

	2019			2018		
	Shares	Share capital £'000	Share premium £'000	Shares	Share capital £'000	Share premium £'000
Ordinary shares of 2p each						
Authorised	50,000,000	1,000		50,000,000	1,000	
Issued and fully paid up						
Balance at 1 April 2018	38,261,019	765	1,972	37,954,318	759	1,923
Issued during year	1,439,870	29	652	306,701	6	49
Balance at 31 March 2019	**39,700,889**	**794**	**2,624**	**38,261,019**	**765**	**1,972**

The Company issued 1,439,870 (2018: 306,701) Ordinary shares during the year in two tranches to satisfy share option exercise requirements. The first tranche comprised 184,388 shares at a price of 38.42p and the second tranche comprised 1,255,482 shares at a price of 51.18p (2018: 54.67p). This increased the share premium account by £652k (2018: £49k).

Any costs associated with the issue of new shares were less than £1k (2018: £1k) and are recognised in professional fees.

Notes to the financial statements (continued)

23. Own shares

At the year end the company held 478,880 (2018: 247,815) ordinary shares in Treasury, with fair value of £1,230,722 (2018: £293,661). Details of purchases and sales are shown below.

	Number of own shares	Share price at point of transaction (p)	Percentage of share capital	Consideration paid £'000
Balance of own shares at 1 April 2017	**3,399**		**0.01%**	
06 December 2017	79,155	129.99	0.21%	103
18 December 2017	20,000	116.00	0.05%	23
01 February 2018	50,000	126.68	0.13%	63
09 February 2018	10,000	114.17	0.03%	11
26 March 2018	85,261	119.68	0.22%	102
Balance of own shares at 31 March 2018	**247,815**		**0.65%**	
Total consideration paid in year ending 31 March 2018				**302**
02 July 2018	17,955	146.00	0.05%	26
02 July 2018	(17,955)	146.00	(0.05%)	
22 August 2018	58,139	174.00	0.15%	101
22 August 2018	(153,864)	174.00	(0.40%)	
23 August 2018	78,212	182.00	0.20%	142
23 August 2018	(111,804)	182.00	(0.29%)	
04 December 2018	28,850	191.00	0.08%	55
04 December 2018	(28,850)	191.00	(0.08%)	
13 December 2018	5,000	187.00	0.01%	9
17 December 2018	2,500	185.75	0.01%	5
18 December 2018	2,500	184.00	0.01%	5
19 December 2018	2,500	176.10	0.01%	4
20 December 2018	2,500	173.00	0.01%	4
21 December 2018	2,500	173.00	0.01%	4
08 January 2019	2,500	197.59	0.01%	5
09 January 2019	2,500	205.00	0.01%	5
16 January 2019	2,500	206.00	0.01%	5
16 January 2019	(18,333)	206.00	(0.05%)	
17 January 2019	2,500	203.60	0.01%	5
18 January 2019	(7,413)	205.00	(0.02%)	
21 January 2019	2,500	202.50	0.01%	5
22 January 2019	2,500	200.00	0.01%	5
25 January 2019	(4,500)	201.50	(0.01%)	
31 January 2019	(87,754)	192.50	(0.23%)	
20 February 2019	(10,000)	209.00	(0.03%)	
21 March 2019	435,882	237.50	1.10%	1,036
21 March 2019	10,000	235.73	0.03%	24
25 March 2019	10,000	240.00	0.03%	24
	478,880		**1.21%**	
Total consideration paid in year ending 31 March 2019				**1,469**

In the Statement of Changes in Equity (page 63) the value of Treasury shares is calculated on a First-In-First-Out (FIFO) basis, while the fair value represents the value based on the year end share price.

24. Merger reserve

The merger reserve arose on the acquisition of Speed-Trap Holdings Ltd (23 January 2015) and represents the excess consideration paid by the issue of shares over the share capital nominal value. Additions to this reserve of £60k (2018: £113k) are a result of the exercise of options issued which have been held in the own shares and equity reserve accounts.

25. Revaluation reserve

This represents the gains on revaluation of the property in line with market valuations.The property was last professionally valued in March 2018. The gain on revaluation was £70k (2018: £706k). This is a non-distributable reserve as it represents unrealised profits on the revalued assets.

26. Equity reserve

This is in relation to the options issued following the Speed-Trap acquisition in 2015 and represents the fair value less the cash received to exercise those options of £3,833 (2018: £77,098). The outstanding balance of these options is included in the balance at 1 April 2018 and 31 March 2019, as applicable, in note 27. In addition the total includes the deferred tax asset on these options of £6,994 (2018: £55,649).

27. Share-based payments

The Company has a share option scheme for all employees of the Group, a combination of both EMI and non-EMI schemes. Share options vest in equal instalments over three years based on previously set EPS targets based upon 10% growth. In relation to the share options shown below the Board forecast that the remaining share options will vest.

Options are granted at the closing price on the previous day and have a vesting period of three years. If the options are not exercised within ten years of the grant date, or if employees leave before their options vest then those options are forfeited.

Vested options are settled subsequently by a combination of equity shares in the parent Company and cash at Board discretion.

		2019		2018 restated
	No. of share options	**Weighted av. exercise price**	No. of share options	Weighted av. exercise price
Balance at 1 April	3,140,798	56.26p	3,096,872	45.73p
Granted during the year	530,000	149.20p	424,500	114.00p
Forfeited during the year	-	-	(55,000)	99.47p
Exercised during the year	(1,880,343)	51.38p	(325,574)	41.02p
Balance at 31 March	**1,790,455**	**113.19p**	**3,140,798**	**70.11p**
Exercisable at year end	884,788	90.97p	**1,791,681**	**56.26p**

The weighted average share price at the exercise date of the exercised shares was £2.221 (2018: £1.715). The weighted average contractual life of the outstanding options was 7 years (2018: 7 years), exercisable in the range 18.5p to 152.5p.

1,880,343 share options were exercised in the year, 1,439,870 (note 22) by way of issue of new shares and 440,473 by issue of shares from Treasury.

Notes to the financial statements (continued)

A summary of the option price ranges are as follows:

	2019	
Exercisable price range		No. of share options
18.50p to 75.00p		352,955
90.50p to 124.00p		877,500
136.00p to 152.50p		560,000
		1,790,455

The weighted average exercise price of all outstanding share options was 113.19p (2018: 70.11p).
The Group recognised £162k of expense related to equity-settled share-based payments in the year (2018: £100k).
The fair value of options granted during the year is determined by applying the Black-Scholes model. The expense is apportioned over the vesting period of the option and is based on the number which are expected to vest and the fair value of those options at the date of grant.
The inputs into the Black-Scholes model are as follows:

	13 Aug 2018	13 Aug 2018	13 Aug 2018	10 Jul 2018
Number of options granted	166,667	166,667	166,666	30,000
Share price at date of grant	149.00p	149.00p	149.00p	152.50p
Exercise price	149.00p	149.00p	149.00p	152.50p
Option life in years	1	2	3	1
Risk-free rate	3.18%	3.18%	3.18%	3.13%
Expected volatility	40.90%	40.90%	40.90%	39.90%
Expected dividend yield	2.11%	2.11%	2.11%	2.11%
Fair value of options	24.30p	33.72p	40.37p	24.25p

Expected volatility was determined by calculating the historical volatility of the Group's share price for the 5 year period prior to the date of grant of the share option. The expected life used in the model is based on management's best estimate. The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

28. Operating lease arrangements (Group and Company)

As lessee

There are no outstanding non-cancelled leases (2018: nil).

	2019 £'000	2018 £'000
Lease payments recognised as an expense during the year	58	44

Lease payments are for rental of premises in India

Total value of future minimum lease payments committed under non-cancellable operating leases:	2019 £'000	2018 £'000
Not later than one year	58	50
Later than one year and not later than five years	260	225
Later than five years	105	159

As lessor

There are no outstanding non-cancelled leases (2018: nil).

	2019	2018
Lease receipts recognised as income during the year	57	67

Lease receipts are for fixed-term sub-lets of parts of the parent company's premises bearing no contractual right of renewal or extension.

29. Financial instruments and risk management

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the executive team.

The Board receives monthly reports from the executives through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Capital Management policy

Management considers capital to comprise issued share capital, reserves and borrowings, along with cash and cash equivalents.

The Group manages its capital to ensure it operations are adequately provided for, while maximising the return to shareholders through effective management of its resources. The principal financial risks faced by the Group are liquidity risk, interest rate risk and foreign exchange rate risk. The Directors review and agree policies for managing each of these risks. These policies remain unchanged from previous years.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and so provide returns for shareholders. The Group meets its objectives by aiming to achieve growth which will generate regular and increasing returns to shareholders.

The Group manages the capital structure and makes changes in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

Capital risk management

The Group and Company's capital structure, as defined above, is managed by the Board to ensure that the Group and Company continues as a profitable going concern. There are no externally imposed capital requirements.

The Group has no net debt (2018: nil).	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Borrowings	-	(780)	-	(780)
Cash and cash equivalents	10,996	4,634	10,996	4,634
Net cash	10,996	3,854	10,996	3,854

Categories of financial instruments	2019 £'000	Restated 2018 £'000	2019 £'000	Restated 2018 £'000
Financial Assets at Amortised Cost				
Cash and bank balances	10,996	4,634	10,996	4,634
Trade and other receivables	5,388	20,064	7,894	20,978
Financial Liabilities at Amortised Cost				
Trade and other payables	3,113	4,212	3,404	4,623
Borrowings	-	780	-	780

	Group and company		
Reconciliation of liabilities arising from financing activities	2018 £'000	Cashflows £'000	2019 £'000
Finance leases	17	(17)	-
Bank loans and mortgages	763	(763)	-
	780	(780)	-

Notes to the financial statements (continued)

Foreign currency risk management

The Group's foreign currency exposure arises from:

Transactions (sales/purchases) denominated in foreign currencies; and

Monetary items (mainly cash and receivables) denominated in foreign currencies

The exposure to transactional foreign exchange risk is monitored and managed at a Group level. Natural hedging is employed, to the extent possible, to minimise net exposures; however, where significant exposures arise it is Group policy to enter into formal hedging arrangements.

Carrying amounts of the Group's financial assets and liabilities denominated in foreign currencies was as follows:

	Liabilities		Assets	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
US Dollars				
- cash	-	-	725	644
- receivables	-	-	3,371	19,077
- payables	1,361	2,762	-	-
Euros				
- cash	-	-	133	85
- receivables	-	-	16	100
- payables	36	46	-	-

The following table shows the effect on the Group's result for the year, of £ strengthening by 5% against debtor, creditor and cash balances denominated in foreign currencies, with all other variables held constant. 5% represents management's assessment of the reasonably possible change in exchange rates.

	$ £'000	€ £'000	Total £'000
At 31 March 2019			
Impact on profit/equity for the year	(138)	(5)	(143)
At 31 March 2018			
Impact on profit/equity for the year	(805)	(5)	(810)

The following table shows the effect on the Group's result for the year, of £ weakening by 5% against debtor, creditor and cash balances denominated in foreign currencies, with all other variables held constant. 5% represents management's assessment of the reasonably possible change in exchange rates.

	$ £'000	€ £'000	Total £'000
At 31 March 2019			
Impact on profit/equity for the year	180	6	186
At 31 March 2018			
Impact on profit/equity for the year	890	5	895

Credit risk management

No expected credit losses have been provided for at 31 March 2019 (2018: nil).

At 31 March 2019, the Company was due £2,508k from its US subsidiary, D4t4 Solutions Inc. This balance is repayable upon demand. Although the subsidiary does not have sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the Directors are satisfied that there is a means of recovery strategy to repay the balance over time. The time period to realise the cash is relatively short and all strategies indicate that the Company would fully recover the outstanding balance of the loan. On this basis no impairment loss has been recognised in respect of the Group receivable as any impact of discounting would be immaterial.

The Group uses credit reference agencies to determine and monitor the credit limits of new and existing customers. At the end of the year two partners owed a total of £3,179,000 (2018: one partner owed £16,375,000) and no expected credit loss provision has been made in relation to this balance. No other customers / partners owed more than 10% of the outstanding total. No expected credit loss provision has been recognised for trade receivables at 31 March 2019 (2018: nil).

The Group's customers primarily consist of banks, partners and other longstanding customers, primarily blue-chip companies that are deemed to have a low credit risk. As a result, the credit quality of trade receivables that are neither past due nor impaired has been assessed by the Directors to be relatively high, taking account of a low historic experience of bad debts and relatively good ageing profiles.

The Group controls its exposure to credit risk by setting limits on its exposure to individual customers, compliance is monitored by the Credit Control Team. As part of the process of setting customer credit limits, different external credit reference agencies are used, according to the country of the customer. The Group has a policy of dealing only with creditworthy counterparts.

The Group manages the credit risk and quality of cash balances by holding balances with reputable banks.

Liquidity risk management

The Board manages liquidity risk by maintaining adequate reserves of cash and banking facilities to cover day-to-day trading. The Group's policy is to pay creditors in full as and when they become due, which for all practical purposes is at latest by the end of the month following the invoice date. The Board believes that there is little liquidity risk since the Group has adequate cash balances to satisfy its creditors.

Maturity analysis of financial liabilities

	Group		Company	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
In less than one year:				
Borrowings	-	713	-	713
Trade payables	1,476	2,609	543	481
Amounts owed to Group undertakings	-	-	1,378	2,753
Other creditors	21	12	21	12
Accruals	1,616	1,591	1,462	1,377
	3,113	4,925	3,404	5,336
In more than one year:				
Borrowings	-	85	-	85
	-	85	-	85

Notes to the financial statements (continued)

All of the financial liabilities above are recorded in the financial statements at amortised cost. The above maturity analysis amounts reflect the contractual undiscounted cash flows, including future interest charges, which may differ from the carrying values of the liabilities at the reporting date.

Interest rate risk management

The Group's exposure to changes in interest rate risk is immaterial as the loan and mortgage were repaid during the year. The Board of Directors monitor movements in interest rates and have not prepared sensitivity analysis in relation to interest rates as they do not believe that any reasonable variance would have a material impact on the Group and there are no such financial liabilities at the year end.

Fair value measurement

Financial instruments that are measured subsequent to initial recognition at fair value, are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The freehold land & buildings are observable at level 2.

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of the revaluation at 31 March 2019. The fair value measurements of the Group's freehold land and buildings as at 31 March 2018 were performed by De Souza & Co, independent valuers not related to the Group. De Souza & Co are members of the Royal Institution of Chartered Surveyors, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location. The valuation was prepared in accordance with the RICS Valuation - Global Standards 2017 and the International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

The fair value of the freehold land and buildings were determined based on the market comparable approach that reflects recent transaction prices for similar properties. 10 similar properties with sales within the last two years, and within 10 miles were used as the basis for comparison using both sales value and letting rates to determine the valuation.

In order to determine the apportionment of the fair value between land and buildings, firstly the value of industrial development land in the broad area of the property was assessed, and secondly an allowance for age and obsolescence was applied to the likely rebuilding costs of a modern equivalent.

The Directors are satisfied that the assumptions applied in the professional valuation at 31 March 2018 are still valid at 31 March 2019, and as such no valuation has been performed this year.

30. IFRS 15 and prior year adjustment

The Group has adopted IFRS 15 Revenue from Contracts with Customers with effect from 1 April 2018. The Group has applied IFRS 15 retrospectively under a full restatement approach.

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 effect of implementing IFRS 15 is as follows:

- 12 months to 31 March 2019
  Prepared on an IFRS 15 basis
- 12 months to 31 March 2018
  Restatement has been required as a result of moving from IAS 18 to IFRS 15.

The adoption of IFRS 15 has resulted in a reduction in FY 31 March 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 March 2018 financial statements. These amounts are based on the Group applying the retrospective method in transitioning to IFRS 15.

The reductions of £1.67m and £1.08m arose on contracts spanning the prior year end where under IAS 18 it was permissible to recognise the software, despite the hardware not being delivered. Under IFRS 15 this would have constituted one performance obligation, therefore the software revenue invoiced pre 31 March 2018 has been deferred. The cost of sales impact is the derecognition of the associated cost of sales with the software sales derecognised.

There are no such similar contracts spanning the year end at 31 March 2019 and as such no disclosure has been given for revenue recognised in the year ended 31 March 2019 with different treatments under IFRS 15 and IAS 18.

The table below shows the effect of IFRS 15 on the restated Consolidated Statement of Consolidated Income as at 31 March 2018:

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

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.

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

The Group has taken advantage of the practical expedient when applying IFRS 15 retrospectively in that for completed contracts, the Group is not required to restate contracts that begin and end within the same annual reporting period.

Notes to the financial statements (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 £'000	IFRS 15 adjustment £'000	Restated £'000
Non-current assets			
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
	14,238	**-**	**14,238**
Current assets			
Trade and other receivables	20,544	-	20,544
Inventories	-	590	590
Cash and cash equivalents	4,634	-	4,634
	25,178	**590**	**25,768**
Total assets	**39,416**	**590**	**40,006**
Current liabilities			
Trade and other payables	(16,910)	(1,665)	(18,575)
Tax liabilities	(495)	204	(291)
Borrowings	(695)	-	(695)
	(18,100)	**(1,461)**	**(19,561)**
Non-current liabilities			
Borrowings	(85)	-	(85)
Deferred tax liabilities	(246)	-	(246)
	(331)	**-**	**(331)**
Total Liabilities	**(18,431)**	**(1,461)**	**(19,892)**
Net assets	**20,985**	**(871)**	**20,114**
Equity			
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 reserves	133	-	133
Retained earnings	11,477	(871)	10,606
Attributable to equity holders of the parent	**20,985**	**(871)**	**20,114**

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 £'000	IFRS 15 adjustment £'000	Restated £'000
Operating activities			
Profit before tax	4,401	(1,075)	3,326
Operating cash flows before movements in working capital	**5,008**	**(1,075)**	**3,933**
Decrease / (increase) in inventories	341	(590)	(249)
Increase in payables	12,034	1,665	13,699
Cash generated from operations	**1,108**	**-**	**1,108**

The impact of IFRS 15 on the parent Company's Statement of Financial Position and Statement of Cash Flows is as shown above.

The Group and Company have not presented a third Statement of Financial Position or Statement of Cash Flows as at 1 April 2017 as there were no transition adjustments at this date.

Corporate information

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Company registration number
01892751

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