

FINANCIAL REVIEW CONTINUED

Adjusted operating profit

Adjusted operating profit increased by \$50.7 million to \$109.0 million in the period, resulting from strong revenue growth and benefiting from a small foreign exchange gain partially offset by increased sales and marketing expenditure. The reconciliation of adjusted operating profit to operating loss is included in note 5 of the Financial Statements.

Operating profit

Operating profit was \$60.9 million in the period, compared to a loss of \$19.7 million in the comparative period which represents an improvement of \$80.6 million. This was principally driven by strong growth in revenue, a foreign exchange gain in the period, compared to a loss in the comparative period, a decrease in the amortisation charge, and an exceptional credit compared to an exceptional loss in the comparative period. These gains were partially offset by an increase in overheads including Sales and Marketing costs.

Net finance costs

Net finance costs decreased by \$14.0 million to \$7.3 million in the period, due mainly to foreign exchange gains on euro denominated debt following the strengthening of the US dollar in the period, resulting in a \$6.4 million gain compared to a \$9.6 million loss in the prior-year. Interest on uncertain tax positions increased by \$2.6 million to \$3.5 million due to the switch in the period of the overall tax balance from deferred tax to current tax, interest only being accrued on the latter balance.

Income tax

The Group's tax charge for the year was \$26.7 million (FY18: \$19.9 million) with an effective tax rate of 49.8 per cent (FY18: 48.5 per cent). The tax charge is higher than the prior-period primarily due to the Group generating a profit, compared with a loss in the comparative period.

Profit before tax and profit for the period

The profit before tax increased by \$94.6 million to \$53.6 million from a loss of \$41.0 million in the prior-year, whilst the Group's profit for the year-ended 31 March 2019 increased by \$87.8 million to \$26.9 million from a loss of \$60.9 million in the prior-year. This is as a result of strong revenue growth supported by increased Sales and Marketing spend and the benefit of a foreign exchange gain of \$1.5 million, compared to a foreign exchange loss of \$6.9 million in the prior-year combined with a slightly higher tax charge as explained above.

Cash flow

Net cash flow from operating activities decreased by \$4.8 million to \$142.9 million from \$147.7 million in the prior period. The small overall decrease was due to a \$9.9 million reduction in the cashflow outflow on exceptional items, a \$7.0 million improved use of working capital within the business, both being offset by an increase in overheads, primarily in relation to Sales and Marketing expenses.

Unlevered free cashflow decreased by \$15.8 million to \$123.8 million from \$139.6 million in the prior-period representing the reduction in net cash flow from operating activities adjusted for the cashflow impact of exceptional items.

	FY19 \$M	FY18 ¹ \$M
Cash EBITDA²	167.9	199.2
Net deferral of revenue	(49.7)	(129.6)
Net deferral of expenses	0.9	8.4
Foreign exchange	1.5	(8.1)
Depreciation	(11.6)	(11.6)
Adjusted operating profit	109.0	58.3
Net deferral of revenue	49.7	129.6
Net deferral of expenses	(0.9)	(8.4)
Exceptional items ³	(3.1)	(13.0)
Depreciation	11.6	11.6
Foreign exchange	(1.5)	8.1
Change in working capital ²	(5.2)	(12.2)
Corporation tax paid ²	(16.7)	(26.3)
Net cash flow from operating activities	142.9	147.7
Exceptional items ³	3.1	13.0
Net capital expenditure ²	(22.2)	(21.1)
Unlevered free cash flow	123.8	139.6

1 Restated for the adoption of IFRS 15 and change in accounting policy in respect of research and development expenditure tax credit scheme ("RDEC") and provision for interest on uncertain tax positions, as explained in note 2 of the Financial Statements

2 Unlevered free cash flow is also represented by the sum of the marked rows and has been presented to enhance understanding of the Group's cash generation capability

3 Excludes non-cash movements on exceptional items