First Derivatives plc

Annual report and accounts

Registered number: NI 30731

Year ended 28 February 2017

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Chairman's Statement

We are pleased to report another year of strong growth and progress against our strategic objectives. Group reported revenue increased by 30% to £151.7m, reported profit before tax increased by 20% to £12.5m and adjusted EBITDA increased by 24% to £28.8m, while we continued our investment to address new vertical markets with our software.

In addition to delivering revenue, profit before tax and EBITDA growth, we increased adjusted earnings per share by 19% to 61.3p (2016: 51.7p). Net debt (loans and borrowings less cash and cash equivalents) at the period end was £13.5m (2016: £15.1m). The Board has recommended payment of a final dividend of 14.00p per share (2016: 12.00p per share) which, together with the interim dividend of 6.00p per share paid in December 2016, gives a total dividend for the year of 20.00p per share, an increase of 18% compared to the prior year. The final dividend, if approved at the AGM on 23 June 2017, will be paid on 15 July 2017 to those shareholders on the register on 16 June 2017.

Our software platform, branded under Kx technology ("Kx") is the established market leader in real-time capture and analysis of market data in high volume environments. Clients include financial regulators, stock exchanges and 19 of the top 20 global investment banks. Our competitive advantage is the ability to manage large volumes of data in real-time which is utilised for such purposes as risk management, balance sheet optimisation and regulatory compliance.

Our strategy is to build on the technology leadership developed in our core market of FinTech to establish Kx in other high value industries where its performance capabilities on large, fast, streaming data sets can deliver compelling business solutions.

In addition, First Derivatives ("FD") is a leading provider of professional services to the capital markets industry, supporting business critical systems for our global banking clients. Our strategy in this area is to be the provider of choice within capital markets for the support and transformation of mission critical systems across asset classes, through front, middle and back office environments.

We made significant progress during the year against these strategies, thereby increasing our ability to deliver sustainable, long-term growth. Within this set of results, we report revenue by key market sector, evidencing the progress we are achieving.

Our revenue from finance (FinTech) increased by 28% to £117.4m (2016: £91.9m), driven by demand from clients for our solutions. In the year we have invested in software development, pre-sales and bid costs, sales and marketing, implementation and support teams to allow us to deliver current levels of revenue in addition to managing our expected growth. We also secured a number of multi-year consulting support contracts, delivered from our near shore centre in Northern Ireland.

A strong example of our strategic progress is our marketing technology (MarTech) business which increased revenue by 39% to £30.7m (2016: £22.1m). We are very encouraged by our market penetration which has been assisted by the acquisition of Prelytix LLC in 2015. Applying Kx has allowed us to develop an end-to-end predictive analytics and lead management service platform with clients such as Cisco, HP and Fujitsu.

As we broaden our vertical market reach, we continue to build partnerships and evaluate strategic acquisitions. During the year we agreed an important partnership with the UK based Business Growth Fund, to identify and support early stage businesses operating in sectors where our Kx technology can offer significant advantage. We are pleased with the pipeline of opportunities across the Group which should support our growth potential in future years.

Chairman's Statement *(continued)*

Post year end we announced another important strategic success in a new vertical with a Fortune 500 engineering solutions corporation to use Kx to provide fault detection solutions to its precision manufacturing client base.

In executing our strategy we are committed to the delivery of sustainable, long term growth across our activities. During the last five years the Group has more than trebled its revenues and achieved broadly the same uplift in operating profit while undertaking significant investment for future growth and doubling the workforce, which is now approaching 2,000 people.

Board Change

Jon Robson, who joined our board as a Non-Executive Director in 2015, has joined the executive team as executive vice-president and consequently stepped down from the board. I thank Jon for his contribution as a Non-Executive Director and I am sure he will be a strong addition to the executive team.

Current Trading and Outlook

FD has made an encouraging start to the current financial year. We benefit from high revenue visibility as a result of our software subscription model along with high levels of repeat and contracted revenue on the services we provide. We are engaged in numerous discussions across industries and believe our products and services are well placed competitively. Consequently we anticipate another year of strong growth.

I would like to thank the staff of FD and my Board colleagues for their hard work in achieving another successful year of growth for the Group.

Seamus Keating 15 May 2017
Chairman

First Derivatives plc

Chief Executive's Statement

This has been another monumental year for FD, with revenue growth of 30%, reported profit before tax growth of 20% and adjusted EBITDA growth of 24% being delivered alongside an investment programme designed to bring our technology to new markets such as pharma, Internet of Things ("IoT") and space.

Our Software division, branded as Kx technology ("Kx"), grew by 47% powered by 55% growth in FinTech and 39% growth in MarTech, where our offering is delivering on early potential. We are making substantial investments in R&D, marketing and direct and indirect sales channels in order to bring our technology to new markets. Recent announcements relating to strategic partnerships and contract wins are evidence that the power of Kx has applications beyond its Capital Market beginnings.

In our Managed Services and Consulting division we delivered a 20th successive year of double digit growth. Our core philosophy is to combine domain knowledge with best in breed technology to provide premium services to our customers with the aim of locking in recurring revenue streams. Our growth in this division is increasingly derived from nearshore managed service engagements as we drive toward this goal.

Software

FD's software, Kx, allows organisations to meet the most demanding data challenges they face. In recent years, Kx has established a leading position within banks for market data capture and analytics with the Group now targeting a range of other markets and industries where it believes Kx will provide compelling return on investment. Our brand awareness has been significantly raised with a website revamp (www.kx.com) and our alignment with Porsche as a result of a 2 year sponsorship deal. Kx and Porsche are both premium brands associated with power, speed and precision engineering.

Our software solutions, for all end use cases, are based on a common technology platform, driven by a single R&D team and pooled 24/7 global support. This approach generates significant economies of scale, reduces time to market for new products and provides operational leverage given the low incremental cost of acquiring and supporting new customers. Our two key strategic goals for software are firstly to increase the use of Kx within financial services, building on the successful deployments of the technology to date; and secondly, use the Kx platform to enter additional markets where data challenges are increasing and existing solutions are unable to cope effectively.

We have a significant market opportunity - estimates from independent industry analysts such as IDC and ABI Research show a total addressable target market in the sectors we are targeting in excess of $60 billion per annum.

The technology landscape continues to evolve rapidly with innovations in areas such as machine learning, blockchain, IoT, cyber security, Augmented Reality and Virtual Reality all generating column inches and attracting significant investment dollars. These themes have applications across multiple vertical markets and by focussing much of our R&D efforts on these areas we can gain further operational leverage. We are working closely with chip providers such as Intel to optimise our technology for their new products and are working on a number of joint marketing initiatives. At the other end of the scale our solutions have been deployed on the cloud with AWS and Google. These investments help us to maintain our technology lead against the competition, as evidenced by the fact that we hold 32 of the 41 independent STAC benchmark records.

Chief Executive's Statement *(continued)*

FinTech

Software in FinTech recorded another solid period of growth, with revenues increasing by 55% to £54.0m (2016: £34.9m). The Group continues to grow Kx's established presence, building on the successes of our reference clients for existing applications and finding new applications for our technology; either through internal development, partnership, OEM or acquisition. Our successes included but were not limited to, extensions and new deployments of our core database technology within investment banks and hedge funds; new customer wins for our market surveillance application with regulators, exchanges and global investment banks; and the use of our technology within investment banks for the purposes of regulatory reporting and transaction cost analysis.

We also increased the routes to market for our software in financial services. We signed a landmark deal with Thomson Reuters as a channel to market for Kx as the analytics engine for its Velocity Analytics Data product. We also signed technology licensing agreements with Quantile Technologies, a provider of counterparty risk products, and Cobalt, which uses blockchain technology to reduce post-trade cost and risk for financial market participants.

MarTech

In MarTech our success has led us to break out our revenue from this activity for the first time; it was up 39% to £30.7m (2016: £22.1m). During the year we launched our subscription-based self-service Marketing Cloud platform, with Kx at its core, which applies sophisticated predictive analytics to data including internet searches, customer web site traffic, CRM data and other sources to determine buying intent globally and to identify potential purchasers. This data can then be used for various marketing tactics such as display advertising where a real-time bidding engine can be used for serving creative ads and optimising digital marketing spend. We provide a premium concierge service to operate the platform and convert clicks to meetings. We believe that this end-to-end marketing platform is a unique offering.

While initial customers are mostly from the technology industry, we believe the power of our solution to uncover potential buyers of products and services is of interest to companies in all sectors. Return on investment is high for our solution and we expect it to continue to deliver strong growth.

Other Markets

The Group has invested heavily in raising brand awareness in other markets. Revenue in other markets rose by 20% to £3.6m (2016: £3.0m). Customers using our software include the Ontario electricity regulator, IESO (Utilities), Purdue (Pharma) and Wireless Republic (Telco), with Airbus (Space) and a Fortune 500 company (Industrial Internet of Things) contracts signed recently. These deals plus our current pipeline give us confidence that the performance advantages we enjoy in FinTech translate into similar outperformance against established technologies in other markets. This adds to our belief in the commercial potential of our software within these markets.

Other Markets (continued)

We have various routes to market in the sectors we target which are not necessarily mutually exclusive;

- *Building our own teams* - during the year we entered the retail analytics market by hiring a team of retail technology specialists and committing to the development of solutions based on Kx. We are currently evaluating the most pressing use cases for our technology, in conjunction with a number of potential clients who are attracted by the ability of our software to deliver meaningful and actionable insights on the very large data sets generated across the retail environment.
- *Supporting entrepreneurs/domain specialists with the help of investment partners* - in January we signed a strategic alliance agreement with the Business Growth Fund ("BGF") under which BGF will provide finance and support to entrepreneurial companies seeking to use Kx technology as a platform to disrupt markets, with use cases ranging from areas such as personal medicine to robotics. Together, FD and BGF are currently working through a number of opportunities to support exciting companies with ambitious growth plans.
- *Signing OEM deals* - after the period end we announced a contract win with a Fortune 500 engineering solutions company for the use of Kx to analyse sensor data for the purpose of fault detection. This deal is a flagship win for FD both for its expected value outside finance as well as the potential it provides for Kx to establish itself as a leading technology for sensor analytics in the Industrial Internet of Things. This market alone is expected to reach $80–120 billion by 2018, according to ABI Research.
- *Going to market jointly with established players in a sector* - also after the year end we announced a partnership with Airbus Defence and Space, for the large-scale processing of geospatial data using Kx, a market opportunity which is expected to reach $6.5 billion per annum by 2023. Work is currently underway to establish the priority commercial use cases.

Whilst the scale of the opportunity is immense, we are competing against heavily funded software companies, many based in Silicon Valley, with an operating model based on gaining market share rather than delivering profitability in the short-term. Nevertheless, the contract wins and new initiatives put in place set the Group up for another successful year in software.

Managed Services and Consulting

Managed Services and Consulting recorded another solid period of growth, with revenues increasing by 11% to £63.5m (2016: £57.0m). Our service activities focus on the support of mission critical systems within global investment banks. We have more than 20 years of experience working with software from third party providers such as Murex, Calypso and Summit as well as a range of legacy and in-house systems. In addition to implementation, development and support services we have developed a number of complementary offerings such as managing regulatory and compliance initiatives. This enables us to assemble multi-disciplined teams to provide upgrades, testing, customisation and development of interfaces for our clients.

Managed Services and Consulting (continued)

FD’s services are provided both at the client’s site and remotely from near shore centres including our headquarters in Newry. We operate a comprehensive training programme to provide our consultants with expertise in data science and domain knowledge in capital markets. This investment in our data science professionals differentiates FD from our competitors and allows us to utilise our consultants not only for third party products but also divert them to provide professional services relating to our own software. This was particularly beneficial in the second half of this financial year as resource was diverted to assist in the delivery of new software client implementations.

Our reputation for both delivery and client satisfaction and the growing breadth and depth of our skills base allows us to bid for increasingly larger projects, to lock-in recurring revenue and to cross-sell software products. This has been evidenced by some of the more significant new contracts during the year including:

- An initial five year deal with the European operations of a Japanese investment bank which involves the management of a number of the bank’s applications on a managed service basis.
- A multi-location support programme for regulatory change within a large US investment bank, which also has a managed services component.
- An initial five year deal with a Scandinavian asset manager to support its Murex platform, delivered through a hybrid near shore and on-site model.

Our service activities already benefited from a high level of visibility due to the repeat nature of the majority of our engagements with clients. The contract wins referenced above, while requiring initial investment, provide increased levels of contracted and recurring revenue, further enhancing our ability to plan for growth.

Recent regulatory and compliance requirements, including MiFID II and the Market Abuse Regulation (MAR), are providing opportunities for FD. For example, in areas of data management, transaction cost analysis and order book reconstruction capabilities, as well as monitoring and visualisation solutions, to enable our clients to meet the challenges of the legislation, including proving best execution.

We have a strong pipeline of potential new engagements with existing and new clients and remain confident that we can deliver good growth in our Managed Services and Consulting business in the coming years.

Chief Executive's Statement *(continued)*

Management and Personnel

The Group now employs over 1,750 people, up from over 1,600 people at the same time last year. Our growing reputation as a technology leader combined with the opportunity to work in premier locations around the world continues to help us secure new talent and achieve high retention rates. The emphasis and resource we place on developing talent is another key driver of our continued strong employee retention rates.

The Group continues to grow rapidly, providing a dynamic work environment with considerable opportunities for career development. This was reflected in FD being named by Glassdoor in the top 10 Best Places to Work in the UK during the year. Once again I would like to thank all FD employees for the contribution they have made to our growth through their hard work, talent and flexibility.

Summary

It has been another year of strong progress towards our strategic objectives. In services we have increased the scale of our operations as well as the breadth of capabilities we provide while adding significantly to our recurring revenue base. In software we have continued to add new clients and expand within existing clients within both FinTech and MarTech, while expanding our channels to market in new industries through partnerships, internal development and OEM agreements. At the year end we also signed a significant new client in the Industrial Internet of Things, which continues to justify the potential we see to expand our software into other verticals.

Our addressable market is very large, our Kx technology is world class and, while maintaining our financial discipline, we remain confident that we are on course to provide significant returns for shareholders by executing our strategy.

Brian Conlon 15 May 2017
Chief Executive Officer

First Derivatives plc

Financial Review

Group revenue increased by 30% to £151.7m (2016: £117.0m), which was predominantly organic. An analysis of revenue is provided in the table below.

	2017	2016	Increase
	£000	£000	
Managed services and consulting	**63,495**	**57,014**	***11%***
Software:			
Recurring revenue	31,525	21,402	*47%*
Implementation and support	49,490	35,257	*40%*
Perpetual	7,187	3,360	*114%*
Software total	**88,202**	**60,019**	***47%***
Total	**151,697**	**117,033**	***30%***

Software revenue increased to 58% of Group revenue (2016: 51%). Revenue from FinTech was £117.4m (2016: £91.9m) representing an increase of 28% while revenue from MarTech was £30.7m (2016: £22.1m), an increase of 39%.

Reported profit before tax increased by 20% to £12.5m (2016: £10.4m). Adjusted EBITDA increased by 24% to £28.8m (2016: £23.3m), with an adjusted EBITDA margin of 19% for the period (2016: 20%), a strong performance given the ongoing investment to deliver future growth in FinTech, MarTech and other markets. We have continued to add sales and marketing capability across the Group, in presales software teams and concept teams to break into new markets, to add to our software solutions delivery teams while incurring set-up and bid costs in regard to new managed services contracts. The adjusted profit after tax for the year of £16.1m (2016: £12.9m) represented growth of 24%.

While we do not operate a hedging policy on trading activities, the current structure of the Group results in natural hedging against trading currency movements by matching foreign denominated revenues with a corresponding cost base. The impact of currency movements overall during the year after the reported gain of £1.5m (2016: £0.8m) was broadly neutral to the Group's earnings, with benefits to revenue and adjusted EBITDA balanced by an increase in dollar denominated interest payments and translation of overseas tax.

The Group continued to invest in R&D to maintain its technology lead, albeit with a greater proportion of spend written off such that the net benefit to the Income Statement fell during the period, as detailed in the table below.

	2017	2016
	£000	£000
Capitalisation of R&D costs	7,085	6,840
Amortisation of R&D	(4,944)	(3,681)
Net capitalisation	**2,141**	**3,159**
Proportion of software revenue	*2%*	*5%*

Financial Review *(continued)*

The Group's effective tax rate was 28% (2016: 25%) with this movement predominantly being attributable to an increase in overseas profits which are subject to higher tax rates than profits in the UK. An additional factor was the implementation of the new Research and Development Expenditure Credit (RDEC) tax legislation which the Group adopted from 1 March 2016. The introduction of RDEC reduced the Group’s profit after tax by £0.1m.

The fully diluted average number of shares in issue increased to 26.2m (2016: 25.0m). This resulted in adjusted fully diluted earnings per share of 61.3p, representing growth of 19% for the year (2016: 51.7p).

The calculation of adjusted profit after tax is detailed below.

	2017	**2016**
	£'000	**£'000**
Reported profit after tax	9,012	7,831
Adjustments for:		
Amortisation of acquired intangibles	4,759	4,198
Share based payment and related costs	2,056	1,405
Acquisition costs, associate disposal costs and changes in contingent purchase consideration	2,953	1,547
Gain on foreign currency translation	(1,475)	(779)
Share of loss of associate	24	-
Tax effect of the above	(1,252)	(1,256)
Adjusted profit after tax	16,077	12,946
Adjusted EPS (fully diluted)	61.3p	51.7p

The Group generated £30.3m of cash from operating activities before taxation payments (2016: £17.0m), representing a 105% conversion of adjusted EBITDA (2016: 73%). At the year end, net debt was £13.5m (2016: £15.1m).

Net debt was negatively impacted by £3.2m of foreign exchange differences on the Group’s debt, which is principally dollar-denominated. Total assets at 28 February 2017 were £253.2m compared to £222.9m at 29 February 2016.

First Derivatives plc

Strategic Report

Business strategy and objectives

FD is engaged in the provision of a range of software services, particularly to finance, technology, energy and industrial organisations. The focus of the Group was on Capital Markets until the acquisition of a controlling interest in Palo-Alto based Kx Systems Inc. in October 2014, since when it has widened its scope of activities to target a range of markets where its Kx technology has a competitive advantage.

In the year under review the Group has entered the retail, manufacturing and satellite imagery markets through a combination of internal development and partnerships. This is in addition to the entry into digital marketing and utilities markets in the prior year. These moves result in a significant increase in the Group's addressable market. FD continues to source opportunities to extend its technology into new markets such as pharmaceuticals and telecoms where the capability of Kx to analyse large volumes of streaming and historical data is unrivalled.

FD's objective is to increase shareholder value by increasing the Group's revenue and adjusted profit before tax, while continuing to invest to take advantage of opportunities to increase its addressable market. The strategy to achieve this is focused upon organic growth supported by investment in the Group's infrastructure, in combination with selective acquisitions and/or establishing partnerships or other channels to market, providing these can be demonstrated to enhance shareholder value.

Organic growth is driven by providing innovative products or services which are focused on delivering additional revenue opportunities, increasing cost efficiency and/or overcoming operational challenges within the clients' business. The capability of our software products and service delivery model to deliver these benefits has resulted in growing demand for our software services.

The Group operates on a global basis, from 13 offices across four continents. Its products and services are interlinked and complement each other, simplifying the management of Group operations.

Business Model

The Group provides a range of services to its clients in the Capital Markets sector across the world, focused on supporting mission critical systems as well as helping our clients achieve and maintain regulatory compliance. It also provides software solutions that provide actionable insights through the analysis of both streaming data and large sets of historical data, across a range of sectors. These products, collectively known as Kx technology, are built on kdb+, a world leading time series database developed by the Group. Independent analysis by the Securities Technology Analysis Center ('STAC') and other organisations confirms that kdb+ is the highest performing database dealing with time series data.

The Group's service activities are well established, with more than 20 years of expertise. Our customers include many of the leading global investment banks and we support their activities across a range of asset classes including credit, interest rate, foreign exchange, equity, cash and derivatives markets.

Our underlying philosophy remains unchanged since inception; we provide data scientists who understand both the Capital Markets sector and the best-of-breed third party technology it employs. We seek to undertake both the implementation of this technology and its mission critical support once it has been installed; this increases the visibility of our revenue, since these implementations typically last for many years.

Business Model (continued)

In prior years, this support was provided mostly at the client site; increasingly we are providing our clients with support through a near shore model from our headquarters in Newry, Northern Ireland. This provides benefits to FD through longer term contracts and greater revenue visibility, while the client benefits from lower overall cost.

We further differentiate ourselves through the use of proprietary tools, for monitoring, reconciliation and testing of system performance as well as for particular niche opportunities within Capital Markets. The Group operates a predominantly direct sales model across its consulting activities.

The Group's Kx technology is designed for rapid and efficient analysis of large volumes of data, particularly streaming data. While historically it has addressed challenges and opportunities within the Capital Markets sector, in recent years the Group has expanded into additional markets where it believes its software has a competitive advantage. In particular, within the Chief Executive Officer's report the Group has detailed its revenue from the marketing technology sector for the first time. Revenues derived from other markets will be detailed in future years when they contribute materially to the Group's financial performance.

The Group's strategy on software sales is to seek to sign annual recurring licenses with customers, which increases the visibility of Group revenues for future periods.

While in prior years the Group has made investments in subsidiary entities, in the period under review no acquisitions were made although a number of non controlling investments were entered in the period. FD will continue to seek to identify acquisitions or investments to expand its range of services and offerings, with a focus on acquisitions or investments that expand the Group's addressable market or strengthen its competitive position within its chosen markets.

Business Environment

The major external factors expected to influence the Group's performance in the short to medium term are growth in the amount of data generated globally and the use of analytics software to generate insight and action from large and/or real time data (also known as Big Fast Data). Increasing regulation, particularly within Capital Markets, is another key external factor.

FD's Kx technology is dominant within Capital Markets where it forms the basis of solutions that capture and analyse high volumes of streaming market data on behalf of the world's leading financial regulators, stock exchanges and investment banks. Crucially, Kx is data agnostic, meaning it can be applied to data challenges across multiple vertical markets. Since FD acquired a controlling stake in Kx Systems Inc. in October 2014 it has accelerated its entry into these additional markets.

Spending on Big Data software and services was expected to reach $130 billion in 2016, according to industry analysts IDC, with growth of 12% per annum to reach more than $200 billion by 2020. FD expects to benefit from this growth, which will be driven by clients across a number of key vertical markets developing use cases that rely on capturing and analysing large volumes of data.

Business Environment (continued)

Outside of Capital Markets, FD has established a presence in markets such as digital marketing, utilities, retail, manufacturing and satellite imagery. Other markets that represent opportunities for the Group include oil and gas, telecoms, pharma and healthcare. A key area of focus is collecting and analysing data from connected sensors, also known as the Industrial Internet of Things ('IIoT'), a market which industry analysts ABI Research estimate is expected to reach at $80-120 billion per annum by 2018. Just after the period end the Group signed its first major customer in this space, to analyse data from sensors for fault detection purposes within high precision manufacturing.

Regulation

Regulatory change is a key driver of both our software and services revenue. We have been engaged by a number of existing and new clients to assist in their preparations for major regulatory changes such as MiFID II, among other new and forthcoming regulatory requirements. We expect regulatory change to continue to be a driver for growth for the foreseeable future.

A key driver of software sales within Capital Markets are requirements from regulatory bodies to monitor markets and trading to ensure integrity and fairness. Our surveillance solution provides the ability for regulators and compliance authorities to match the speed and sophistication of traders and thereby ensure they are able to monitor markets effectively. FD has also won contracts from major investment banks for surveillance solutions, enabling them to monitor activity across their trading platforms.

Key Performance Indicators

The Board considers that the key performance indicators (KPIs) for the Group are growth in revenue and adjusted EBITDA. KPI performance over the year to end February is provided below.

Year ending February	**2017**	**2016**
Revenue	£151.7m	£117.0m
Growth	+30%	+41%
Adjusted Profit before tax	£20.8m	£16.8m
Growth	+24%	+56%

Revenue from continuing operations increased by 30% over the prior year. Consulting revenues increased by 11% (2016: 29%) and Software revenues increased by 47% (2016: 69%). Software revenue represented 58% of Group revenue for the year (2016: 51%).

Key Performance Indicators (continued)

The Board considers that adjusted EBITDA is an important KPI. A reconciliation of reported operating performance to adjusted EBITDA is provided below.

Year ending end February	**2017**	**2016**
	£'000	**£'000**
Results from operating activities	**12,239**	**10,829**
Adjustments for:		
Amortisation of acquired intangibles	4,759	4,198
Share based payment and related costs	2,056	1,405
Acquisition costs, associate disposal costs and changes in contingent purchase consideration	2,953	1,547
Depreciation and amortisation	6,750	5,277
Adjusted EBITDA	**28,757**	**23,256**

The Group generated £30.3m of cash from operating activities before taxation payments (2016: £17.0m), representing 105% of adjusted EBITDA (2016: 73%). At the year end, net debt was £13.5m (2016: £15.1m).

Principal risks and uncertainties

The Group operates in a changing economic and technological environment and as a result is exposed to a number of risks and uncertainties. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. These risks, their potential impact on the Group and the measures in place to mitigate them are discussed below.

Personnel

As a software and service provider, FD is dependent on the skill, experience and commitment of its employees, particularly on the recruitment and retention of key staff. The performance of the Group could be adversely affected if the required staffing levels are not maintained. The Group seeks to achieve this by offering a rewarding work environment geared to continuing development. This includes competitive reward packages and a strong commitment to training and career opportunities.

Market risk

The Group operates in a competitive and often cyclical market environment. It addresses these risks by targeting assignments with long-term visibility, continuing to increase the human capital of its consultants, seeking annual license agreements for software contracts and diversifying its software and services portfolio offerings.

Technological changes

Technology in the software industry can change rapidly. It is important that the Group’s products remain up to date and that its development plans are flexible. Significant ongoing investment is made in research and development to allow the identification of, and adaptation to, any technological changes that do occur, thereby ensuring that its products continue to meet the demands of its customers. The formation in 2016 of FD Labs, which is tasked with identifying technology trends and developing new software product opportunities, further seeks to mitigate this risk.

Key relationships with customers

FD strives to maintain successful relationships with its customers. A small number of customers are important to the success of the Group, although our continued expansion has progressively reduce this reliance. Our low level of customer attrition is evidence of our ability to provide the level of service required.

Growth management

The Group has experienced several years of strong growth and expects this growth to continue. As a consequence it needs to manage this growth effectively, which requires continual improvement in operations, financial and management controls, reporting systems and procedures, and to train, motivate and manage its employees. Investment is made in each of these areas each year to improve and add to existing functions to continue to manage the Group’s growth.

Principal risks and uncertainties *(continued)*

Brexit

On 29 March 2017, the UK Government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union (the 'EU'). There is significant uncertainty about the withdrawal process; its timeframe; and the outcome of the negotiations about the future arrangements between the UK and the EU. The Group has considered and whilst it is recognised there is uncertainy it is continuously monitoring the potential impacts to operations and taking steps to mitigate when appropriate.

IT and cyber security

As a provider of software to Tier 1 banks, FD is required to operate stringent IT and cyber security practices. The Group has extensive documented policies to mitigate risk in these areas covering areas such as access control, environmental controls, IT system architecture, remote access policies, password protection policies, data communication protocols, back up policies, quality assurance, application change controls and system support.

To provide assurance on the effectiveness of these polices, the Group has adopted SSAE 16, a Standard from the American Institute of Certified Public Accountants, on the effectiveness of the Group's IT security policies. The latest SSAE 16 audit report covering the year to March 2017 found the Group was fully compliant with 28 separate IT security policies in place.

Other information

The other information required to be disclosed in respect of the review of the Group's business as required under Section 417 of the Companies Act 2006 is given in the Chairman's Statement on pages 2 to 3 and the Financial Report on pages 9 to 10 as well as further consideration of the key business risks highlighted above.

The Directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of the Group's financial position or profit. Further information is set out in note 32.

On behalf of the board.

JJ Kearns 15 May 2017
Secretary

First Derivatives plc

Board of Directors

Seamus Keating, Chairman

Seamus has over twenty years of experience in the global technology sector in both finance and operational roles and was a main board director of Logica plc from 2002 until April 2012. He was Logica Group CFO until 2010 when he became COO and head of its Benelux operations. Prior to his role at Logica, he worked for the Olivetti Group in finance roles in the UK and Italy. Seamus's wealth of experience and expertise are instrumental in leading the board in the strategic development of the Group.

Brian Conlon, Chief Executive Officer

Brian has worked in the Capital Markets sector since 1990. Brian trained with KPMG before joining the risk management team in Morgan Stanley International, London. He joined SunGard the NASDAQ-quoted derivatives software house as a Capital Markets consultant. During his time with SunGard, he worked with more than 60 financial institutions worldwide. He left in 1996 to set up First Derivatives.

Graham Ferguson, Chief Financial Officer

Graham joined the Board of First Derivatives plc in August 2008 and has responsibility for the financial operations of the Group. He formerly held senior roles with KPMG, Bank of Ireland and Silverwood Property Developments Limited and is a Qualified Chartered Accountant. During his career he has worked on numerous corporate acquisitions and restructuring projects and has experience in business and acquisition finance.

Virginia Gambale, Non-Executive Director

Virginia joined the Board of First Derivatives plc in March 2016. A U.S. citizen, she is managing partner of Azimuth Partners LLC, which assists in the development of strategies for growth, innovation and international expansion. Prior to forming Azimuth, Virginia was a partner at Deutsche Bank Capital Partners and has also held senior management positions at Merrill Lynch, Bankers Trust, Deutsche Bank and Marsh & McLennan Companies, Inc. Virginia is currently a Director of JetBlue Airways Corporation and Dundee Global Corporation.

Keith MacDonald, Non-Executive Director

Until 2013 Keith was Managing Director of Structured Corporate Finance for Lloyds Banking Group with responsibility for operations in Europe and North America. He possesses a wealth of knowledge of Capital Markets. Prior to joining Lloyds Bank Group, Keith had a 16 year career with Citigroup during which time he held a variety of senior positions in Europe and Asia including Asia-Pacific Head of Structured Corporate Finance. Keith is a Chartered Accountant and a director of several other companies with significant international operations.

Jon Robson, Non-Executive Director (Resigned 15 May 2017)

Jon joined the Board of First Derivatives plc in August 2016. A U.S. citizen, Jon has extensive experience within the Capital Markets industry. He is currently Chief Executive of Relationship Science Inc, an early-stage data-driven corporate relationship development organisation. Previously, he was CEO of NYSE Technologies, a business incorporating all the technology divisions of NYSE Euronext prior to its sale to Intercontinental Exchange. Between 2003 and 2012 he was an executive at Thomson Reuters Inc. where he served as President of the Enterprise Division and CEO of Reuters Americas.

Board of Directors *(continued)*

David Anderson, Non-Executive Director (Resigned 13 May 2016)

David joined the Board of First Derivatives plc as Non-Executive Chairman in November 2001 ahead of the Company's admission to AIM in March 2002. He has been a director of two other AIM listed companies and is currently also a Non-Executive Chairman of a private property development company and Non-Executive Director of a property related corporate finance house. He has over 20 years of experience in corporate advisory work. He stepped down from the Board on 13 May 2016.

First Derivatives plc

Directors' Report

The Directors have pleasure in submitting to the shareholders their annual report and the audited financial statements of the Group and Company for the year ended 28 February 2017.

Results and dividend

The Group's profit after taxation attributable to the shareholders for the year to 28 February 2017 was £9,012k (2016: £7,831k).

The Directors propose the payment of a final dividend of 14.00 pence per share (2016: 12.00 pence) which, together with the interim dividend of 6.00 pence per share (2016: 5.00 pence), totals 20.00 pence per share (2016: 17.00 pence). The final dividend has not been included in payables as it was not approved before the year end.

Dividends paid during the year comprised a final dividend of 12.00 pence per share for the year ended 29 February 2016 and an interim dividend of 6.00 pence per share for the year ended 28 February 2017.

Directors

The Directors who held office during the year were as follows:

S Keating
B G Conlon
R G Ferguson
V Gambale
K MacDonald
J Robson (resigned 15 May 2017)
R D Anderson (resigned 13 May 2016)

Directors and their interests

The interests of the Directors in shares during the year are set out in the report of the Remuneration Committee on pages 22 to 24 and the information is incorporated into the Directors' Report by reference.

Substantial shareholdings

At 16 May 2017, the Group had received no notification of any interests in 3% or more of the ordinary share capital, other than those disclosed by B G Conlon (31.6%), Standard Life Investments Limited (10.0%) Legal & General Group plc (5.8%), Slater Investments (4.9%) and A Whitney (3.8%).

Research and development

The Group's policy is to invest in product innovation and engage in research and development activities geared toward the enhancement of its software products. During the year costs of £7,085k (2016: £6,840k) were capitalised in respect of activities which were deemed to be development activities in accordance with the Group's accounting policies. Research and development costs of £1,721k (2016: £1,645k) were expensed during the year.

Employees

It is the Group's policy to ensure that equal opportunity is given for the employment, training and career development of disabled persons, including persons who become disabled whilst in the Group's employment.

The Group is committed to keeping employees as fully informed as possible, on matters which affect them as employees. The Group's policy on employees remains to adopt a very open management style, keeping employees informed of all matters affecting them as employees including key financial and economic factors affecting the Group's performance. This is achieved through meetings and informal consultation at all levels.

Financial instruments

The Group's financial risk management objective is broadly to seek to make neither a profit nor loss from exposure to currency or interest rate risk. The policy is to finance working capital and the acquisitions of property, plant and equipment through retained earnings and through borrowings at prevailing market interest rates.

The Group does not use derivatives to manage its financial risk investment. The Group's main cash flow, credit and liquidity risks are those associated with selling on credit. This is managed through credit control procedures. The Group is also exposed to the impact of fluctuations in exchange rates as it generates income and incurs expenses in currencies other than Sterling (GBP). The Group's main exposure is to the US Dollar (USD), Euro (EUR) and Canadian Dollar (CAD).

In addition, the Group has financial risk exposure as a result of debt financing for asset purchases, trade receivables and activities carried on by subsidiary undertakings. The Group's financial position is structured to take advantage of a natural foreign currency hedge using excess cash generated from operations to repay the associated capital and interest on US Dollar borrowings. In addition, by funding the acquisitions of Market Resource Partners LLC, Reference Data Factory Inc, Prelytix LLC, and Kx Systems Inc. in US Dollars, the Group can achieve a net investment hedge against a significant portion of its translation exposure on the net assets of its foreign operations with US Dollar functional currencies.

Political donations

The Group and Company made no political donations during the year (2016: £Nil).

Future developments

As highlighted in the Chairman's Report and the report of the Chief Executive, the Group focuses on the sale of software services. It remains the key strategy of the Group to increase its share in its target market segments.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

KPMG have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the board

JJ Kearns *Secretary*	15 May 2017

First Derivatives plc

Report of the Remuneration Committee

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee comprises the Chairman, Seamus Keating and Non-Executive Director, Jon Robson.

Remuneration policy

The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and key staff. The packages are designed to be competitive in value to those offered to the Directors of similar sized public companies in related sectors. It is the Board's policy to align the interests of managers with those of our shareholders in the grant of options and other equity rewards which underlying securities grantees are very much encouraged to retain over the longer term.

The components of the Executive Directors' remuneration packages are currently a basic salary, bonus, money purchase pension contributions, share options and benefits in kind.

Basic salary

Basic salary is set by the Committee and reviewed annually, taking into account an individual's performance and experience.

Pension

The Executive Directors are entitled to a Company pension contribution equal to 10% of their base salary.

Cash bonus

Bonus awards, which are not pensionable, are made to the Executive Directors based on achieving performance criteria set out by the Committee. The criteria include targets for revenue, profits and earnings per share.

The bonus scheme for the Executive Directors for the coming year will include an on target bonus of 50% with up to a maximum of 100% being achievable.

The Executive Directors may also participate in the Company share option plan.

Non-Executive Directors

The Board, based on a recommendation by the Chairman of the Remuneration Committee or, in the case of the Chairman, the remainder of the Board, determines the remuneration of the Non-Executive Directors. The Non-Executive Directors are not eligible to join the pension scheme.

Non-Executive Directors (continued)

Details of each Director's remuneration is set out in the table below. Non-Executive Directors Virginia Gambale and Jon Robson, both U.S citizens, are remunerated in U.S. dollars and the salary and fees detailed in the table reflect the Sterling translation of payments made during the period. Ms Gambale and Mr Robson are additionally entitled to receive payment of approximately £26,000 in FD shares, issued and allotted on the business day following publication of the Company's annual report. The number of shares to be issued will be based on the average closing mid-market share price over the 90 business days prior to the release of the Company's preliminary results.

	Salary and fees £'000	Benefits £'000	Bonus £'000	Share based payment £'000	**2017 Total excluding pension £'000**	2016 Total excluding pension £'000	**2017 Pension £'000**	2016 Pension £'000
R D Anderson*	18	-	-	-	**18**	38	**-**	-
B G Conlon	313	-	313	-	**626**	296	**31**	15
R G Ferguson	200	-	150	103	**453**	228	**20**	15
V Gambale	47	-	-	29	**76**	45	-	-
S Keating	100	-	-	-	**100**	50	-	-
K MacDonald	45	-	-	-	**45**	35	-	-
J Robson	219	-	119	29	**367**	26	-	-
P Brazel**	-	-	-	-	**-**	2	-	-
Total	942	-	582	161	**1,685**	720	**51**	30

**Details of the above table reflect the directors' remuneration up to the date of resignation on 13 May 2016*
***Details of the above table reflect the directors' remuneration up to the date of resignation on 24 March 2015*

Service contracts

The Executive Directors have entered into service contracts with the Group that are terminable by either party on not less than three months prior notice.

Directors' interests in shares

The interests held in shares of the Company by the Directors who held office at the end of the financial year, all of which are beneficial holdings, were as follows:

	Number of ordinary shares	
	28 February 2017	29 February 2016
R D Anderson*	120,000	120,000
B G Conlon	7,853,953	7,853,953
R G Ferguson	122,647	172,647
V Gambale	8,913	4,400
J Robson	1,643	-
S Keating	25,314	25,314
K MacDonald	55,741	45,877

**Details in the above table reflect the director's interests at the date of resignation on 13 May 2016*

Share options

Share options granted to the Directors over ordinary £0.005 shares in the Company are set out in the table below. Share options awarded to Executive Directors are subject to financial performance targets based on growth in earnings per share.

The mid-market price of the Company's shares at close of business on 28 February 2017 was £22.95 and the high and low share prices during the year were £23.30 and £14.62 respectively.

	1 March 2016	Granted during the year	Exercised during the year	28 February 2017	Exercise price £	Exercise period
David Anderson*	50,000	-	-	50,000	4.80	2014-2021
Graham Ferguson	150,000	-	150,000	-	5.65	N/A
Graham Ferguson	-	200,000	-	200,000	17.25	2019-2026

*Details in the above table reflect the director's interests up to resignation on 13 May 2016

The Remuneration Committee has set earnings per share (EPS) performance conditions for the share options granted to Graham Ferguson with these vesting on the achievement of an absolute Total Shareholder Return scale between 50% - 100%.

The average share price during the year was £19.36 (2016: £13.95) and the closing price at year end was £22.95 (2016: £15.08).

The Company recognised total expenses of £1,392k (2016: £815k) related to equity-settled share-based payment transactions during the year. Expenses of £161k (2016: £21k) related to shares and share options granted to the Directors. 150,000 share options were exercised by the Directors during the year (2016: nil).

Transactions with Directors

The Directors interests in contracts with the Company are disclosed in note 31.

First Derivatives plc

Corporate Governance

The Company is listed on the Alternative Investment Market (AIM) therefore is not required to comply with the provisions of the UK Corporate Governance Code (the "Code"). However, the Board is committed to ensuring the operation of proper standards of corporate governance and has put in place governance procedures and policies that are considered appropriate to its size and structure to achieve this aim.

The Board considers that at this stage in the Company's development the expense of full compliance with the Code is not appropriate. Instead, we have reported on our corporate governance arrangements by drawing upon best practice available including those aspects of the Code we consider to be relevant to the Company.

The Board

The Board's principal responsibilities are to set strategic aims and provide the leadership to put them into effect, as well as ensuring a framework of controls exist which allow for the identification, assessment and management of risk. Led by the Chairman, the Board sets the Company's strategic goals and ensures obligations to shareholders are met.

Matters reserved for a decision of the Board include, inter alia, approval of the Group's commercial strategy; annual operating and capital expenditure budgets; business plans; acquisitions; significant contracts; annual reports and interim statements; and any significant funding and capital expenditure plans.

The Board meets regularly to discuss and agree on the various matters brought before it, including the trading results. FD has a highly committed and experienced Board, supported by the senior management team, with the qualifications and experience necessary for the running of the Group.

In addition, there is regular communication between Executive and Non-Executive Directors, where appropriate, to update the Non-Executive Directors on matters requiring attention prior to the next Board meeting.

Responsibilities of the Chairman and Chief Executive Officer

The Code requires that there should be a clear division of responsibilities at the head of the Company between the running of the Board and the executive responsible for the running of the Company's business, so as to ensure that no one person has unrestricted powers of decision. The Chairman is responsible for the leadership of the Board, ensuring its efficient operation. The Chief Executive Officer is responsible for implementing the Group's strategy.

To achieve this, the Group operates within a defined structure with formal lines of responsibility and delegation of authority. The Group produces regular information packs which are distributed to Directors to enable the Board to monitor operational performance and the cash position and as a result allocate the Group's resources.

Composition of the Board

The Code requires that the Board should contain a balance of skills, experience, independence and knowledge of the Company. It should also include an appropriate combination of Executive and Non-Executive Directors and that there should be a formal, rigorous and transparent procedure when appointing new Directors to the Board.

Composition of the Board (continued)

At the period end, the Board comprised a Non-Executive Chairman, Chief Executive Officer, Chief Financial Officer and three Non-Executive Directors. Biographical details of the directors are provided on pages 17 to 18.

The Board considers that its composition, including the balance between Executive and Non-Executive Directors, is appropriate in view of the size and requirements of the Group's business and the need to maintain a practical balance between Executive and Non-Executive Directors.

Board composition is kept under review to ensure an appropriate mix of skills and business experience is maintained and to ensure the proper functioning of the Board. When a new appointment to the Board is made, consideration is given to the particular skills, knowledge and experience that a potential new member could add to the existing Board composition.

Before the appointment of a Non-Executive Director is confirmed, the Chairman establishes that the prospective Director can commit the time and commitment necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

Board Information and Development

The Code states that information of a sufficient quality should be supplied to the Board in a timely manner.

Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by the Company Secretary/Chief Financial Officer and through the Board Committees.

The Board recognises its overall responsibility for the Group's system of internal control and for monitoring its effectiveness. All activity is organised within a defined structure with formal lines of responsibility and delegation of authority. The Group produces information packs on a weekly and monthly basis. These packs, together with annual budgets, enable the Board to monitor operational performance and cash position each month and allocate the Group's resources.

Re-election

Under the Code, Directors should offer themselves for re-election at regular intervals. Under the Company's articles of Association, one third of the Directors retire at each Annual General Meeting of the Company.

During the period under review, there were no new appointments to the Board and one resignation.

- David Anderson resigned as a Non-Executive Director on 13 May 2016. Mr Anderson joined the Board as Chairman in 2002.
- Jon Robson resigned as a Non-Executive Director on 15 May 2017. Mr Robson joined the Board as Non-Executive Director in 2015.

Board Committees

The Group has an Audit Committee and a Remuneration Committee. These committees consist of Non-Executive Directors. They have written constitutions and terms of reference.

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal controls and external audits. The Audit Committee meets twice each year, prior to the publication of the interim and final results. The auditors attend the Audit Committee meeting prior to the publication of the final results.

The Remuneration Committee meets annually to determine the remuneration of the senior executives. Levels of remuneration are set in order to attract and retain the senior executives needed to run the Company without paying more than is necessary for this purpose.

Internal Control

The Board has overall responsibility to ensure that the Group maintains a system of internal control that ensures that an appropriate level of control and oversight is maintained.

The Group's systems of internal control are designed to help the Company meet its business objectives by appropriately managing, rather than eliminating, the risks to those objectives. The risk management process and system of internal control can only provide reasonable and not absolute assurance against the risk of misstatement or loss.

The Board confirms that it is not aware of any significant failings or weaknesses in the Group's system of internal controls.

Relations with Shareholders

The Chief Executive Officer and Chief Financial Officer have, where appropriate, had regular dialogue with shareholders and analysts to discuss strategic and other issues including the Group's financial results. The Group also employs a head of investor relations who is tasked with ensuring effective communication with shareholders.

The Company engages in full and open communication with both institutional and private investors and responds promptly to all queries received. In conjunction with the Company's brokers and other financial advisers all relevant news is distributed in a timely fashion through appropriate channels to ensure shareholders are able to access material information on the Company's progress. The Company's website has a section for investors, which contains all publicly available financial information and news on the Company.

AIM Rule Compliance Report

First Derivatives plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

• Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;

• Seek advice from its Nominated Advisor regarding its compliance with the Rules whenever appropriate and take that advice into account;

AIM Rule Compliance Report (continued)

• Provide its nominated adviser with any information it reasonably requests in order for the nominated adviser to carry out its responsibilities under the AIM Rules for Nominated Advisors, including any proposed changes to the board of Directors and provision of draft notifications in advance;

• Ensure that each of the Company's Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and

• Ensure that each Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the Director.

In addition the Company maintains compliance with AIM Rule 26, which lists a range of information that the Company is required to make available.

Employees

The Group is committed to attracting and retaining the highest level of personnel. It is an Equal Opportunities Employer, with a policy to ensure that no job applicant or employee receives less favourable treatment on the grounds of gender, race, disability, ethnic or national origin, marital status, sexuality, religion or belief, trade union activity and age.

The Group applies high standards in recruitment and is aware of the importance of good communication in relationships with its staff.

The importance of staff retention to the performance of the Group is recognised through the provision of training and development and by ensuring that career progression is determined solely by ability and achievement. A number of employees participate in the growth of the business through the ownership of share options with employees also participating in the Group bonus scheme.

Business Ethics

The Board recognises that the Company is accountable to its shareholders and, at the same time, seeks to take into account the interests of all its stakeholders including customers, suppliers and subcontractors, employees, as well as the local community and the environment in which it operates.

The Group maintains core values of honesty, integrity, hard work, service and quality and actively promotes these values in all activities undertaken on behalf of the Group.

Customers

The Group treats all of its customers with the utmost respect and is committed to achieving the highest levels of customer service and satisfaction in line with delivering high quality products and services. It seeks to be honest and fair in all relationships with customers.

Report of the Audit Committee

This report is intended to provide an insight into the role and responsibilities of the Committee and to demonstrate how it has carried out this work. The Committee is appointed by, and reports to, the Board with its principal role being oversight of financial reporting and internal control and risk monitoring. While the Group is not required to comply with the UK Corporate Governance Code, it has considered the Code's recommendations.

Composition

The Audit Committee is chaired by Virginia Gambale, who was previously a partner at Deutsche Bank Capital Partners and held senior management positions at firms including Merrill Lynch. The other members of the Committee are Keith MacDonald and Seamus Keating, both of whom are Chartered Accountants. Each member of the Committee has significant experience of financial matters through their past and present business careers. Full biographical details of the members of the Committee can be found on pages 17 to 18.

Role and Activities

The Committee is responsible for reviewing the Group's financial reporting, including monitoring changes to reporting requirements to assess their applicability and impact on the Group. It is also responsible for ensuring there are appropriate internal control and risk management procedures in place and for overseeing the relationship with the external auditors and making recommendations to the Board on their appointment. The Committee meets regularly to consider the matters under its remit, including before both the interim and full year financial reports

Governance

The Committee sets its own agenda and while only the members of the Committee have the right to attend its meetings, the Committee may from time to time invite third parties to attend. During the year the Committee has met with the external auditors to review matters under its remit. The composition of the Committee is reviewed on an annual basis.

Business during the year

The issues considered by the Committee during the year that are considered to be significant include:

Revenue recognition
Revenue recognition is considered formally by the Committee and it was found to be in line with the Group's stated accounting policies. New software contracts are carefully reviewed and elements are broken down, where necessary, to separate implementation and license revenues. On larger contracts revenue is invoiced in line with the terms of the contract with revenue recognition occurring on acceptance of non-refundable milestones being achieved.

Goodwill and intangible assets
Amortisation of intangible assets has been recorded in accordance with the Group's accounting policies. There have been no events which would indicate any impairment to goodwill. The Group continues to capitalise internal software development costs in accordance with IAS 38 with amortisation policies continuing to be deemed appropriate on the basis of the Group's sales pipeline. No indication of impairment has been identified.

Report of the Audit Committee *(continued)*

Business during the year (continued)

Taxation

The consolidated tax charge for the period is £3.5m on a consolidated profit before tax of £12.5m. This equates to a consolidated effective tax rate of 28% (2016: 25%) which is above the expected effective corporation tax rate of 20% (being the headline rate of UK corporation tax applicable during the period). This increase in the effective tax rate was anticipated due to the changing profit profile of the Group, given the differing taxation rates effective in the Group's main areas of geographic activity. A further drive for the increase was the impact of the research and development tax relief regime in the UK. A new scheme, the Research & Development Expenditure Credit (RDEC) provides a cash refund to all companies, unlike the previous scheme which was only open to small companies. As a result, large companies no longer receive a 30% enhanced expenditure deduction which flows through to the taxation charge in the Income Statement. The introduction of RDEC increased the reported tax charge by £0.2m.

Investments and associate

During the period the Group has invested in a number of start-up businesses who are seeking to use Kx technology in verticals outside of capital markets. Under IFRS reporting investments are carried as available for sale investment at fair value with any movements going to other comprehensive income, unless impaired. A fair value review was performed for the 28 February 2017 reporting period and no impairment provision has arisen. Additionaly the Group also invested in an associate during the year. Associates are accounted for using the equity method and are initially recognised at cost.

Review of effectiveness

The Board, through the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems operated by the Group. It was considered that the procedures in place to identify and manage risk were still relevant and that the Group's plans to mitigate these risks remains effective.

The Committee noted that the Group addresses the management of risk explicitly through a number of formal policies. For example, regular management meetings have a standing agenda item where managers and staff are encouraged to report and discuss any risk-related items. There are detailed policies in place around business continuity, client engagement and cyber security. Where possible, the Group seeks to insure itself against the risks it faces.

During the year the Committee considered a report on the Group's enterprise risk management strategy which reviewed Group policy against the principles underpinning ISO 31000 on Risk Management. It was noted that the Group demonstrated compliance with the eleven principles contained in ISO 31000 and also had suitable policies and procedures in place that demonstrated compliance with the governance and stakeholder communication recommendations within ISO 9000.

Anti-bribery and corruption policy

The Group operates an Ethics Code of Conduct which includes, inter alia, requirements relating to anti-bribery and corruption. This policy is supplied to all employees.

Report of the Audit Committee *(continued)*

Whistle blowing

The Group has a whistle blowing policy that enables employees to confidentially report matters of concern to an independent third party. The details of any such reports are communicated to the Non-Executive Directors.

External auditor appointment

The Committee reviews and makes recommendations regarding the appointment of external auditors. In making these recommendations the Committee reviews the performance, effectiveness and independence of the external auditors. The Committee holds regular meetings with the external auditor and based on these and the above factors has recommended to the Board that a resolution to reappoint KPMG be proposed at the next Annual General Meeting.

First Derivatives plc

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual 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. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law and have elected to also prepare the Company financial statements on the same basis of IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006.

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 Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union; and
- 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 which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and which enable them to ensure that the financial statements of the Group are prepared in accordance with applicable IFRS, as adopted by the EU and comply with the provisions of the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law, the directors are also responsible for preparing a Directors' Report that complies with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

JJ Kearns
Secretary

15 May 2017

Independent auditor's report to the members of First Derivatives plc

We have audited the Group and Company financial statements ("financial statements") of First Derivatives plc for the year ended 28 February 2017 which comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated and Company statement of changes in equity, the consolidated and Company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 28 February 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

2 Our conclusions on other matters on which we are required to report by the Companies Act 2006 are set out below

In our opinion the information given in the Strategic Report and Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

3 We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of the above responsibilities.

Independent auditor’s report to the members of First Derivatives plc *(continued)*

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors’ Responsibilities set out on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council’s Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our 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.

John Poole (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor
Chartered Accountants
Stokes House
17/25 College Square East
Belfast
BT1 6DH

15 May 2017

First Derivatives plc

Consolidated statement of comprehensive income

Year ended 28 February 2017

	Note	2017 £'000	2016 £'000
Revenue	*5*	**151,697**	117,033
Cost of sales		**(110,121)**	(84,397)
Gross profit		**41,576**	32,636
Other income	*6*	**2,148**	1,042
Administrative expenses	*7*	**(31,485)**	(22,849)
Operating profit		**12,239**	10,829
Acquisition costs, associate disposal costs and changes in contingent purchase consideration		**2,953**	1,547
Share-based payment and related costs		**2,056**	1,405
Depreciation and amortisation	*16 & 17*	**6,750**	5,277
Amortisation of acquired intangible assets	*17*	**4,759**	4,198
Adjusted EBITDA		**28,757**	23,256
Finance income	*10*	**1**	1
Finance expense	*10*	**(1,193)**	(1,225)
Gain on foreign currency translation	*10*	**1,475**	779
Net finance income/(costs)		**283**	(445)
Share of loss of associate using the equity method, net of tax	*18*	**(24)**	-
Profit before taxation		**12,498**	10,384
Income tax expense	*11*	**(3,486)**	(2,553)
Profit for the year		**9,012**	7,831

First Derivatives plc

Consolidated statement of comprehensive income (continued)

Year ended 28 February 2017

	Note	2017 £'000	2016 £'000
Profit for the year		**9,012**	7,831
Other comprehensive income			
Items that will or may be reclassified subsequently to profit or loss			
Net exchange gain on net investment in foreign subsidiaries		**10,836**	4,764
Net loss on hedge of net investment in foreign subsidiaries		**(2,871)**	(2,704)
Other comprehensive income for the period, net of tax		**7,965**	2,060
Total comprehensive income for the period attributable to owners of the parent		**16,977**	9,891
Earnings per share		**Pence**	Pence
Basic	*15a*	**36.7**	33.3
Diluted	*15a*	**34.4**	31.3

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

The notes on pages 45 to 108 form part of these financial statements.

First Derivatives plc

Consolidated balance sheet

As at 28 February 2017

	Note	**2017 £'000**	2016 £'000
Assets			
Property, plant and equipment	*16*	**6,628**	6,301
Intangible assets and goodwill	*17*	**163,391**	151,338
Trade and other receivables	*20*	**3,630**	2,504
Investments in equity – accounted investees	*18*	**1,548**	-
Other financial assets	*19*	**3,121**	-
Deferred tax asset	*25*	**14,859**	9,030
Non-current assets		**193,177**	169,173
Trade and other receivables	*20*	**43,738**	38,665
Cash and cash equivalents	*21*	**16,250**	15,100
Current assets		**59,988**	53,765
Total assets		**253,165**	222,938
Equity			
Share capital	*22*	**124**	120
Share premium		**72,275**	65,903
Share option reserve		**10,225**	7,217
Currency translation adjustment reserve		**8,335**	370
Retained earnings		**40,772**	39,654
Equity attributable to owners of the Company		**131,731**	113,264
Liabilities			
Loans and borrowings	*23*	**26,357**	26,795
Trade and other payables	*24*	**35,114**	31,963
Deferred tax liabilities	*25*	**12,932**	12,289
Contingent deferred consideration	*28*	**3,169**	1,176
Non-current liabilities		**77,572**	72,223
Loans and borrowings	*23*	**3,404**	3,428
Trade and other payables	*24*	**33,681**	27,262
Current tax payable	*26*	**426**	1,488
Employee benefits	*27*	**5,492**	2,554
Contingent deferred consideration	*28*	**859**	2,719
Current liabilities		**43,862**	37,451
Total liabilities		**121,434**	109,674
Total equity and liabilities		**253,165**	222,938

These financial statements were approved by the Board of Directors on 15 May 2017.

Seamus Keating	Brian Conlon	Graham Ferguson
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

Registered Company number: NI 30731

The notes on pages 45 to 108 form part of these financial statements.

First Derivatives plc

Company balance sheet
As at 28 February 2017

	Note	**2017 £'000**	2016 £'000
Assets			
Property, plant and equipment	*16*	**3,195**	2,866
Intangible assets	*17*	**19,043**	18,554
Investment in subsidiaries	*18*	**83,023**	83,023
Other financial assets	*19*	**3,121**	-
Trade and other receivables	*20*	**5,697**	4,143
Deferred tax assets	*25*	**8,041**	6,034
Non-current assets		**122,120**	114,620
Trade and other receivables	*20*	**48,366**	38,004
Cash and cash equivalents	*21*	**9,499**	10,568
Current assets		**57,865**	48,572
Total assets		**179,985**	163,192
Equity			
Share capital	*22*	**124**	120
Share premium		**72,275**	65,903
Share option reserve		**9,713**	7,217
Fair value reserve		**146**	144
Retained earnings		**24,082**	24,825
Equity attributable to shareholders		**106,340**	98,209
Liabilities			
Loans and borrowings	*23*	**26,353**	26,757
Trade and other payables	*24*	**256**	444
Deferred tax liabilities	*25*	**3,158**	3,341
Contingent deferred consideration	*28*	**-**	1,951
Non-current liabilities		**29,767**	32,493
Loans and borrowings	*23*	**3,339**	3,339
Trade and other payables	*24*	**35,064**	26,307
Current tax payable	*26*	**53**	744
Contingent deferred consideration	*28*	**500**	-
Employee benefits	*27*	**4,922**	2,100
Current liabilities		**43,878**	32,490
Total liabilities		**73,645**	64,983
Total equity and liabilities		**179,985**	163,192

These financial statements were approved by the Board of Directors on 15 May 2017.

Seamus Keating	Brian Conlon	Graham Ferguson
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

Registered Company number: NI 30731

The notes on pages 45 to 108 form part of these financial statements.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2017

	Share capital	Share premium	Share option reserve	Fair value reserve	Currency translation adjustment	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 March 2016	**120**	**65,903**	**7,217**	**-**	**370**	**39,654**	**113,264**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	9,012	**9,012**
Other comprehensive income							
Net exchange gain on net investment in foreign subsidiaries	-	-	-	-	10,836	-	**10,836**
Net exchange loss on hedge of net investment in foreign subsidiaries	-	-	-	-	(2,871)	-	**(2,871)**
Total comprehensive income for the year	-	-	-	-	7,965	9,012	**16,977**
Transactions with owners of the Company							
Income tax relating to share options	-	-	2,561	-	-	-	**2,561**
Exercise of share options	4	5,190	(877)	-	-	-	**4,317**
Change in fair value of NCI put	-	-	-	-	-	(3,504)	**(3,504)**
Issue of shares	-	57	-	-	-	-	**57**
Issue of shares as contingent deferred consideration	-	1,125	-	-	-	-	**1,125**
Share based payment charge	-	-	1,334	-	-	-	**1,334**
Transfer on forfeit of share options	-	-	(10)	-	-	10	**-**
Dividends	-	-	-	-	-	(4,400)	**(4,400)**
Balance at 28 February 2017	**124**	**72,275**	**10,225**	**-**	**8,335**	**40,772**	**131,731**

The notes on pages 45 to 108 form part of these financial statements.

Consolidated statement of changes in equity

Year ended 29 February 2016

	Share capital £000	Share premium £000	Share option reserve £000	Currency translation adjustment £000	Retained earnings £000	Total equity £000
Balance at 1 March 2015	**114**	**55,286**	**6,262**	**(1,690)**	**38,352**	**98,324**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	7,831	**7,831**
Other comprehensive income						
Net exchange gain on net investment in foreign subsidiaries and associate	-	-	-	4,764	-	**4,764**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	(2,704)	-	**(2,704)**
Total comprehensive income for the year	-	-	-	2,060	7,831	**9,891**
Transactions with owners of the Company						
Income tax relating to share options	-	-	827	-	-	**827**
Exercise of share options	3	3,812	(698)	-	-	**3,117**
Change in fair value of NCI put	-	-	-	-	(2,971)	**(2,971)**
Issue of shares	1	2,599	-	-	-	**2,600**
Issue of shares as purchase consideration	2	4,206	-	-	-	**4,208**
Share based payment charge	-	-	815	-	-	**815**
Transfer on forfeit of share options	-	-	11	-	(11)	**-**
Dividends	-	-	-	-	(3,547)	**(3,547)**
Balance at 29 February 2016	**120**	**65,903**	**7,217**	**370**	**39,654**	**113,264**

The notes on pages 45 to 108 form part of these financial statements.

Company statement of changes in equity

Year ended 28 February 2017

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2016	**120**	**65,903**	**7,217**	**144**	**24,825**	**98,209**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	3,647	**3,647**
Other comprehensive income						
Change in effective rate of deferred tax	-	-	-	2	-	**2**
Total comprehensive income for the year	-	-	-	2	3,647	**3,649**
Transactions with owners of the Company						
Income tax relating to share options	-	-	2,049	-	-	**2,049**
Exercise of share options	4	5,190	(877)	-	-	**4,317**
Issue of shares as contingent deferred consideration	-	1,125	-	-	-	**1,125**
Issue of shares	-	57	-	-	-	**57**
Share based payment charge	-	-	1,334	-	-	**1,334**
Transfer on forfeit of share options	-	-	(10)	-	10	**-**
Dividends	-	-	-	-	(4,400)	**(4,400)**
Balance at 28 February 2017	**124**	**72,275**	**9,713**	**146**	**24,082**	**106,340**

The notes on pages 45 to 108 form part of these financial statements.

Company statement of changes in equity

Year ended 29 February 2016

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2015	**114**	**55,286**	**6,262**	**140**	**22,490**	**84,292**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	5,893	**5,893**
Other comprehensive income						
Change in effective rate of deferred tax	-	-	-	4	-	**4**
Total comprehensive income for the year	-	-	-	4	5,893	**5,897**
Transactions with owners of the Company						
Income tax relating to share options	-	-	827	-	-	**827**
Exercise of share options	3	3,812	(698)	-	-	**3,117**
Issue of shares as purchase consideration	2	4,206	-	-	-	**4,208**
Issue of shares	1	2,599	-	-	-	**2,600**
Share based payment charge	-	-	815	-	-	**815**
Transfer on forfeit of share options	-	-	11	-	(11)	**-**
Dividends	-	-	-	-	(3,547)	**(3,547)**
Balance at 29 February 2016	**120**	**65,903**	**7,217**	**144**	**24,825**	**98,209**

The notes on pages 45 to 108 form part of these financial statements.

First Derivatives plc

Consolidated cash flow statement

Year ended 28 February 2017

	2017	2016
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**9,012**	7,831
Adjustments for:		
Net finance (income)/costs	**(283)**	445
Depreciation of property, plant and equipment	**1,806**	1,596
Amortisation of intangible assets	**9,703**	7,879
Increase in deferred consideration	**2,125**	-
Equity settled share-based payment transactions	**1,100**	815
Grant income	**(2,148)**	(1,042)
Share of loss of associate	**24**	-
Tax expense	**3,486**	2,553
	24,825	20,077
Changes in:		
Trade and other receivables	**(2,536)**	(6,540)
Trade and other payables	**7,970**	3,476
Cash generated from operating activities	**30,259**	17,013
Taxes paid	**(6,592)**	(2,044)
Net cash from operating activities	**23,667**	14,969
Cash flows from investing activities		
Interest received	**1**	1
Disposal of investment, net of tax	**-**	3,973
Acquisition of subsidiaries, net of cash acquired	**-**	(4,934)
Acquisition of other investments and associates	**(4,269)**	-
Acquisition of property, plant and equipment	**(1,800)**	(1,594)
Acquisition of intangible assets	**(7,656)**	(6,952)
Deferred consideration paid	**(1,275)**	-
Net cash used in investing activities	**(14,999)**	(9,506)
Cash flows from financing activities		
Proceeds from issue of share capital	**4,317**	5,717
Repayment of borrowings	**(3,585)**	(3,157)
Payment of finance lease liabilities	**(58)**	(61)
Interest paid	**(1,216)**	(1,214)
Dividends paid	**(7,253)**	(6,244)
Net cash used in financing activities	**(7,795)**	(4,959)
Net increase in cash and cash equivalents	**872**	504
Cash and cash equivalents at 1 March	**15,100**	14,705
Effects of exchange rate changes on cash held	**278**	(109)
Cash and cash equivalents at 28/29 February	**16,250**	15,100

The notes on pages 45 to 108 form part of these financial statements.

First Derivatives plc

Company cash flow statement
Year ended 28 February 2017

	2017	2016
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**3,647**	5,893
Adjustments for:		
Finance expense and foreign exchange loss	**2,080**	3,526
Depreciation of property, plant and equipment	**666**	489
Amortisation of intangible assets	**3,501**	2,764
Dividends from associate and subsidiary	**(5,375)**	(5,096)
Equity settled share-based payment transactions	**1,100**	815
Grant income	**(1,949)**	(939)
Tax expense	**282**	362
	3,952	7,814
Changes in:		
Trade and other receivables	**(8,398)**	(9,663)
Trade and other payables	**12,076**	12,739
Cash generated from operating activities	**7,630**	10,890
Taxes paid	**(296)**	428
Net cash from operating activities	**7,334**	11,318
Cash flows from investing activities		
Acquisition of subsidiaries	**-**	(4,833)
Acquisition of other investments	**(2,721)**	-
Acquisition of property, plant and equipment	**(995)**	(755)
Acquisition of intangible assets	**(4,836)**	(5,998)
Deferred consideration paid	**(326)**	-
Dividends received from associate and subsidiary	**5,375**	5,096
Net cash used in investing activities	**(3,503)**	(6,490)
Cash flows from financing activities		
Proceeds from issue of share capital	**4,317**	5,717
Repayment of borrowings	**(3,585)**	(3,157)
Interest paid	**(1,436)**	(1,214)
Dividends paid	**(4,400)**	(3,547)
Net cash used in financing activities	**(5,104)**	(2,201)
Net increase in cash and cash equivalents	**(1,273)**	2,627
Cash and cash equivalents at 1 March	**10,568**	7,858
Effects of exchange rate changes on cash held	**204**	83
Cash and cash equivalents at 28/29 February	**9,499**	10,568

The notes on pages 45 to 108 form part of these financial statements.

Notes
(forming part of the consolidated financial statements)

1 Significant accounting policies

First Derivatives plc ("FDP" or the "Company") is a public limited company incorporated and domiciled in Northern Ireland. The Company's registered office is 3 Canal Quay, Newry, BT35 6BP. The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account for the Group's interest in associate. The Company financial statements present information about the Company as a separate entity and not about the Group.

The Group is primarily involved in the provision of a range of software and consulting services, particularly to the finance, technology, energy, marketing and industrial markets.

The financial statements were authorised by the Board of Directors for issuance on 15 May 2017.

(a) Basis of preparation

The consolidated financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and with the Companies Act 2006. On publishing the Group financial statements together with the Company financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of those approved financial statements.

The Group and Company financial statements are prepared on a historical cost basis except for the following items which are measured at fair value or grant date fair value:

- Share based payment arrangements;
- Contingent deferred consideration;
- Derivative financial instruments; and
- Available for sale investments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group and Company other than those detailed in changes in accounting policies.

Functional and presentational currency
The financial statements are presented in GBP, rounded to the nearest thousand, which is also the Company's functional currency.

Changes in accounting policies
There were no additional standards, amendments and interpretations that had a material impact on the Group and Company's financial statements during the year. The following standards, amendments and interpretations were effective for accounting periods beginning on or after 1 March 2016 and these have been adopted in the Group and Company financial statements where relevant:

- Amendments to IFRS 11 *Accounting for acquisition of interests in joint ventures*
- Amendments to IAS 16 and IAS 38 *Clarification of acceptable methods of depreciation and amortisation*
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Bearer Plants*

1 Significant accounting policies *(continued)*

(a) Basis of preparation *(continued)*

- Amendments to IAS 27 *Equity method in Separate Financial Statements*
- Amendments to IAS 1: *Disclosure Initiative*
- Annual Improvements to IFRSs 2012-2014 Cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the consolidation exemption*

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 March 2016 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements except for IFRS 9 *Financial Instruments*, which is mandatory for the Group and Company's 2019 financial statements and could change the classification and measurement of financial assets and IFRS 16 Leases, which is likely to become mandatory (subject to EU endorsement) for the Group and Company's 2020 financial statements. The Group does not plan to adopt these standards early and the extent of this impact has not yet been determined. The standards and interpretations not adopted are outlined below:

- Amendments to IAS 7: *Disclosure Initiative* (Mandatory for year commencing on or after 1 January 2017)*
- Amendments to IAS 12: *Recognition of deferred tax assets for unrealised losses* (Mandatory for year commencing on or after 1 January 2017)*
- IFRS 15 *Revenue from contracts with customers* (Mandatory for year commencing 1 January 2018)
- IFRS 9 *Financial Instruments* – 2009 and subsequent amendments in 2010 and 2013 – (Mandatory for the year commencing on or after 1 January 2018)
- IFRS 16: *Leases* (Mandatory for the year commencing on or after 1 January 2019)*
- Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture* (Deferred indefinitely)*
- IFRS 14 *Regulatory Deferral Accounts* (deferred)*
- Amendments to IFRS 4: Applying IFRS 9 *Financial Instruments with* IFRS *4 Insurance Contracts* (Mandatory for year commencing 1 January 2018)*
- Annual improvements to IFRSs 2014-2016 Cycle (Mandatory for year commencing 1 January 2018)*
- IFRIC 26 *Interpretation 22 Foreign Currency Transactions and Advanced Consideration* (Mandatory for year commencing 1 January 2018)*
- Amendments to IAS 40: *Transfers of Investment Properties* (Mandatory for year commencing 1 January 2018)*
- Amendments to IFRS2 *Classification and measurement of share based payment transactions* (Mandatory for year commencing 1 January 2018)*
- Clarifications to IFRS15 *Revenue from contracts with customers* (Mandatory for year commencing 1 January 2018)*

*Not yet EU endorsed. The effective dates above refer to the IASB effective date or alternatively, the EU effective dates to the extent they have been amended.

1 Significant accounting policies *(continued)*

Going concern

The Group meets its day to day working capital requirements through generated cash flows and loan facilities which are due for renewal in Financial Year 2020. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its facilities.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed and revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements are as follows:

- It is noted that management have assessed that all residences owned by the Group are held for use within the business and as such are classified as property, plant and equipment, rather than investment property.
- Management have estimated the amount of deferred consideration payable on the acquisitions of subsidiaries which is based on forecast results and certain other criteria as required by the terms of the sale and purchase agreements. Management have made best estimates of the fair value of contingent deferred consideration payable based on the relevant share purchase agreements.
- Management have assessed the deferred tax asset as being recoverable based on forecast results.
- Management have estimated the fair value of customer relationships acquired in a business combination by applying the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return of all other assets that are part of creating the related cash flows. The fair value of other intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets. The useful economic life of the intangible assets are assessed as being critical and are based on managements estimate of the life over which revenue can be generated and taking cognisance of the useful economic life of similar competitor products.

1 Significant accounting policies *(continued)*

Critical accounting estimates and judgements (continued)

- Goodwill on acquisitions is not amortised, but is tested for impairment on an annual basis. Management have assessed goodwill for impairment based on the projected profitability of the individual cash generating unit to which the goodwill relates. No impairments have been identified. Other intangibles are being amortised and tested for impairment if an indicator of impairment is identified.
- Management have assessed that in respect of the available for sale investments, the Group does not hold significant influence over the investees financial and operating policies.

Management have assessed that there are no other estimates or judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements other than those disclosed in note 32(b) in respect of the measurement of fair values for level 3 financial instruments.

Measurement of fair values

A number of the Group's and Company's accounting policies and disclosures require the measurement at fair values of both financial and non-financial assets and liabilities.

Management have established a control framework with respect to the measurement of fair values and regularly review significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group and Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability are categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 32 – financial instruments; and
- Note 33 – share based payment arrangements.

1 Significant accounting policies *(continued)*

(b) Basis of consolidation

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Identifiable intangibles are those which can be sold separately or which arise from contractual or legal rights regardless of whether those rights are separable.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of a pre-existing relationship. Such amounts are generally recognised in profit or loss.

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return of all other assets that are part of creating the related cash flows. The fair value of other intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

Transaction costs other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any deferred and contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

iii) Non-controlling interests ('NCI')

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The Group accounts for any put option on the shares of its subsidiary held by a NCI shareholder that obliges the Group to purchase the shares for cash or another financial instrument (NCI put) at fair value on initial recognition. Subsequent changes in the fair value of the NCI put are recognised directly in equity.

1 Significant accounting policies *(continued)*

(b) Basis of consolidation *(continued)*

iv) Investments in associates (equity accounted investees)
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. This includes goodwill identified on acquisition and fair value of intangibles (these amounts are not recognised separately in the consolidated financial statements but included in the Group's net investment in the associate). The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases net of any impairment on the investment. In the Company's financial statements, investments in associates are carried at cost less any provision made for impairment.

v) Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency

i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currency of the Group entities at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Monetary liabilities designated as a hedge of net investments are treated as set out in note 1(c) (iii). Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate ruling at the date the fair value was determined. Foreign exchange differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, which is recognised in other comprehensive income in the Group's financial statements.

Gains or losses arising on the retranslation of foreign currency denominated deferred and contingent consideration estimated as payable at the year end on acquisitions prior to 1 March 2013 are accounted as an adjustment to goodwill. On acquisitions on or after 1 March 2013 the retranslation gain or loss is accounted for in profit or loss separately for deferred consideration and as part of the fair value movement on contingent deferred consideration.

1 Significant accounting policies *(continued)*

(c) Foreign currency *(continued)*

ii) Foreign operations

The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated to GBP at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to GBP at the foreign exchange rates ruling at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the currency translation adjustment reserve in equity.

When a foreign operation is disposed of, such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Certain exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and presented in the currency translation adjustment reserve in equity.

iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of foreign currency loans designated as a hedge of net investments in a foreign operation are recognised in other comprehensive income to the extent the hedge, when designated in a hedge relationship which has been formally documented in line with IAS 39 (Recognition and Measurement), is effective and are presented in the currency translation adjustment reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

(d) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is reported at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within other administrative expenses in profit or loss.

1 Significant accounting policies *(continued)*

(d) Property, plant and equipment *(continued)*

(ii) Leased assets
Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Subsequent costs
The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

(iv) Depreciation
Depreciation is calculated to write down the costs of parts of items to their estimated residual values and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation is calculated using the following annual rates:

Office furniture and equipment	-	25%
Plant and equipment	-	25-50%
Buildings – long leasehold and freehold	-	2%

Items of property, plant and equipment are depreciated from the date that the asset is completed and ready for use.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Available for sale financial assets
The Groups's investments in unquoted equity instruments are classified as available for sale financial assets. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items are recognised in OCI and accumulated in the fair value reserve. When an investment is sold, the cumulative gain or loss in equity is transferred to profit or loss. Investments in unquoted equity instruments held by the company are classified as being available-for-sale and are held at fair value unless the fair value of these assets cannot be measured reliably, in which case they are measured at cost, subject to impairment testing.

1 Significant accounting policies *(continued)*

(f) Intangible assets and goodwill

i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition see note 1(b).

Goodwill is measured at cost less any accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee. Goodwill is allocated to cash-generating units and is tested annually for impairment. Goodwill arising on acquisitions is not amortised.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

ii) Research and development

Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised in respect of software assets includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised through profit and loss as an expense as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses.

Tax credits for research and development are recognised at their fair value based on amounts recoverable from the tax authorities in current and future years. A credit is recognised in the income statement against the related expense or recognised in the period in which the expenditure is amortised where the related expenditure is capitalised.

iii) Other intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

1 Significant accounting policies *(continued)*

(f) Intangible assets and goodwill

v) Amortisation

Except for goodwill, intangible assets are amortised based on the cost of an asset less its residual value. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that the asset is available for use as follows:

Customer lists	-	12.5%
Acquired software	-	12.5%
Brands	-	12.5%
Developed software	-	12.5% - 20.0%

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Trade and other receivables

Trade and other receivables are initially measured at fair value plus any directly attributable transaction costs. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Trade and other receivables are subsequently stated at amortised cost less impairment losses.

(h) Cash and cash equivalents

Cash and cash equivalents comprises of cash balances and call deposits with an original maturity of three months or less and are measured at amortised cost. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Trade and other payables

Trade and other payables are initially measured at fair value less any directly attributable transaction costs. Trade and other payables are subsequently measured at amortised cost.

(j) Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

(k) Derivative financial instruments

The Group holds derivatives financial instruments in respect of warrants held over an interest in an associate, together with loan commitments and other derivative liabilities. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognised in profit or loss.

1 Significant accounting policies *(continued)*

(l) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) Loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill and assets that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill acquired in a business combination, is allocated to the legal entity or business that has been acquired in a business combination, which reflects the lowest level at which goodwill is monitored for internal reporting purposes.

1 Significant accounting policies *(continued)*

(l) Impairment *(continued)*

(iii) Non-financial assets (continued)
Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(n) Employee benefits
(i) Defined contribution plans
The Group operates a defined contribution (pension) plan for employees. A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense through profit or loss as incurred.

(ii) Share-based payment transactions
The grant date fair value of equity share-based payment arrangements granted to employees is generally recognised as an expense with a corresponding increase in equity over the vesting period. The fair value of the options granted is measured using an adjusted Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term and adjusted for recent volatility changes), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. On the lapse of share options on the vesting date the amount recognised in shares to be issued is transferred to retained earnings. On the exercise of share options, the amount recorded in shares to be issued is transferred to the share premium reserve.

1 Significant accounting policies *(continued)*

(n) Employee benefits *(continued)*

(iii) Short term benefits

Liabilities for employee benefits for wages, salaries and annual leave entitlements represent present obligations resulting from employees' services provided up to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at the reporting date.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(o) Revenue

(i) Products and Services rendered

Revenue from products and services rendered is measured at the fair value of the consideration received or receivable and is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. The Group does not have contracts involving a combination of products and services. Revenue in respect of each product or service is as follows:

- Revenue from perpetual software licensing is recognised upon delivery to the customer where there are no significant vendor obligations remaining following delivery, the client has accepted the software and the collection of the resulting receivable is considered probable.
- Revenue from annual licensing is recognised over the period to which the contract relates.
- Revenue from consulting services is recognised in the month the service is performed, upon acceptance by the customer and when the collection of the resulting receivable is considered probable.
- In respect of customisation of software, revenue is recognised upon acceptance by the customer and when the collection of the resulting receivable is considered probable.
- Revenue from data management hosting, other hosting and transactional activities is recognised over the period to which the contract relates or the transaction occurs which gives rise to the receivable. In instances where a non-refundable fee is paid by the customer, the fair value of any significant obligations are deferred and recognised over the life of the contract; the remaining balance is recognised following delivery and when the resulting receivable is considered probable.

(ii) Government grants

An unconditional government grant is recognised as other operating income when the grant becomes receivable. Other government grants are initially recognised in the balance sheet as deferred income if there is reasonable assurance that they will be received and that the Group has complied with the conditions attaching to it; they are released to the income statement as other income on a systematic basis over the performance condition period. Grants that compensate the Group for expenses incurred are recognised as other operating income through profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

1 Significant accounting policies *(continued)*

(p) Lease payments

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Determining whether an arrangement contains a lease

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

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

(q) Finance income and expenses

Finance income comprises interest receivable on funds invested and dividend income. Interest income is recognised through profit or loss as it accrues, using the effective interest method.

Financing expenses comprises interest payable on borrowings calculated using the effective interest rate method, and foreign exchange gains and losses. The interest expense component of finance lease payments is recognised through profit or loss using the effective interest rate method.

1 Significant accounting policies *(continued)*

(r) Taxation

Tax expense on the profit or loss for the period presented comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

ii) Deferred tax

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, those arising from the initial recognition of assets or liabilities acquired in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes *(continued)*

1 Significant accounting policies *(continued)*

(s) Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. The nominal value of shares issued is recognised as share capital. The value of the consideration received in excess of the nominal value is recognised as share premium.

(u) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, Directors and as part of business combinations.

(v) Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The operating results are regularly reviewed by the board and comprise one segment; however the information provided records revenue split between the various consulting and software activities.

(w) Adjusted EBITDA

Adjusted EBITDA is defined as results from operating activities before acquisition and associate disposal costs, changes in contingent deferred consideration assessed as remuneration, share-based payments and related costs, gain on disposal of property, plant and equipment, depreciation and amortisation; and amortisation of acquired intangible assets.

2 Financial risk management

Overview
The Group's activities expose it to a variety of financial risks; market risk (principally foreign exchange risk and interest rate risk), credit risk and liquidity risk.

Credit risk
Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligation and principally arises from the Group's receivables from customers through selling on credit. This is managed through credit control procedures. Regular contact is made with customers when debts are overdue with follow up procedures carried out as required. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Concentration of credit risk is disclosed in note 32 to the financial statements.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group generates positive operating cash flows, and is able to meet its liabilities as they fall due. In addition the Group has lines of credit identified in note 23 to the financial statements.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group currently does not use derivative financial instruments to hedge its exposure to currency or interest rate risk. All loans are currently variable rate in nature, with the terms being at prevailing market interest rates. The Group holds derivatives in respect of warrants over an interest in an associate together with loan commitments which provides exposure to market risk.

The level of trading and borrowings in foreign currency in respect of foreign subsidiaries produces a natural hedge of a large proportion of the Group's exposures to foreign currency movements on trading and investments. Certain borrowings in foreign currencies are designated as net investment hedges of foreign operations.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business (capital is defined as share capital, share premium, retained earnings and shares to be issued). The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders.

The Group is not subject to external requirements in respect of its capital, with the exception of the need to comply with the level of ordinary shares available for trading on the Alternative Investment Market and Enterprise Securities Market, with which the Group has complied in the current year. Additional shares in the Group are made available to staff by the use of share option schemes as disclosed in note 33 to the financial statements and as purchase consideration in business combinations. The Board seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

3 Acquisitions of subsidiaries and associate

Acquisition of associate

On 30 June 2016, the Group acquired a 15.3% interest in RxDataScience Inc. (RxD). and subsequently increased this to 26.49% as at 28 February 2017. RxD is not a publicly listed company.

	Recognised values at date of becoming associate £000
Share of net assets acquired	**40**
Fair value of intangible assets	**-**
Net identifiable assets and liabilities	**40**
Goodwill on acquisition	**1,508**
	1,548
Comprised of	
Cash paid for shares acquired during the year	**1,548**
	1,548

Acquisitions made during the year ended 29 February 2016

On 23 March 2015, the Group and Company acquired the entire share capital of Activate Clients Limited, based in Republic of Ireland. The acquisition will enable the Group and Company to accelerate its product development through use of their HTML5 capability. On 31 March 2015, the Group and Company acquired the entire share capital of Affinity Systems Limited, based in Canada to assist the Group to expand the Company's software and consulting services in other vertical markets. On 14 August 2015, the Group acquired the trade and assets of Bedarra Research Incorporated, a company based in Canada to assist in development activities namely embedded software, Cloud/SaaS environments, machine learning and predictive analytics. On 12 January 2016, the Group and Company acquired the entire share capital of QuantumKDB Limited, based in the United Kingdom expanding the Group's consulting expertise to support the growth of its Kx business.

3 Acquisitions of subsidiaries and associate *(continued)*

Activate Clients Limited

In the 11 months to 29 February 2016, the subsidiary contributed revenue of £256k and net profit of £1k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2015, management estimates that revenue for the Group would have been £117,056k and net profit for the year would have been an estimated £7,832k. In determining these amounts, management have assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 2015.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	**899**
Property, plant and equipment	**7**
Trade and other receivables	**177**
Cash and cash equivalents	**88**
Trade and other payables	**(483)**
Deferred tax liability	**(112)**
Net identifiable assets and liabilities	**576**
Goodwill on acquisition	**4,536**
	5,112
Consideration paid, satisfied as follows:	
Cash	**1,452**
Shares issued (183,185 shares)	**2,209**
Contingent deferred purchase consideration	**1,451**
	5,112

Consideration paid, satisfied as follows (continued):	
Cash consideration paid	**1,452**
Cash (acquired)	**(88)**
Net cash outflow	**1,364**

3 Acquisitions of subsidiaries and associate *(continued)*

The trade and other receivables includes gross contractual amounts of £31k of which no amounts were expected to be uncollectable at the acquisition date.

Shares issued
The fair value of the ordinary shares issued was based on the listed share price on 23 March 2015, the effective date of control (1,206 pence per share).

Goodwill
Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combination. The Group has carried out an impairment review of goodwill as at 28 February 2017 and has not identified any impairment. None of the goodwill is expected to be deductible for tax purposes.

Contingent deferred purchase consideration
The Group and Company has included £1,451k as contingent deferred consideration which represents the fair value at the date of acquisition which will be paid out based on future performance. During the current year this has been settled.

Acquisition related costs
The Group incurred acquisition-related costs of £116k related to external legal fees, due diligence costs and other acquisition costs which have been included in the Group's consolidated statement of comprehensive income.

Affinity Systems Limited
In the 11 months to 29 February 2016, the subsidiary contributed revenue of £2,264k and net loss of £221k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2015, management estimates that revenue for the Group would have been £117,241k and net profit for the year would have been an estimated £7,811k. In determining these amounts, management have assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 2015.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Notes *(continued)*

3 Acquisitions of subsidiaries and associate *(continued)*

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	**787**
Property, plant and equipment	**56**
Trade and other receivables	**504**
Deferred tax asset	**111**
Cash and cash equivalents	**2**
Trade and other payables	**(1,189)**
Deferred tax liability	**(209)**
Net identifiable assets and liabilities	**62**
Goodwill on acquisition	**3,258**
	3,320
Consideration paid, satisfied as follows:	
Cash	**2,423**
Shares issued (78,190 shares)	**897**
Contingent deferred purchase consideration	**-**
	3,320
Consideration paid, satisfied as follows (continued):	
Cash consideration paid	**2,423**
Cash (acquired)	**(2)**
Net cash outflow	**2,421**

The trade and other receivables includes gross contractual amounts of £364k of which no amounts were expected to be uncollectable at the acquisition date.

Shares issued

The fair value of the ordinary shares issued was based on the listed share price on 31 March 2015, the effective date of control (1,150 pence per share).

Goodwill

Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combination. None of the goodwill is expected to be deductible for tax purposes.

Contingent deferred purchase consideration

The Group and Company has agreed to pay an additional consideration of up to £3,989k based on software revenue growth metrics over the next 36 months. This consideration is conditional on future service conditions and has been assessed as being post-acquisition remuneration. No expense has been incurred in the current year due to conditions not yet being achieved.

3 Acquisitions of subsidiaries and associate *(continued)*

Acquisition related costs
The Group incurred acquisition-related costs of £103k related to external legal fees, due diligence costs and other acquisition costs which have been included in the Group's consolidated statement of comprehensive income.

Bedarra Research Incorporated
In the 6 months to 29 February 2016, the subsidiary contributed revenue of £41k and net profit of £9k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2015, management estimates that revenue for the Group would have been £117,076k and net profit for the year would have been an estimated £7,848k. In determining these amounts, management have assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 2015.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Effect of acquisition
The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	**788**
Property, plant and equipment	**8**
Trade and other receivables	**27**
Trade and other payables	**(1,008)**
Deferred tax asset	**235**
Net identifiable assets and liabilities	**50**
Goodwill on acquisition	**907**
	957
Consideration paid, satisfied as follows:	
Cash	**957**
	957
Consideration paid, satisfied as follows (continued):	
Cash consideration paid	**957**
Net cash outflow	**957**

Goodwill
Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combination. The Group has carried out an impairment review of goodwill as at 28 February 2017 and has not identified any impairment (see note 17).

3 Acquisitions of subsidiaries and associate *(continued)*

Contingent deferred purchase consideration

The Group and Company has agreed to pay an additional consideration of up to £894k based on software revenue growth metrics over the next 36 months. This consideration is conditional on future service conditions and has been assessed as being post-acquisition remuneration. An expense of £373k (2016: £190k) has been recognised in the current year.

Acquisition related costs

The Group incurred acquisition-related costs of £65k related to external legal fees, due diligence costs and other acquisition costs which have been included in the Group's consolidated statement of comprehensive income.

QuantumKDB Limited

In the 2 months to 29 February 2016, the subsidiary contributed revenue of £172k and net profit of £29k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2015, management estimates that revenue for the Group would have been £117,998k and net profit for the year would have been an estimated £7,888k. In determining these amounts, management have assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 2015.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities.

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	**882**
Trade and other receivables	**106**
Cash and cash equivalents	**417**
Trade and other payables	**(281)**
Deferred tax liability	**(159)**
Net identifiable assets and liabilities	**965**
Goodwill on acquisition	**1,244**
	2,209
Consideration paid, satisfied as follows:	
Cash	**609**
Shares issued (72,940 shares)	**1,100**
Contingent deferred purchase consideration	**500**
	2,209
Consideration paid, satisfied as follows (continued):	
Cash consideration paid	
Cash (acquired)	**609**
	(417)
Net cash outflow	**192**

3 Acquisitions of subsidiaries and associate *(continued)*

QuantumKDB Limited (continued)

The trade and other receivables includes gross contractual amounts of £90k of which no amounts were expected to be uncollectable at the acquisition date.

Shares issued
The fair value of the ordinary shares issued was based on the listed share price on 12 January 2016, the effective date of control (1,508 pence per share).

Goodwill
Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combination. None of the goodwill is expected to be deductible for tax purposes.

Contingent deferred purchase consideration
The Group and Company has included £500k as contingent deferred consideration which represents the fair value at the date of acquisition which will be paid out based on workforce stability, which continues to be recognised as at 28 February 2017.

Acquisition related costs
The Group incurred acquisition-related costs of £65k related to external legal fees, due diligence costs and other acquisition costs which have been included in the Group's consolidated statement of comprehensive income.

4 Operating segments

Business segments
The Group's board of Directors is considered to be the Chief Operating Decision Maker of the Group and reviews internal management reports on a monthly basis. The reports provided to the board of Directors focus on Group performance. The information provided to the board does not report performance on a segmented income statement basis, however, contained within the Group management accounts is a split of revenue, detailing the various consulting and software sales revenue figures throughout the Group. This level of information is consistent with the Directors' view of the nature of the Group's business. Staff work in both areas of the business with substantial investment being made by the Group in developing highly technical training which is provided to all staff to allow them to cover both software and consulting skills. Costs and assets are therefore not segmented, nor presented on a segmental basis to the board of Directors.

The Group has disclosed below certain information on its revenue and non-current assets by geographical location. In presenting this information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets. Details regarding total revenues are presented in note 5.

The Group's two revenue streams are separated as follows:

- Consulting activities involves providing services to Capital Markets; and
- Software activities which includes the license of intellectual property and related services.

4 Operating segments *(continued)*

Revenue by division

	2017	2016
	£'000	£'000
Managed services and consulting	**63,495**	57,014
Software	**88,202**	60,019
Total	**151,697**	117,033

Geographical location analysis

	Revenues		**Non-current assets**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
UK	**55,821**	42,502	**32,155**	26,016
Rest of Europe	**23,413**	17,245	**16,620**	16,534
America	**60,578**	50,886	**127,958**	116,115
Australasia	**11,885**	6,400	**1,585**	1,478
Total	**151,697**	117,033	**178,318**	160,143

Revenue by industry

	2017	2016
	£'000	£'000
FinTech	**117,449**	91,930
MarTech	**30,668**	22,112
Other	**3,580**	2,991
Total	**151,697**	117,033

Revenue generated and non-current assets located in Northern Ireland, the Group's country of domicile are not material and as such, have not been separately disclosed for either the current or prior year.

Major customers
The Group has no key customers who generated more than 10% of Group revenue in 2017. In 2016, the Group had one key customer and revenue from this customer represented approximately 14% of the Group's total revenue.

5 Revenue

	2017	2016
	£'000	£'000
Sale of goods	**38,712**	24,762
Rendering of services	**112,985**	92,271
	151,697	117,033

6 Other income

	2017	2016
	£'000	£'000
Government grants	**2,148**	1,042

The Group is in receipt of a government grant amounting to £3,880k, awarded in June 2014 which is conditional on the recruitment of additional staff for the period to 31 August 2017. The grant is recognised as deferred income as additional staff are recruited and is being amortised as the performance conditions are satisfied.

7 Administrative expenses

	2017	2016
	£'000	£'000
Rent, rates and insurance	**3,787**	2,561
Telephone	**727**	655
Accountancy, audit and legal expenses	**1,198**	740
Advertising and marketing	**1,682**	916
Depreciation and amortisation	**11,509**	9,475
Payroll costs	**6,541**	4,547
Research and development credit	**(345)**	(244)
Listing expenses	**263**	213
Provision for impairment of trade receivables	**1,550**	1,635
Travel and subsistence	**477**	416
IT expenses	**622**	418
Acquisition related costs and contingent deferred consideration	**2,953**	861
Other	**521**	656
	31,485	22,849

8 Expenses and auditors' remuneration

Included in profit/loss are the following:

	2017 £'000	2016 £'000
Provision for impairment of trade receivables	**1,550**	1,635
Rents payable in respect of operating leases	**1,865**	1,059
Research and development costs expensed	**1,721**	1,645

	2017 £'000	2016 £'000
Auditor's remuneration:		
Audit of these financial statements	**64**	66
Audit of the subsidiary undertakings included in the consolidation	**27**	22
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**29**	36
- All other services	**6**	17
- Taxation compliance services	**75**	53
- Other tax advisory services	**187**	67
- Corporate finance services	**-**	92
- Expenses recharged	**8**	7
	396	360

9 Personnel expenses and numbers

The average weekly number of persons (including the Directors) employed by the Group during the year is set out below:

	2017 Average no.	2016 Average no.
Administration	**209**	171
Technical	**1,386**	1,135
	1,595	1,306

9 Personnel expenses and numbers *(continued)*

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£'000	£'000
Wages and salaries	**82,249**	62,490
Social security costs	**8,685**	6,596
Other pension costs	**2,939**	2,014
Share based payments (see note 33)	**1,392**	815
Less capitalised development costs	**(7,085)**	(6,185)
	88,180	65,730

Disclosed as:	**2017**	2016
	£'000	£'000
Cost of sales	**81,639**	61,183
Administrative expenses	**6,541**	4,547
	88,180	65,730

10 Finance income and expense

	2017	2016
	£'000	£'000
Interest income on bank deposits	**1**	1
Finance income	**1**	1
Gain on foreign currency translation of monetary assets	**1,475**	779
Interest expense on bank loans	**(1,193)**	(1,225)
Finance expense	**(1,193)**	(1,225)
Net finance expense recognised in profit or loss	**283**	(445)

Exchange gains and losses on net investments in foreign subsidiaries and related effective hedges are recognised in the foreign currency translation reserve.

Notes *(continued)*

11 Tax expense

Income tax recognised in the income statement	**2017 £'000**	2016 £'000
Current tax expense		
Current year	**6,734**	6,861
Adjustment for prior years	**(6)**	(8)
	6,728	6,853
Deferred tax expense		
Origination and reversal of temporary differences	**(2,756)**	(4,158)
Adjustment for prior years	**(531)**	(140)
Change in tax rate	**45**	(2)
	(3,242)	(4,300)
Total tax expense	**3,486**	2,553

Notes *(continued)*

11 Tax expense *(continued)*

	2017 £'000	2016 £'000
Reconciliation of effective tax rate		
Profit excluding income tax	**12,498**	10,384
Income tax using the Company's domestic tax rate (20.0%) (2016: 20.1%)	**2,500**	2,085
Tax exempt income	**-**	(49)
Expenses not deductible for tax purposes	**93**	89
Adjustments for prior years	**(537)**	(148)
Other differences	**(314)**	(574)
Foreign tax rate differences	**1,430**	882
Impact of change in tax rates	**45**	(2)
Unrelieved overseas taxes	**269**	270
Total tax expense	**3,486**	2,553

Reductions in the main rate of UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. Finance Bill 2016 further reduced the 18% rate to 17% from 1 April 2020, following substantial enactment on 6 September 2016.

On 29 March 2017, the UK Government invoked Article 50 of the Treaty of Lisbon, notifying the European Council of its intention to withdraw from the European Union (the 'EU'). There is an initial two-year timeframe for the UK and the EU to reach an agreement on the withdrawal and the future UK and EU relationship although this timeframe can be extended. At this stage, there is significant uncertainty about the withdrawal process; its timeframe; and the outcome of the negotiations about the future arrangements between the UK and the EU. As a result, there is significant uncertainty as to the period for which the existing EU laws for member states will continue to apply to the UK and which laws will apply to the UK after an exit. Following the negotiations between the UK and the EU, the UK's tax status may change and this may impact the Group. However, at this stage the level of uncertainty is such that it is impossible to determine if, how and when that tax status will change.

12 Remuneration of Directors

The remuneration paid to the Directors was:

	2017	2016
	£'000	£'000
Aggregate emoluments (including benefits in kind)	**1,524**	699
Company pension contributions	**58**	30
Share option payment charge	**161**	21
	1,743	750

During the period there were 2 Directors accruing benefits under a defined contribution pension scheme (2016: 3).

The aggregate emoluments and company pension contributions of the highest paid Director (excluding fees paid for provision of services) amounted to £626k and £31k respectively during the year (2016: £296k and £15k respectively).

The Directors are deemed to be the key management of the Group.

Disclosure in respect of Directors' emoluments as required by AIM rules, Directors' interest in shares and Directors' share options are set out in the Report of the Remuneration Committee on pages 22 to 24.

13 Dividends

The following dividends were:

	2017	2016
	£'000	£'000
Final dividend relating to the prior year	**2,918**	2,323
Interim dividend paid	**1,482**	1,224
	4,400	3,547

The dividends recorded in each financial year represent the final dividend of the preceding financial year and the interim dividend of the current financial year.

The final dividend relating to the prior year amounted to 12.00 (previous year: 10.20) pence per share and the interim dividend paid during the year amounted to 6.00 (previous year: 5.00) pence per share. The cumulative dividend paid during the year amounted to 18.00 (previous year: 15.20) pence per share.

After the respective reporting dates, the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.

	2017	2016
	£'000	£'000
14.00 pence per ordinary share (2016: 12.00 pence)	**3,482**	2,881

14 Company result

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement. The profit after tax for the financial year of the Company as approved by the Board was £3,647k (2016: £5,893k).

15 (a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 28 February 2017 was based on the profit attributable to ordinary shareholders of £9,012k (2016: £7,831k), and a weighted average number of ordinary shares in issue of 24,542k (2016: 23,512k).

	2017 Pence per share	2016 Pence per Share
Basic earnings per share	**36.7**	33.3

Weighted average number of ordinary shares

	2017 Number '000	2016 Number '000
Issued ordinary shares at 1 March	**24,009**	22,777
Effect of share options exercised	**513**	283
Effect of shares issued as purchase consideration	**19**	254
Effect of shares issued for cash	**-**	198
Effect of shares issued as remuneration	**1**	-
Weighted average number of ordinary shares at 28/29 February	**24,542**	23,512

Notes *(continued)*

15 (a) Earnings per ordinary share *(continued)*

Diluted

The calculation of diluted earnings per share at 28 February 2017 was based on the profit attributable to ordinary shareholders of £9,012k (2016: £7,831k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 26,212k (2016: 25,047k).

	2017 Pence per share	2016 Pence per share
Diluted earnings per share	**34.4**	31.3

Weighted average number of ordinary shares (diluted)

	2017 Number '000	2016 Number '000
Weighted average number of ordinary shares (basic)	**24,542**	23,512
Effect of dilutive share options in issue	**1,670**	1,535
Weighted average number of ordinary shares (diluted) at 28/29 February	**26,212**	25,047

At 28 February 2017 90,000 options (2016: 250,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive and 250,000 (2016: nil) were excluded as the related conditions had not been satisfied. The average market value of the Group's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

15 (b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £12,498k (2016: £10,384k). The number of shares used in this calculation is consistent with note 15(a) above.

	2017 Pence per share	2016 Pence per share
Basic earnings before tax per ordinary share	**50.9**	44.2
Diluted earnings before tax per ordinary share	**47.7**	41.5

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

	2017 Pence per share	2016 Pence per share
Basic earnings per share	**36.7**	33.3
Impact of taxation charge	**14.2**	10.9
Adjusted basic earnings before tax per share	**50.9**	44.2
Diluted earnings per share	**34.4**	31.3
Impact of taxation charge	**13.3**	10.2
Adjusted diluted earnings before tax per share	**47.7**	41.5

Earnings before tax per share has been presented to facilitate pre-tax comparison returns on comparable investments.

(c) Normalised earnings after tax per ordinary share

Normalised earnings after tax per share are based on an adjusted profit after taxation of £16,077k (2016: £12,946k). The adjusted profit after tax has been calculated by adjusting for the amortisation of acquired intangibles after tax effect £3,955k (2016: £3,395k), share based payment and related charges after tax effect £1,853k (2016: £1,124k), acquisition and associate disposal costs after tax effect £2,412k (2016: £1,219k), share of loss of associate after tax effect £24k (2016: £Nil), and for the gain on foreign currency translation after tax effect £1,179k (2016: gain of £623k). The number of shares used in this calculation is consistent with note 15(a) above.

	2017 Pence per share	2016 Pence per share
Basic earnings after tax per ordinary share	**65.5**	55.1
Diluted earnings after tax per ordinary share	**61.3**	51.7

16 Property, plant and equipment

Group	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2016	2,757	8,288	543	11,588
Additions	19	1,666	115	1,800
Exchange adjustments	117	628	18	763
At 28 February 2017	**2,893**	**10,582**	**676**	**14,151**
Depreciation				
At 1 March 2016	868	4,099	320	5,287
Charge for the year	299	1,418	89	1,806
Exchange adjustments	72	345	13	430
At 28 February 2017	**1,239**	**5,862**	**422**	**7,523**

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2015	2,580	6,322	467	9,369
Additions	140	1,389	65	1,594
Acquisition through business combinations	-	71	-	71
Exchange adjustments	37	506	11	554
At 29 February 2016	**2,757**	**8,288**	**543**	**11,588**
Depreciation				
At 1 March 2015	656	2,583	182	3,421
Charge for the year	195	1,271	130	1,596
Exchange adjustments	17	245	8	270
At 29 February 2016	**868**	**4,099**	**320**	**5,287**
Carrying amounts				
At 1 March 2015	1,924	3,739	285	5,948
At 29 February 2016	1,889	4,189	223	6,301
At 28 February 2017	**1,654**	**4,720**	**254**	**6,628**

The basis by which depreciation is calculated is stated in note 1.

The Group leases equipment under a number of finance lease arrangements. At 28 February 2017 the carrying amount of leased assets included in plant and equipment was £nil (2016: £75k) and related depreciation amounted to £338k (2016: £263k).

Details of security provided for borrowing in respect of property, plant and equipment are disclosed in note 23.

16 Property, plant and equipment *(continued)*

Company

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2016	1,984	2,239	304	4,527
Additions	-	880	115	995
At 28 February 2017	**1,984**	**3,119**	**419**	**5,522**
Depreciation				
At 1 March 2016	484	1,038	139	1,661
Charge for the year	168	442	56	666
At 28 February 2017	**652**	**1,480**	**195**	**2,327**

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2015	1,845	1,688	239	3,772
Additions	139	551	65	755
At 29 February 2016	**1,984**	**2,239**	**304**	**4,527**
Depreciation				
At 1 March 2015	401	670	101	1,172
Charge for the year	83	368	38	489
At 29 February 2016	**484**	**1,038**	**139**	**1,661**
Carrying amounts				
At 1 March 2015	1,444	1,018	138	2,600
At 29 February 2016	1,500	1,201	165	2,866
At 28 February 2017	**1,332**	**1,639**	**224**	**3,195**

The basis by which depreciation is calculated is stated in note 1.

No assets are held under finance leases.

Details of security in respect of property, plant and equipment are disclosed in note 23.

17 Intangible assets and goodwill

Group

	Goodwill	Customer lists	Acquired software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2016	102,603	12,364	24,878	708	35,665	176,218
Development costs	-	-	-	-	7,085	7,085
Additions	-	-	863	-	-	863
Exchange adjustments	10,833	1,249	2,826	69	828	15,805
At 28 February 2017	**113,436**	**13,613**	**28,567**	**777**	**43,578**	**199,971**
Amortisation and impairment losses						
Balance at 1 March 2016	-	4,051	9,435	345	11,049	24,880
Amortisation for the year	-	1,475	3,203	81	4,944	9,703
Exchange adjustment	-	482	1,191	37	287	1,997
At 28 February 2017	**-**	**6,008**	**13,829**	**463**	**16,280**	**36,580**

	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2015	86,734	9,525	21,182	560	28,179	146,180
Development costs	-	-	-	-	6,840	6,840
Acquisitions	9,945	1,946	1,313	97	-	13,301
Additions	-	-	112	-	-	112
Exchange adjustments	5,924	893	2,271	51	646	9,785
At 29 February 2016	**102,603**	**12,364**	**24,878**	**708**	**35,665**	**176,218**
Amortisation and impairment losses						
Balance at 1 March 2015	-	2,421	5,803	239	7,113	15,576
Amortisation for the year	-	1,323	2,796	79	3,681	7,879
Exchange adjustment	-	307	836	27	255	1,425
At 29 February 2016	**-**	**4,051**	**9,435**	**345**	**11,049**	**24,880**
Carrying amounts						
At 1 March 2015	86,734	7,104	15,379	321	21,066	130,604
At 29 February 2016	102,603	8,313	15,443	363	24,616	151,338
At 28 February 2017	**113,436**	**7,605**	**14,738**	**314**	**27,298**	**163,391**

Leased intangible assets
No assets are held under finance leases.

The basis by which amortisation is calculated is stated in note 1. Amortisation is recognised through profit or loss in administration expenses.

17 Intangible assets and goodwill *(continued)*

Included within development costs capitalised in the year is £7,085k (2016: £6,185k) of capitalised employee costs together with £Nil of capitalised consultancy costs (2016: £655k) for the year. Developed software includes £4,008k (2016: £2,579k) of software under development at 28 February 2017 not yet commissioned.

Impairment testing of goodwill

The Group tests goodwill for impairment at each reporting date, or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to companies which represent the lowest level within the Group at which goodwill is monitored. A summary of the significant CGUs is presented as follows:

	2017	2016
	£'000	£'000
Subsidiaries		
Market Resource Partners LLC	**12,181**	10,915
Prelytix LLC	**6,234**	5,583
Kx Systems Inc.	**78,821**	71,290
	97,236	87,788
Multiple units without significant goodwill	**16,200**	14,815
	113,436	102,603

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flows derived from financial projections covering a five year period, with cash flows thereafter calculated using a terminal value methodology. A growth rate of 7%-10% (2016: 7%-10%) is applied for years 2 to 5, followed by a growth rate of 2% (2016: 2%) thereafter. The pre-tax discount rates applied to cash flow projections of the CGUs was 12%-17% (2016: 12%-17%).

The key assumptions used in the estimation of the recoverable amount for significant CGU's are summarised as follows:

	2017			2016		
	Market Resource Partners LLC	**Prelytix LLC**	**Kx Systems Inc**	Market Resource Partners LLC	Prelytix LLC	Kx Systems Inc
Discount rate	**15%**	**17%**	**15%**	15%	17%	15%
Terminal value growth rate	**2%**	**2%**	**2%**	2%	2%	2%
Budgeted EBITDA growth rate	**8%**	**7%**	**9%**	8%	7%	9%

Projected cash flows are most sensitive to assumptions regarding future profitability and working capital investment. The values applied to these key assumptions are derived from a combination of external and internal factors, based on past experience together with management's future expectations about business performance.

17 Intangible assets and goodwill (continued)

Impairment testing of goodwill (continued)

Discount rates reflect the current market assessment of the risk specific to each CGU. The discount rate was estimated based on past experience and industry average weighted average cost of capital adjusted to reflect the current market assessment of risks specific to each CGU for which the cash flow projections have not been adjusted.

The value in use and excess value in use over the carrying amount inclusive of significant acquired intangible assets of the above CGUs are as follows:

	Value in use		**Excess over carrying amount**	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Subsidiaries				
Market Resource Partners LLC	**22,639**	14,827	**10,458**	3,754
Prelytix LLC	**13,738**	8,083	**6,617**	1,573
Kx Systems Inc.	**108,840**	96,607	**14,309**	8,762

Sensitivity analysis

There was no impairment charge for the year ended 28 February 2017 (2016: Nil). For the purposes of performing sensitivity analysis, a change in the assumption to increase the discount rate by 1% or, separately, to reduce the terminal growth by 2% would not result in any indication of impairment. Applying these assumptions did not indicate any impairment.

Notes *(continued)*

17 Intangible assets and goodwill (continued)

Company	Acquired software	Internally developed software	Total
	£'000	**£'000**	**£'000**
Cost			
Balance at 1 March 2016	482	26,134	26,616
Development cost	-	5,128	5,128
Transfers to subsidiaries	-	(1,138)	(1,138)
Balance at 28 February 2017	**482**	**30,124**	**30,606**
Amortisation and impairment losses			
Balance at 1 March 2016	30	8,032	8,062
Amortisation for the year	60	3,441	3,501
Balance at 28 February 2017	**90**	**11,473**	**11,563**
Cost			
Balance at 1 March 2015	-	20,618	20,618
Development cost	-	5,516	5,516
Additions	482	-	482
Balance at 29 February 2016	**482**	**26,134**	**26,616**
Amortisation and impairment losses			
Balance at 1 March 2015	-	5,298	5,298
Amortisation for the year	30	2,734	2,764
Balance at 29 February 2016	**30**	**8,032**	**8,062**
Carrying amounts			
At 1 March 2015	-	15,320	15,320
At 29 February 2016	452	18,102	18,554
At 28 February 2017	**392**	**18,651**	**19,043**

Included within development costs capitalised in the year is £5,128k (2016: £5,161k) of capitalised employee costs. Developed software includes £2,801k (2016: £1,149k) of software under development at 28 February 2017 not yet commissioned.

18 Investment in subsidiaries and associate

The subsidiaries of the Group and Company are detailed as follows:

	Country of incorporation	Class of share held	Ownership 2017	2016
Activate Clients Limited*	Ireland	Ordinary	100%	100%
Affinity Systems Limited*	Canada	Ordinary	100%	100%
Cowrie Financial Limited*	UK	Ordinary	100%	100%
First Derivatives (Exchange) Limited*	Ireland	Ordinary	100%	100%
First Derivatives (Hong Kong) Limited*	Hong Kong	Ordinary	100%	100%
First Derivatives (Ireland) Limited*	Ireland	Ordinary	100%	100%
First Derivatives Canada Inc.*	Canada	Ordinary	100%	100%
First Derivatives Holdings Inc.*	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited*	Australia	Ordinary	100%	100%
First Derivatives I Limited	UK	Ordinary	100%	-
First Derivatives Investments LLP	United Kingdom	Ordinary	100%	100%
First Derivatives Japan Co. Limited	Japan	Ordinary	100%	100%
First Derivatives Mexico Limted	Mexico	Ordinary	100%	-
First Derivatives No. 1 Inc.	United States	Ordinary	100%	100%
First Derivatives Pte Limited*	Singapore	Ordinary	100%	100%
First Derivatives Pty Limited	Australia	Ordinary	100%	100%
First Derivatives South Africa (Pty) Limited*	South Africa	Ordinary	100%	100%
First Derivatives US Inc	United States	Ordinary	100%	100%
Kx Systems Inc.*	United States	Ordinary	65.2%	65.2%
Market Resource Partners Limited*	N. Ireland	Ordinary	100%	100%
Market Resource Partners LLC*	United States	Ordinary	100%	100%
Prelytix LLC	United States	Ordinary	100%	100%
QuantumKDB Inc	United States	Ordinary	100%	100%
QuantumKDB Limited	Hong Kong	Ordinary	100%	100%
QuantumKDB Limited*	UK	Ordinary	100%	100%
Redshift Horizons Limited*	UK	Ordinary	100%	100%
Reference Data Factory LLC	United States	Ordinary	100%	100%

*Owned directly by First Derivatives plc.

	Company 2017 £'000	2016 £'000
Unlisted investments in subsidiaries at cost		
At 1 March	**83,023**	71,942
Additions	**-**	11,081
At end of period	**83,023**	83,023

18 Investment in subsidiaries and associate *(continued)*

Associate

Group

	2017 £'000	2016 £'000
Investment in associate	**1,548**	-

At 28 February 2017, the Group had the following investment in an associate:

	Country of incorporation	Class of share held	Ownership At 28 February 2017
RxDataScience Inc.	United States	Ordinary	26.49%

On 30 June 2016, the Group acquired a 15.3% interest in RxDataScience Inc. (RxD). and subsequently increased this to 26.49% as at 28 February 2017. RxD is not publicly listed.

The Group's share of loss in associates for the period to 28 February 2017 was £24k (2016: £nil).

The following tables summarise the financial information of RxD as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The information for 2016 is not presented as no interest was held in RxD in the prior year.

	2017
Percentage ownership interest	**26.49%**
	£'000
Non-current assets	**458**
Current assets	**1,325**
Non-current liabilities	**-**
Current liabilities	**(4)**
Net assets (100%)	**1,779**
Group's share of net assets (26.49%)	**471**

Carrying amount of interest in associate

Revenue	**-**
Profit/(loss) from continuing operations (100%)	**(91)**
Other comprehensive income (100%)	**-**
Total comprehensive income (100%)	**(91)**
Total comprehensive income (26.49%)	**(24)**

In addition to the investment the Group has a contingent obligation to acquire further shares (currently equivalent to a further interst of 11.81%) at the original investment value and to provide a loan of up to £1.1m. The Group also holds 32,594 warrants which are exercisable on the occurrence of an exit event at a exercise price of $0.01 per warrant

Notes *(continued)*

19 Other financial assets – Available for sale

Group

	2017	2016
	£'000	£'000
Unlisted equity investments		
At 1 March	**-**	6,234
Acquisitions	**3,121**	-
Change in fair value	**-**	-
Disposal	**-**	(6,234)
At end of period	**3,121**	-

Company

	2017	2016
	£'000	£'000
Unlisted equity investments		
At 1 March	**-**	-
Acquisitions	**3,121**	-
Change in fair value	**-**	-
At end of period	**3,121**	-

Information about the Group and Company's exposure to market risk and fair value measurement is disclosed in note 32b.

20 Trade and other receivables

Current assets

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade receivables	**36,721**	31,636	**21,523**	18,383
Receivables from subsidiaries	**-**	-	**22,578**	13,653
Other receivables and accrued income	**2,262**	1,248	**218**	141
Prepayments	**3,011**	2,853	**3,082**	3,237
Grant income receivable	**1,744**	2,928	**965**	2,590
Corporation tax receivable	**-**	-	**-**	-
	43,738	38,665	**48,366**	38,004

Non-current assets

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Receivables from subsidiaries[1]	**-**	-	**3,227**	2,890
Trade and other receivables	**2,830**	1,253	**2,470**	1,253
Grant income receivable	**800**	1,251	**-**	-
	3,630	2,504	**5,697**	4,143

[1] The repayment terms of the receivable from subsidiaries has been agreed as falling due after more than one year.

At 28 February 2017 Group and Company trade receivables are shown net of an allowance for doubtful debts of £3,061k and £1,045k respectively (2016: Group £4,342k; Company £981k) arising from on-going invoice disputes and the risk of companies defaulting. The impairment charge in the year was £1,550k (2016: £1,635k) for Group and £780k (2016: charge £441k) for the Company.

The Group's and Company's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 32.

21 Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Bank balances	**16,250**	15,100	**9,499**	10,568

See note 32 for discussion of interest rate risk and sensitivity analysis.

22 Share capital

	Ordinary shares **2017 Number**	2016 Number
In issue at 1 March	24,008,972	22,776,773
Exercise of share options (Note 33)	799,818	697,881
Issued in business combinations (Note 3)	-	334,315
Issued for settlement of contingent deferred consideration	56,383	-
Issued as remuneration	3,206	-
Issued for cash	-	200,003
In issue at year end – fully paid	**24,868,379**	24,008,972

	2017 Number	**2017 £'000**	2016 Number	2016 £'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**24,868,379**	**124**	24,008,972	120

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Shares increased in the year due to the exercise of 799,818 share options (2016: 697,881) for cash consideration of £4,317k (2016: £3,117k) together with an associated transfer from the share option reserve of £877k (2016: £698k), the issue of 56,383 shares (2016: nil) at £1,125k as settlement of contingent deferred purchase consideration and the issue of 3,206 shares (2016: nil) as remuneration of £57k. Additionally in the prior year 200,003 ordinary shares were issued for cash consideration of £2,600k and 334,315 shares were issued as purchase consideration at £4,208k.

Natue and purpose of reserves

Share option reserve- The share option reserve comprises the charge for unexercised share options granted to employees and includes share options granted in consideration for the acquisition of business combinations net of deferred tax assets relating to the tax deduction receivable when the options are exercised.

Fair value reserve- The fair value reserve of the Company relates to the revaluation reserve which arose on revaluation of an available for sale investment at fair value relating to Kx Systems Inc. prior to significant influence being obtained. The balance is continued to be retained as the Company continues to retain this original investment.

Revaluation reserve- For the purposes of the Group, the revaluation of the available for sale asset prior to its reclassification as an associate was transferred to the revaluation reserve. On reclassification of the associate as a subsidiary, the revaluation reserve was transferred to profit and loss.

Currency translation adjustment reserve- The currency translation adjustment reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and intercompany loans that are determined to form part of the net investment, as well as from the translation of liabilities that hedge the Group's net investment in a foreign subsidiary.

23 Loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings see note 32.

	Group		***Company***	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Current liabilities				
Secured bank loans	**3,339**	3,339	**3,339**	3,339
Finance lease liabilities	**65**	89	**-**	-
	3,404	3,428	**3,339**	3,339
Non-current liabilities				
Secured bank loans	**26,353**	26,757	**26,353**	26,757
Finance lease liabilities	**4**	38	**-**	-
	26,357	26,795	**26,353**	26,757

Terms and repayment schedule

The Group had the following loan facilities with Bank of Ireland at the end of the year:

£339k loan (Facility 1)
£29,625k multi-currency loan (Facility 2)
£4,500k sterling overdraft (Bank Overdraft)

The terms and conditions of outstanding loans were as follows:

				28 February 2017		29 February 2016	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value £000**	**Carrying amount £000**	Face value £000	Carrying amount £000
Facility 1	GBP	2.25%+LIBOR	2019	**339**	**339**	339	339
Facility 2	Multi	2.25%+LIBOR*	2020	**29,353**	**29,353**	29,757	29,757
Bank overdraft	GBP	2.25%+LIBOR	2018	**-**	**-**	-	-
Finance lease liabilities	EUR	4.375%	2019	**69**	**69**	127	127
Total interest-bearing				**29,761**	**29,761**	30,223	30,223

* The nominal interest rate varies as the Group meets financial targets and these have been assessed as being closely linked to the underlying contract with a minimum rate available of 2.25%+LIBOR.

The facility 1 loan is secured over property, plant and equipment with a carrying amount of £1,654k (2016: £1,889k). The facility 2 loan is secured by a fixed charge over the Group's property and a debenture over the trading assets in Group companies. All outstanding loans have interest charged at 2.25% (2016: 3.5%) above LIBOR.

23 Loans and borrowings *(continued)*

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Minimum lease payments 2017	Interest 2017	Principal 2017	Minimum lease payments 2016	Interest 2016	Principal 2016
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than one year	**80**	**15**	**65**	109	20	89
Between one and five years	**5**	**1**	**4**	53	15	38
	85	**16**	**69**	162	35	127

The finance leases are secured over the leased equipment.

24 Trade and other payables

Current liabilities

	Group		*Company*	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade payables	**4,218**	2,606	**4,349**	1,688
Other payables	**9,494**	6,822	**5,657**	5,010
Accruals	**1,619**	2,723	**1,267**	1,247
Deferred income	**16,500**	13,255	**3,990**	2,562
Government grants	**1,850**	1,856	**1,531**	1,856
Payables to subsidiaries	**-**	-	**18,270**	13,944
	33,681	27,262	**35,064**	26,307

Non-current liabilities

	Group		*Company*	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
NCI put	**33,593**	30,089	**-**	-
Government grants	**1,521**	1,874	**256**	444
	35,114	31,963	**256**	444

The NCI put is the exercise price of the put (denominated in US dollars) for the remaining NCI of 34.8% of Kx Systems Inc. under which the holders can require the Company to purchase the remaining interest at a fixed price up to 31 October 2021 for cash. The put is exercisable with a notice period of 366 days.

The Group and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 32.

25 Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2017	**2016**	**2017**	**2016**
	£000	**£000**	**£000**	**£000**
Property, plant and equipment	**-**	-	**(4,234)**	(3,822)
Share based payments	**4,204**	2,909	**-**	-
Trading losses	**6,177**	4,556	**-**	-
Net fair value movement on available for sale assets	**-**	-	**-**	-
Intangible assets	**368**	209	**(8,698)**	(8,483)
Short term timing differences	**3,906**	1,308	**-**	-
Other	**204**	64	**-**	-
Tax assets/(liabilities) before set-off	**14,859**	9,046	**(12,932)**	(12,305)
Set off of tax	**-**	(16)	**-**	16
Net tax assets/(liabilities)	**14,859**	9,030	**(12,932)**	(12,289)

Movement in deferred tax balances differences during the year:

	Balance at 1 March 2016	Recognised in income	Recognised in equity	Recognised on Acquisition	Share options exercised	Balance at 28 February 2017
	£000	£000	£000	£'000	£000	£000
Property, plant and equipment	(3,822)	(283)	(129)	-	-	**(4,234)**
Share based payments	2,909	(18)	2,785	-	(1,472)	**4,204**
Trading losses	4,556	284	1,337	-	-	**6,177**
Intangible assets	(8,274)	741	(797)	-	-	**(8,330)**
Short term timing differences	1,308	2,344	254	-	-	**3,906**
Other	64	174	(34)	-	-	**204**
	(3,259)	3,242	3,416	-	(1,472)	**1,927**

	Balance at 1 March 2015	Recognised in income	Recognised in equity	Recognised on Acquisition	Share options exercised	Balance at 29 February 2016
	£000	£000	£000	£'000	£000	£000
Property, plant and equipment	(3,411)	(295)	(116)	-	-	(3,822)
Share based payments	2,683	39	1,019	-	(832)	2,909
Trading losses	3,260	452	733	111	-	4,556
Net fair value movement on available for sale assets	(38)	38	-	-	-	-
Intangible assets	(7,850)	803	(982)	(245)	-	(8,274)
Other financial assets	(2,545)	2,545	-	-	-	-
Other	522	718	132	-	-	1,372
	(7,379)	4,300	786	(134)	(832)	(3,259)

The basis by which taxation is calculated is stated in note 1. There is no unprovided or unrecognised deferred tax balances.

25 Deferred taxation *(continued)*

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £000	Assets 2016 £000	Liabilities 2017 £000	Liabilities 2016 £000
Property, plant and equipment	**-**	-	**(3,126)**	(3,307)
Share based payments	**3,649**	2,909	**-**	-
Net fair value movement on available for sale assets	**-**	-	**(32)**	(34)
Trading losses	**4,268**	3,089	**-**	-
Other	**124**	36	**-**	-
Tax assets/(liabilities) before set off	**8,041**	6,034	**(3,158)**	(3,341)
Set off of tax	**-**	-	**-**	-
Net tax assets/(liabilities)	**8,041**	6,034	**(3,158)**	(3,341)

Movement in deferred tax balances during the year:

	Balance at 1 March 2016 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 28 February 2017 £000
Property, plant and equipment	(3,307)	181	-	-	**(3,126)**
Share based payments	2,909	(61)	2,273	(1,472)	**3,649**
Net fair value movement on available for sale assets	(34)	-	2	-	**(32)**
Trading losses	3,089	15	1,164	-	**4,268**
Other	36	93	(5)	-	**124**
	2,693	228	3,434	(1,472)	**4,883**

	Balance at 1 March 2015 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 29 February 2016 £000
Property, plant and equipment	(3,063)	(244)	-	-	(3,307)
Share based payments	2,683	39	1,019	(832)	2,909
Net fair value movement on available for sale assets	(38)	-	4	-	(34)
Trading losses	2,416	53	620	-	3,089
Other	35	1	-	-	36
	2,033	(151)	1,643	(832)	2,693

The basis by which taxation is calculated is stated in note 1. There is no unprovided or unrecognised deferred tax balances.

26 Current tax payable

	Group		*Company*	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Current tax payable	**426**	1,488	**53**	744

27 Employee benefits

	Group		*Company*	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Accrued holiday pay	**1,554**	1,162	**1,208**	918
Employee taxes	**3,938**	1,392	**3,714**	1,182
	5,492	2,554	**4,922**	2,100

28 Contingent deferred consideration

Contingent deferred consideration liabilities are payable as follows:

	Group		*Company*	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
At 1 March	**3,895**	1,132	**1,951**	-
Additions	**-**	1,951	**-**	1,951
Increase in contingent deferred consideration	**2,125**	812	**-**	-
Settled in year	**(2,400)**	-	**(1,451)**	-
Foreign exchange impact	**408**	-	**-**	-
At end of period	**4,028**	3,895	**500**	1,951

The movement in contingent deferred consideration relates to the charge for the year for amounts conditional on future service conditions, assessed as being post-acquisition remuneration, and is payable in cash and shares. As at 28 February 2017 the maximum total amount payable under the terms of the sale and purchase agreements is £4,028k (2016: £3,895k) and the minimum total amount payable is £Nil (2016: £Nil).

	Group		*Company*	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Within one year	**859**	2,719	**500**	-
More than one year	**3,169**	1,176	**-**	1,951
	4,028	3,895	**500**	1,951

The amount of contingent deferred consideration was variable dependent on the future performance of the relevant subsidiary meeting specified turnover targets which are expected to be fully achieved and is payable in cash 49% (2016: 51%) and shares 51% (2016: 49%).

29 Commitments

The Group has entered into a contingent loan commitment with an associate of up to £1.1m and a contingent obligation to acquire further shares for up to £1.2m. There were no capital or other commitments at the current or prior year end.

Non-cancellable operating lease rentals are payable as follows:

	Group		*Company*	
	2017	**2016**	**2017**	**2016**
	£'000	**£'000**	**£'000**	**£'000**
Less than one year	**1,632**	943	**609**	275
Between one and five years	**4,721**	2,802	**2,348**	873
More than five years	**2,405**	754	**2,006**	280
	8,758	4,499	**4,963**	1,428

The Group leases 12 premises under operating lease arrangements.

Group
During the year £1,865k was recognised as an expense in the income statement in respect of operating leases (2016: £1,059k).

Company
During the year £609k was recognised as an expense in the income statement in respect of operating leases (2016: £275k).

30 Pension contributions

The Group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £2,939k (2016: £2,014k). Contributions amounting to £428k (2016: £333k) were payable to the schemes at the year end and are included in creditors.

31 Related parties transactions

Parent and ultimate controlling party
There is no one party who is the ultimate controlling party of the Group and Company.

Group
Key management personnel compensation
Key management personnel have been deemed to be the Directors of the Company. The remuneration of the Directors is set out in note 12.

Key management personnel and Director transactions
The Group is charged rent monthly for the business use of apartments located in London owned by Brian Conlon. The charge incurred during the financial year amounted to £55k (2016: £55k). Rent deposits of £26k (2016: £26k) have been paid to Brian Conlon in respect of these apartments. The balance owed to Brian Conlon at 28 February 2017 is £Nil (2016: £Nil).

31 Related parties transactions (*continued)*

A 15 year lease was entered into for the rental of office space for the head office in Newry. The lessor is Oncon Properties, a partnership in which Brian Conlon is a partner. £140k (2016: £140k) rental charge was incurred in the year. The balance owed to Oncon Properties at 28 February 2017 is £Nil (2016: £Nil) and an amount of £207k (2016: £168k) had been prepaid.

The Group holds an interest in an associate, together with other instruments as disclosed in note 18.

Company

Other related party transactions

	Revenue		**Administrative expenses incurred from**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Subsidiaries	**12,408**	5,009	**17,862**	11,591
	12,408	5,009	**17,862**	11,591

	Receivables outstanding		**Payables outstanding**	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Subsidiaries	**25,805**	16,543	**18,270**	13,944

During the year development costs of £218k (2016: £321k) were recharged from a subsidiary to the Company.

Interest is charged on inter-company loans at market rates.

Dividends paid by the Company to the Directors during the period were as follows:

	2017	2016
	£000	£000
B G Conlon	**1,414**	1,194
R G Ferguson	**28**	26
K MacDonald	**9**	7
S Keating	**5**	2
V Gambale	**1**	-
D Anderson	**-**	19
	1,457	1,248

First Derivatives plc

Notes *(continued)*

32 Financial instruments

Fair values

(a) Accounting classifications and fair values
Group
The following table shows the carrying amounts and fair values of financial assets and liabilities. The carrying amount of all financial assets and liabilities not measured at fair value is considered to be a reasonable approximation of fair value.

28 February 2017	**Carrying value**			
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Carrying amount £'000**	**Fair value £'000**
Financial assets measured at fair value				
Equity securities - Available for sale[3]	-	-	3,121	[3]
Warrants in associate[4]	-	-	-	[1]
	-	-	3,121	
Financial assets not measured at fair value				
Trade and other receivables	44,357	-	44,357	[1]
Cash and cash equivalents	16,250	-	16,250	[1]
	60,607	-	60,607	
Financial liabilities measured at fair value				
Contingent deferred consideration[2]	-	-	(4,028)	(4,028)
Other derivatives[4]	-	-	-	[1]
	-	-	(4,028)	
Financial liabilities not measured at fair value				
Secured bank loans	-	(29,692)	(29,692)	[1]
Finance leases	-	(69)	(69)	[1]
Trade, accruals and other payables	-	(48,924)	(48,924)	(48,924)
Employee benefits	-	(5,492)	(5,492)	[1]
	-	(84,177)	(84,177)	

29 February 2016	**Carrying value**			
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Carrying amount £'000**	**Fair value £'000**
Financial assets not measured at fair value				
Trade and other receivables	38,316	-	38,316	[1]
Cash and cash equivalents	15,100	-	15,100	[1]
	53,416	-	53,416	
Financial liabilities measured at fair value				
Contingent deferred consideration[2]	-	-	(3,895)	(3,895)
Financial liabilities not measured at fair value				
Secured bank loans	-	(30,096)	(30,096)	[1]
Finance leases	-	(127)	(127)	[1]
Trade, accruals and other payables	-	(42,240)	(42,240)	(42,349)
Employee benefits	-	(2,554)	(2,554)	[1]
	-	(75,017)	(75,017)	

[1] Fair value not disclosed as the carrying amounts are considered to be a reasonable approximation of fair value
[2] Contingent deferred consideration is a level 3 fair value
[3] Equity securities available for sale are a level 3 fair value
[4] Derivatives assessed as having minimal value

32 Financial instruments *(continued)*

Company

The following table shows the carrying amounts and fair values of financial assets and liabilities. The carrying amount of all financial assets and liabilities not measured at fair value is considered to be a reasonable approximation of fair value.

28 February 2017	**Carrying value**			
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Carrying amount £'000**	**Fair value £'000**
Financial assets measured at fair value				
Equity securities available for sale[3]			3,121	[1]
Financial assets not measured at fair value				
Trade and other receivables	50,981	-	50,981	[1]
Cash and cash equivalents	9,499	-	9,499	[1]
	60,480	-	60,480	
Financial liabilities measured at fair value				
Derivatives[2]	-	-	-	-
Contingent deferred consideration	-	(500)	(500)	(500)
Financial liabilities not measured at fair value				
Secured bank loans	-	(29,692)	(29,692)	[1]
Trade, accruals and other payables	-	(29,543)	(29,543)	(29,543)
Employee benefits	-	(4,922)	(4,922)	[1]
	-	(64,157)	(64,157)	

29 February 2016	**Carrying value**			
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Carrying amount £'000**	**Fair value £'000**
Financial assets not measured at fair value				
Trade and other receivables	38,910	-	38,910	[1]
Cash and cash equivalents	10,568	-	10,568	[1]
	49,478	-	49,478	
Financial liabilities measured at fair value				
Derivatives[2]	-	-	-	-
Contingent deferred consideration	-	-	(1,951)	(1,951)
Financial liabilities not measured at fair value				
Secured bank loans	-	(30,096)	(30,096)	[1]
Trade, accruals and other payables	-	(21,889)	(21,889)	(21,904)
Employee benefits	-	(2,100)	(2,100)	[1]
	-	(54,085)	(54,085)	

[1] Fair value not disclosed as the carrying amounts are considered to be a reasonable approximation of fair value

[2] Balance relates to NCI put over the Group's subsidiary which is currently recognised at immaterial value as the agreed price was equal to the fair value of the underlying investment on initial recognition

[3] Equity securities available for sale is level 3 fair value

32 Financial instruments (*continued*)

(b) Measurement of fair values

The following techniques have been applied in measuring level 3 fair values, together with the significant unobservable inputs used.

Financial instruments at fair value

Equity securities- During the year the group invested in a number of investments The fair value of these investments have been valued to be consistent with the initial cost as there has been no material change in the businesses since investment.

Warrants - The Group holds warrants in the associate. These were considered at 28 February 2017 to have a minimal fair value due to the contingent nature.

Reconciliation of Level 3 fair value:

	Unquoted equities £'000	Contingent consideration £'000
Balance at 1 March 2015	**6,234**	**(1,132)**
Assumed in business combination	**-**	**(1,951)**
Disposal	**(6,234)**	**-**
Loss included in administrative expenses		
- Net change in fair value (unrealised)	**-**	**(812)**
Balance at 29 February 2016	**-**	**(3,895)**
Purchases	**3,121**	**-**
Settlements	**-**	**2,400**
Loss included in administrative expenses		
- Net change in fair value (unrealised)	**-**	**(2,125)**
Foreign exchange loss	**-**	**(408)**
Balance at 28 February 2017	**3,121**	**(4,028)**

32 Financial instruments (*continued*)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group Carrying amount		*Company* Carrying amount	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Trade and other receivables	**44,357**	38,316	**50,981**	38,910
Cash and cash equivalents	**16,250**	15,100	**9,499**	10,568
	60,607	53,416	**60,480**	49,478

All financial assets which are subject to credit risk are held at amortised cost.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographical region was:

	Group		*Company*	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Europe	**5,685**	6,528	**2,710**	4,037
America	**24,823**	19,348	**31,103**	18,980
United Kingdom	**11,251**	9,769	**11,790**	12,900
Australasia	**2,598**	2,671	**5,378**	2,993
	44,357	38,316	**50,981**	38,910

32 Financial instruments *(continued)*

Exposure to credit risk *(continued)*

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

	Group		*Company*	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
End-user customer	**39,615**	31,496	**22,178**	18,235
Other	**4,742**	6,820	**28,803**	20,675
	44,357	38,316	**50,981**	38,910

No customers had receivable balances in excess of 10% of the Group's total balance at the year end. In addition £1,023k (2016: £2,928k) is receivable from Invest Northern Ireland in respect of grants receivable.

Impairment losses

The ageing of trade receivables at the reporting date was:

Group	**Gross 2017 £'000**	**Impairment 2017 £'000**	**Gross 2016 £'000**	**Impairment 2016 £'000**
Not past due	**14,165**	**-**	10,243	-
Past due 0-30 days	**9,133**	**-**	10,085	-
Past due 31-120 days	**8,729**	**-**	8,602	-
Past due 121-365 days	**3,979**	**149**	2,337	479
Past due 366 days +	**3,776**	**2,912**	4,711	3,863
Total	**39,782**	**3,061**	35,978	4,342

Company	**Gross 2017 £'000**	**Impairment 2017 £'000**	**Gross 2016 £'000**	**Impairment 2016 £'000**
Not past due	**8,000**	**-**	6,304	-
Past due 0-30 days	**5,413**	**-**	5,509	-
Past due 31-120 days	**6,692**	**-**	5,446	-
Past due 121-365 days	**1,567**	**149**	941	-
Past due 366 days +	**896**	**896**	1,164	981
Total	**22,568**	**1,045**	19,364	981

32 Financial instruments *(continued)*

Impairment losses (continued)

The movement in the specific allowance for impairment in respect of trade receivables during the year was as follows:

	Group		*Company*	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Balance at 1 March	**4,342**	2,681	**981**	1,163
Impairment loss charged	**1,550**	1,635	**780**	441
Foreign exchange impact	**388**	681	**-**	-
Amounts written off	**(3,219)**	(655)	**(716)**	(623)
Closing balance	**3,061**	4,342	**1,045**	981

A specific impairment loss was incurred during the prior year with regard to concerns over the recoverability of debt from various customers mainly due to the economic circumstances of those customers. The Group and Company believe that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviours.

The allowance for impairment for the Group and Company is entirely specific.

The Group and Company held cash and cash equivalents of £16,250k (2016: £15,100k) and £9,449k (2016: £10,568k) respectively at 28 February 2017 which represents their maximum exposure on the assets. The cash and cash equivalents are held with bank and institutional counter parties which are rated AA- to AA+ based on credit agency ratings.

32 Financial instruments *(continued)*

Liquidity risk

Group

The following are contractual maturities of financial liabilities, including estimated interest payments.

28 February 2017	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(29,692)	(31,803)	(1,971)	(2,286)	(3,820)	(23,726)	-
Finance leases	(69)	(85)	(40)	(40)	(5)	-	-
Trade and other payables	(48,924)	(48,924)	(15,331)	-	(33,593)	-	-
Contingent deferred consideration	(4,028)	(4,028)	(859)	-	(3,169)	-	-
Commitment to associate	-	(2,347)	(1,820)	(526)	-	-	-
	(82,713)	(87,187)	(20,021)	(2,852)	(40,587)	(23,726)	-

29 February 2016	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(30,096)	(33,527)	(2,087)	(2,396)	(4,023)	(25,021)	-
Finance leases	(127)	(162)	(59)	(50)	(53)	-	-
Trade and other payables	(42,240)	(42,240)	(12,151)	-	(30,089)	-	-
Contingent deferred consideration	(3,895)	(3,895)	(1,451)	(1,268)	(1,176)	-	-
	(76,358)	(79,824)	(15,748)	(3,714)	(35,341)	(25,021)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 23. The contractual maturity of the £33,586k (2016: £30,089k) included in trade and other payables is up to seven years, but has an exercise notice period of 366 days.

Company

The following are contractual maturities of financial liabilities, including estimated interest payments.

28 February 2017	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(29,692)	(31,803)	(1,971)	(2,286)	(3,820)	(23,726)	-
Trade and other payables	(29,543)	(29,543)	(29,543)	-	-	-	-
Contingent deferred consideration	(500)	(500)	(500)	-	-	-	-
	(59,735)	(61,846)	(32,014)	(2,386)	(3,820)	(23,726)	-

29 February 2016	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(30,096)	(33,527)	(2,087)	(2,396)	(4,023)	(25,021)	-
Trade and other payables	(21,889)	(21,889)	(21,889)	-	-	-	-
Contingent deferred consideration	(1,951)	(1,951)	(1,451)	(500)	-	-	-
	(53,936)	(57,367)	(25,427)	(2,896)	(4,023)	(25,021)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 23.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

32 Financial instruments *(continued)*

Currency risk

Group
The Group's exposure to currency risk was as follows:

	28 February 2017			29 February 2016		
	CAD £000's	**EUR £'000**	**USD £'000**	CAD £000's	EUR £'000	USD £'000
Trade receivables	**42**	**2,117**	**12,953**	54	1,301	7,510
Secured bank loans	**-**	**-**	**-**	-	-	-
Trade and other payables	**(2)**	**(239)**	**(35,352)**	-	(42)	(30,427)
Net balance sheet exposure	**40**	**1,878**	**(22,399)**	54	1,259	(22,917)

The above excludes bank loans designated in a net investment hedge of £28,802k (2016: £29,206k).

Company
The Company's exposure to currency risk was as follows:

	28 February 2017			29 February 2016		
	CAD £000's	**EUR £'000**	**USD £'000**	CAD £000's	EUR £'000	USD £'000
Trade receivables	**42**	**2,117**	**11,740**	54	1,301	6,252
Secured bank loans	**-**	**-**	**(28,802)**	-	-	(29,206)
Trade and other payables	**(2)**	**(186)**	**(1,555)**	-	(30)	(274)
Net balance sheet exposure	**40**	**1,931**	**(18,617)**	54	1,271	(23,228)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2017	2016	**2017**	2016
USD 1	**1.32**	1.51	**1.24**	1.39
EUR 1	**1.20**	1.37	**1.17**	1.27
CAD 1	**1.73**	1.98	**1.64**	1.88

Sensitivity analysis
A 10% strengthening of Sterling against the above currencies at the end of the period would decrease Group equity by £3,359k (2016: £3,008k) and profit or loss by £2,048k (2016: £2,160k). A 10% weakening of Sterling against the above currencies at the end of the period would increase Group equity by £3,023k (2016: £2,708k) and profit or loss by £1,844k (2016: £1,944k). The movement on the net investment hedge would be offset by the movement in the net investment. This analysis assumes that all other variables, in particular interest rates, remain constant.

32 Financial instruments *(continued)*

Sensitivity analysis (*continued)*

A 10% strengthening of Sterling against the above currencies at the end of the period would decrease Company profit or loss by approximately £1,370k (2016: £2,190k). A 10% weakening of Sterling against the above currencies at the end of the period would increase Company profit or loss by approximately £1,233k (2016: £1,971k). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risks

At the reporting date the interest profile of the Group's and Company's interest bearing financial instruments was:

	Group		***Company***	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Variable rate instruments				
- Financial assets	**16,250**	15,100	**9,499**	10,568
- Financial liabilities	**(29,692)**	(30,096)	**(29,692)**	(30,096)
	(13,442)	(14,996)	**(20,193)**	(19,528)
Fixed rate instruments				
- Financial assets	**-**	-	**-**	-
- Financial liabilities	**(69)**	(127)	**-**	-
	(69)	(127)	**-**	-

A 10% reduction in interest rates at the end of the period would increase Group equity and profit and loss by approximately £88k (2016: £135k). A 10% increase in interest rates at the end of the period would decrease Group equity and profit or loss by approximately £96k (2016: £123k). This analysis assumes that all other variables remain constant.

33 Share based payments

Options have been granted as set out below under the Group's equity-settled share option schemes which are open to all Executive Directors and employees of the Group. The key terms of all options issued are consistent, with all options subject to the completion of one to four years of service as set by the Group prior to the grant of the option. As the options vest at annual intervals over a three or four year period, they are deemed to consist of three separate options for valuation purposes. Vested options are exercisable following the satisfaction of the service criteria for a period not exceeding 10 years from the date of grant. It is noted that share options which pre-date the scope of IFRS 2 (*Share Based Payment*), are not accounted for under this standard.

Reconciliation of outstanding share options
The number and weighted average exercise prices of share options have been analysed into four exercise price ranges as follows:

	Weighted average exercise price 2017	**Number of options 2017**	Weighted average exercise price 2016	Number of options 2016
Maximum options outstanding at beginning of period	**1.35**	**169,500**	1.24	269,250
Lapsed during the period	**-**	**-**	-	-
Exercised during the period	**1.59**	**(64,000)**	1.05	(99,750)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**1.21**	**105,500**	1.35	169,500
Exercisable at end of period	**1.21**	**105,500**	1.35	169,500

The options outstanding at 28 February 2017 above have an exercise price of £1.21 (2016: £1.21 to £1.61) and a weighted average contractual life of 2.0 years (2016: 1.9 years).

	Weighted average exercise price 2017	**Number of options 2017**	Weighted average exercise price 2016	Number of options 2016
Maximum options outstanding at beginning of period	**2.55**	**199,334**	2.52	268,501
Lapsed during the period	**-**	**-**	2.22	(7,500)
Exercised during the period	**2.63**	**(79,000)**	2.46	(61,667)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**2.50**	**120,334**	2.55	199,334
Exercisable at end of period	**2.50**	**120,334**	2.55	199,334

The options outstanding at 28 February 2017 above have an exercise price in the range of £2.27 to £2.735 (2016: £2.27 to £2.735) and a weighted average contractual life of 1.3 years (2016: 2.5 years).

33 Share based payments (*continued)*

	Weighted average exercise price 2017	**Number of options 2017**	Weighted average exercise price 2016	Number of options 2016
Maximum options outstanding at beginning of period	**6.56**	**1,909,868**	6.38	2,593,499
Lapsed during the period	**8.33**	**(30,500)**	7.60	(156,167)
Exercised during the period	**6.06**	**(652,818)**	5.38	(527,464)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**6.77**	**1,226,550**	6.56	1,909,868
Exercisable at end of period	**5.97**	**889,480**	5.25	1,113,639

The options outstanding at 28 February 2017 above have an exercise price in the range of £4.27 to £9.00 (2016: £4.15 to £9.00) and a weighted average contractual life of 5.7 years (2016: 6.6 years).

	Weighted average exercise price 2017	**Number of options 2017**	Weighted average exercise price 2016	Number of options 2016
Maximum options outstanding at beginning of period	**12.99**	**734,500**	**-**	**-**
Lapsed during the period	**12.28**	**(20,000)**	**-**	**-**
Exercised during the period	**12.28**	**(4,000)**	**-**	**-**
Granted during the period	**16.11**	**859,000**	12.99	734,500
Maximum options outstanding at end of period	**14.70**	**1,569,500**	12.99	734,500
Exercisable at end of period	**-**	**-**	**-**	**-**

The options outstanding at 28 February 2017 above have an exercise price in the range of £12.28 to £21.10 (2016: £12.28 to £14.37) and a weighted average contractual life of 8.5 years (2016: 9.3).

The weighted average share price at the date of exercise for share options exercised for the year ending 28 February 2017 was £17.85 per share (2016: £14.42).

Measurement of fair values

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using an adjusted Black Scholes model, with the following inputs:

Grant of options during the year ended 28 February 2017			
Grant date	08/03/16	18/07/16	01/12/16
Fair value at grant date	3.07	2.36	3.04
Share price at grant date	14.69	17.25	21.10
Exercise price	14.69	17.25	21.10
Number of options	519,000	250,000	90,000
Expected volatility (weighted average volatility)	17.5%	17.5%	17.5%
Option life (expected weighted average life)	4.5 years	3.5 years	2.5 years
Expected dividends	0.1%	0.1%	0.1%
Risk-free interest rate (based on government bonds)	3.0%	3.0%	3.0%

33 Share based payments (*continued)*

Measurement of fair values

Grant of options during the year ended 29 February 2016

Grant date	02/06/15	14/08/15
Fair value at grant date	2.39	2.28
Share price at grant date	12.275	14.37
Exercise price	12.275	14.37
Number of options	484,500	250,000
Expected volatility (weighted average volatility)	20%	20%
Option life (expected weighted average life)	3.5 years	2.5 years
Expected dividends	0.1%	0.1%
Risk-free interest rate (based on government bonds)	3.0%	3.0%

The adjustments made to the standard Black Scholes model are those required to reflect more clearly the Company's experience relating to key assumptions.

Employee expenses – equity settled

	2017	2016
	£'000	£'000
Expense relating to:		
Share options granted in 2010/11 – equity settled	**-**	1
Share options granted in 2011/12 – equity settled	**-**	27
Share options granted in 2012/13 – equity settled	**58**	55
Share options granted in 2013/14 – equity settled	**147**	199
Share options granted in 2014/15 – equity settled	**211**	227
Share options granted in 2015/16 – equity settled	**284**	306
Share options granted in 2016/17– equity settled	**400**	-
Total expense recognised as employee benefit expense	**1,100**	815
Total amount recognised as software development costs	**292**	-
Total amount recognised in share based payment reserve	**1,392**	815

34 Contingent liabilities

Government grants

A portion of grants may become repayable should the conditions of offer cease to be met. The repayment of the employment grant is contingent on the maintenance of employment levels to October 2018 and September 2022 in relation to the respective grants.

First Derivatives plc

Directors and advisors

Directors	S Keating	–	Non-Executive Chairman*+
	B G Conlon	–	Chief Executive Officer
	R G Ferguson	–	Chief Financial Officer
	K MacDonald	–	Non-Executive Director*
	V Gambale	–	Non-Executive Director*
	J Robson	–	Non-Executive Director+ (Resigned 15 May 2017)

Secretary	JJ Kearns	
Registered Office	3 Canal Quay Newry Co Down BT35 6BP	
Auditors	KPMG Chartered Accountants Stokes House 17/25 College Square East Belfast BT1 6DH	
Solicitors	Mills Selig 21 Arthur Street Belfast BT1 4GA	
Bankers	Bank of Ireland Corporate Headquarters Donegall Place Belfast BT1 5LU	
Nominated Advisor/EMI Advisor and Joint Brokers	Investec Bank Plc 2 Gresham Street London EC2V 7QP	Goodbody Corporate Finance Ballsbridge Park Ballsbridge Dublin 4
Company registration number	NI 30731	
Registrar and Transfer Office	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

* Member of the audit committee
\+ Member of the remuneration committee

First Derivatives plc

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