First Derivatives plc

Directors' report and consolidated financial statements

Registered number: NI 30731

28 February 2013

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Chairman's statement

The increasing regulatory requirements and the challenging environment for financial markets have presented us with further business opportunities. It is satisfying to report another year of strong growth for the Group. Our ongoing investment into the Group's technology, infrastructure and operations has seen the creation of a strong organisation well positioned for future growth.

Financial summary

Revenue for the year ended 28 February 2013 increased by 22.5% to £56.5 million from £46.1 million in the previous year. Normalised pre-tax profits[1] recorded growth of 6.7% to £7.8 million compared to £7.3 million in 2012. Operating margins were impacted by a rise in administration costs due primarily to investment in the expansion of our global presence in response to customer demands. We have also invested in significant growth in our sales resources for both software and consulting to assist with our growth ambitions. Reported pre-tax profits decreased by 11.3% to £6.2 million (2012: £6.9 million).

Dividend

The Group continues to generate positive operating cash flows and this has allowed the Board to recommend payment of a final dividend of 8.40p per share which, together with the interim dividend of 3.1p per share paid on 6 December 2012, gives a total dividend for the year of 11.50p.

The final dividend, if approved at the AGM, will be paid on 26 July 2013 to those shareholders on the register on 28 June 2013. The shares will be marked ex-dividend on 26 June 2013.

Operational Review - Software

Software sales of £15.0 million (2012: £13.5 million) represented an increase of 11.4%. The growth in total software revenues belies the progress made by the Group in developing a strong recurring source of income. The increase of 36.2% in transactional and recurring revenues over the previous year gives a more appropriate indication of the strong underlying growth in software across the Group. This was in part offset by a reduction of 62.4% in one off license fee income. Total software sales growth was further impacted by the planned and continuing decline in legacy technology income which arose from the migration of the clients who came to FDP through the acquisition of Cognotec in 2010.

The expansion of computing on a global basis is seeing data volumes grow exponentially, this along with the complexity of the financial markets, creates a significant IT challenge for the industry generically known as the "Big Data" problem. Changes in the regulatory landscape, ever more complex trading strategies, increased data sources for data mining and a need for global risk management, among others, is driving the need to converge data sources to enable examination of all the data across a financial entity's organisation. Given the data volume, the need for timely examination of the data and varying types of data sources, incumbent technologies are struggling to store and analyse the data for efficient use. Our Delta suite products, developed on the Delta technology platform, are specifically engineered to meet the complex calculations and large volumes of data that exist in the capital markets sector. Our software, along with the investment we have made to establish the physical infrastructure necessary to operate the software in the 'cloud' or on a Software as a Service ("SaaS") model gives us the ability to meet the growing need and desire of our clients to address their problems.

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[1] In our pre close trading statement on 2 April 2013 we advised the company had made a provision for a potential bad debt relating to a legacy contract from the acquisition of Cognotec which was acquired in February 2010. As this is a non recurring item the increase in provision has been removed from normalised profit. In addition normalised profit does not include currency translation loss, acquisition costs and effects of associate's income.

On 13 December 2012 we announced a sale of Delta Stream to the Australian Securities and Investment Commission to meet its statutory obligation to oversee Australia's licensed financial markets. This sale demonstrates Delta Stream's Big Data capabilities in handling large volumes of data at high velocity, as the system will be monitoring various instrument types in differing asset classes such as equities and fixed income, across multiple exchanges. With this reference site, along with our win at the Singapore Stock Exchange, we consider our Big Data capabilities in the area of surveillance, positions us well to attack the exchange market. We anticipate that we will announce a number of new contracts in this area over the coming months.

We achieved a number of contract wins for our flagship products during the period, including sales of Delta Stream and Delta Algo to some of the world's largest banks. Also, the launch of the latest version of our foreign exchange trading platform Delta Flow, which is focused on management of the ever increasing data volumes and volatility in the FX market, has secured further new broker clients in the year. Delta Flow has also been selected and implemented by a large Japanese Bank, demonstrating the product's capabilities for the banking segment. In the coming year we plan to add forwards, swaps and request-for-quote to Delta Flow. We will continue to target the traditional FX spot trading broker market while these new applications will give us the ability to cross-sell to our more traditional banking client base.

We have focused our sales efforts in establishing license contracts with our software customers on a recurring and, when hosted, on a transactional revenue basis. While this creates high revenue visibility for future periods it does mean contributions in initial periods are lower than would be achieved under more traditional models. In addition, as with any cloud application, building confidence takes time and this bedding down period is underway with the Delta suite. This year we have focused our efforts on developing the sales organisation to increase our market presence. In October we announced the appointment of a Head of Product Sales which has been followed by further appointments to strengthen our sales team. This has allowed us to develop a healthy pipeline of prospects across our range of potential customers – banks, content providers, brokers, exchanges and regulators - which give us confidence that we can deliver continued growth in software revenues.

Operational Review - Consulting

Consulting revenues increased 27.1% to £41.5 million from £32.6 million in the previous year. In a market that is subject to increasing pressure on customer budgets, this level of growth continues to demonstrate the strength of our offering. The contracting by our customers' procurement departments of preferred supplier lists in order to target economies of scale further demonstrates the pressure on budgets within our market, yet we have continued to penetrate into new customers, adding a further fifteen major financial institutions as clients this year.

The success of our core consulting business continues to be built on the quality of our people, our commitment to training, the flexibility of our service and our focus on being responsive to the changing market. Over the last few years the Group has expanded its capabilities in key technologies, such as Calypso, Murex and Wall Street Systems; in order to meet our customers' ever growing need to develop and expand their core technologies to meet regulatory, compliance and business requirements. By deepening our domain knowledge in these technologies we have been able to offer more comprehensive services allowing our customers to maximise efforts within the budget constraints they may have. We will continue to seek to develop our knowledge and experience in these key technologies and enhance our overall capabilities to allow our customers to benefit.

Chairman's statement *(continued)*

One of our core strategies is to focus on complex assignments being undertaken by many of our larger clients. This generally leads to repeat business thereby establishing a recurring revenue stream, as our inherent knowledge of their eco system becomes key for future upgrades, ongoing development and support. An example of our ability to develop recurring revenue streams from consulting is demonstrated by our launch of a centre of excellence for one of our major global investment bank clients which has operated out of First Derivatives' head office premises since October 2012. This is a multi-year agreement to provide development and support services for parts of the client's capital markets infrastructure, the opportunity for which arose following the previous successful delivery of services on a component of the system. The success of this project has led to further assignments being undertaken with this client and similar discussions are ongoing with certain other global banking groups.

We consider a flexible service model is critical in the current market to allow customers to achieve their goals. Our ability to flex our delivery is resonating with customers with a number of assignments now being run with multi resource teams operating on-site and from our premises on either a full or part time basis. Utilising this we can provide the relevant market or domain expertise across multiple assignments while maintaining a competitive cost operating model for our customers.

Acquisitions

On 27 September 2012 the Company acquired Cowrie Financial Limited ("Cowrie"), Redshift Horizons Limited ("Redshift") and Redshift Horisons LLP. These acquisitions were focused on expanding our knowledge base of the key technologies in our sector. Cowrie brought key domain knowledge and expertise in the delivery and management of Murex Technology, software which is widely used across asset classes for trading, risk management and processing. Redshift deepened our expertise in the provision of managed services for data and trading systems. Since acquisition these services have been fully integrated into the Group's suite of service offerings and have assisted in the provision of overall services to the Group's customer base.

Property

The Board acknowledged some time ago that the retention of a large property portfolio within the Group Balance Sheet was no longer entirely appropriate. The programme of disposals has continued over the year with the sale of seven individual properties generating a profit on sale of £0.7 million. The Group will continue its strategy of disposing of further properties as suitable, profitable opportunities arise. At 28 February 2013 six properties were listed for sale with selling agents and have been classified as such in the accounts.

Board changes

The Company announced on 9 May 2013 the creation of an Executive Management Committee with responsibility for the organisational structure and central management functions of the Group. The Group Board remains responsible for strategic development and all matters of corporate governance, shareholder responsibilities and for meeting the Group's obligations to the public markets. At the same time the retirement of Michael O'Neill from his role as a Non-Executive Director was announced. I would like to thank Michael for his substantial contribution in both an Executive and Non-Executive capacity during his time with the group.

The Company also announced the appointment of Seamus Keating to the Board as a Non-Executive Director on 10 December 2012. Seamus was a director of Logica Group PLC from 2002 until 2012 and we are delighted to have him on the Board.

I have been Chairman since the Company's flotation on the AIM Market in 2002. During that time the market capitalisation has increased from £5 million to over £100 million today. As the final part of the Board re-structuring I intend to step down from my role as Non-Executive Chairman following the AGM in July but will continue as a Non-Executive Director. I would like to thank those who have worked with me and supported me during my Chairmanship. It is proposed that Seamus Keating will take on the role of Non-Executive Chairman.

Outlook

This year has seen positive growth across the Group's activities with total revenues up over 22.5%. We expect the coming year to provide challenging market conditions with continued customer budgetary constraints. The investment we have made in all the Groups activities has been to ensure that we build a robust organisation with a strong asset base and service offering to ensure future growth. With the improvements to the Delta suite, its increasingly visible revenue stream along with the positioning of our service offerings, we feel that the group is well positioned to continue to grow. In addition to our traditional pipeline we have a strong pipeline of larger prospects arising from our push into the Big Data arena though given our revenue model these if successful are unlikely to have a material impact in our year to 2014. We remain excited by the potential of our software and consulting offerings and expect to be able to report further progress in the year to 28 February 2014.

I would like to thank Brian Conlon and his team for achieving another successful year of growth for the Group.

David Anderson 17 June 2013
Chairman

First Derivatives plc

Chief Executive's statement

It has been another interesting year in the financial markets with widespread co-ordinated quantitative easing being the policy response of many major governments to continued recession. Regulation continues to be a dominant theme for our customers with banks under continued pressure to shore up their capital bases and to cut costs. Against this challenging market backdrop I am pleased to report that First Derivatives has had another successful year. We continue to invest for expansion and I believe that we have never been better placed to grow our operations and to expand our customer base.

Review of activities

First Derivatives sells software products to the capital markets and provides a range of associated consulting services. Our customer base continues to grow and this year we provided services to more than 100 different investment banks, brokers, exchanges, regulators and hedge funds. Whilst the majority of our customer assignments are undertaken in major financial centres such as New York, London, Toronto, Chicago, Singapore, Hong Kong, Tokyo and Sydney, we also have engagements underway in locations such as Dubai, Johannesburg, Stockholm and Mexico City.

We operate in a vast market with thousands of potential customers, many of whom spend billions of pounds annually on technology and associated services. We differentiate ourselves by providing a combination of domain knowledge and technical expertise. This is relatively unique in the industry and First Derivatives has strong brand recognition. We are focussed on building visible recurring revenue and in our consulting business we target assignments that last for many years. We sell software on a subscription model which reduces earnings volatility and provides more determinism for our investment decisions.

Software

Our Delta technology platform is designed around volume and velocity – the analysis of large volumes of data in small time periods. We build ecosystems in the cloud to allow our customers to co-operate and to share data and liquidity management functionality. Big Data, as it is known, is the major growth area in software at the moment. Our platform is designed to meet the challenges of Big Data and recent product wins and interest from prospective customers gives us confidence that we have a product poised to challenge some of the major players in the technology arena.

We announced in December that the body charged with overseeing Australia's financial markets, the Australian Securities and Investment Commission, had chosen Delta Stream to help monitor the markets. Our software will help them analyse trading in real-time to spot anomalies indicating insider trading, market abuse and "flash crash" conditions. We displaced the incumbent software provider and this win has put us on the radar of many of the world's leading regulators and exchanges who have a regulatory imperative to upgrade their surveillance systems. We are currently in discussions with a number of exchanges and regulators throughout the world who have an interest in our software and we expect to announce further wins in the coming months.

The FX market continues to grow with $4.7 trillion traded daily in 2012. Our foreign exchange product, Delta Flow, was successfully deployed into production in late 2012 and we have signed up a number of new customers in the period. We are working on a strategic initiative with one of the biggest banks in Japan to replicate our North American trading ecosystem to allow them to expand their franchise in Asia. This is an exciting new initiative and should pave the way for further expansion in the region which accounts for much of the world's trading volume.

Chief Executive's statement (*continued)*

Unlike some of our competitors, we have a firm commitment to investing in our product suite to exploit advances in general technology and to improve and enhance existing product lines. Our common technology platform makes it easier to develop new products and bring them quickly to market – this "quick to fail" approach promotes innovation and enables us to respond quickly to new opportunities. Our consulting engagements also allow us to keep abreast of, and respond to, trends in the market.

We continue to work closely with our sister company Kx Systems, and with their customers, who had another successful year last year. As a 20% shareholder we will continue to benefit from their success and their passion in making their technology the world's leading time series database. Their product is used by some of the world's largest financial institutions and Kx Systems lists organisations such as Goldman Sachs, JP Morgan, Zurich Financial Group, Morgan Stanley, Fidelity Investments and Total Gas & Power as customers.

I am pleased to report that our recurring software revenue increased by 36.2% this year and the trend has continued into the new financial year. Commitment to this annual recurring/transactional model is key to building a sustainable and profitable software business.

Consulting

First Derivatives is now well established as one of the world's premium providers of specialised consulting services to the capital markets. In a fragmented market our increasing scale means that we are bidding for larger projects and competing (and indeed sometimes co-operating on joint bids) with global powerhouses such as IBM. We have ongoing contracts with many of the leading global banks, supporting their activities across a range of asset classes including credit, interest rate, foreign exchange, equity cash and derivatives markets. The Group has been working in this area for seventeen years and our areas of expertise continue to broaden and deepen.

In response to increased regulation, the dearth of availability of equity capital and more stringent capital adequacy requirements many of our customers are looking at creative ways of reducing their cost bases. The trend towards outsourcing to ostensibly cheaper locations such as India has not been universally successful. We have developed a compelling competing alternative in the form of a hybrid nearshore model. This involves deploying a team of consultants onsite at the customer supplemented by similar expertise at a lower cost in our headquarters. This model addresses some of the concerns around outsourcing – cultural dissonance, domain expertise, face to face relationships, governance and supply and sustainability – and is proving popular with our customers. One of our biggest successes last year was the awarding of a competitive tender to us by a major US investment bank, having beaten off competition from some of the world's largest technology companies. We were tasked with setting up a nearshore Centre of Excellence in Newry supported by consultants onsite in London, Hong Kong and New York. This multi-year project has the potential to grow to 100 people over time and is indicative of the size of the opportunities we are working on.

We have had significant success in establishing expertise across a range of widely used third party technologies. This has helped us to significantly broaden our customer base, with new opportunities opening up across the globe. Implementing and supporting these technologies on a managed services basis helps us secure significant visible recurring revenue.

Our consultants continue to work closely with our development team by providing market intelligence and competitor analysis. They can also assist the product team with business analyst work and testing. The fungible nature of our resource pool helps maintain operational efficiencies.

Chief Executive's statement (*continued)*

Management and Personnel

The Group now employs over 750 people and our success in retaining staff and senior management means that the experience profile of our consultants continues to improve. The strength of the First Derivatives brand means that we can attract top talent in the industry and we are seen as an exciting and progressive company to work for. This is evidenced by having leading industry personnel such as Keith McDonald, Seamus Keating and Pat Brazel on our Board and Gerry Buggy and Tom Kozlowski on our Executive Management team. Once again I would like to pay tribute to all First Derivatives employees who are hard working, talented, flexible and dedicated. Our customer retention rates are evidence of this.

Financial Review

Post-tax profit for the year was £5.1 million (2012: £5.9 million) on turnover of £56.5 million (2012: £46.1 million). Gross margin was broadly maintained (data centre costs were reclassified from administrative expenses to cost of sales). Our balance sheet is strong with equity attributable to shareholders up to £39.4 million (2012: £32.2 million), an increase of 22.4%. This, and our confidence in the Group's ability to generate cash, enables the Board to recommend a final dividend of 8.40p per share (2012: 8.15p) which means that we will have paid a total dividend of 11.50p (2012: 11.15p) per share for the full year.

Outlook

Based on the health of our current sales pipeline we anticipate reporting further growth in the year to 28 February 2014. As well as organic growth the Board will continue to pursue acquisition opportunities where we see a strategic fit and have access to the necessary sources of finance. On a macro level we are confident that we have positioned ourselves to benefit from global trends in technology and consulting and that with our recurring revenue model and continued reinvestment in the business we will deliver further significant benefits in the years ahead

Brian Conlon 17 June 2013
Chief Executive Officer

First Derivatives plc

Directors and advisers

Directors	R D Anderson	–	Non-executive chairman+
	B G Conlon	–	Chief Executive Officer
	R G Ferguson	–	Chief Financial Officer
	P Brazel	–	Non-executive director*+
	K MacDonald	–	Non-executive director*
	S Keating	–	Non-executive director*+

Secretary Richard Fulton LLB

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3 Canal Quay
Newry
Co Down
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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

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Goodbody Corporate Finance
Ballsbridge Park
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Dublin 4

Company registration number NI 30731

Registrar and Transfer Office
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Neville House
18 Laurel Lane
Halesowen
West Midlands
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* Members of the audit committee
\+ Members of the remuneration committee

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 2013.

Results and dividend

The group's profit after taxation attributable to the shareholders for the year to 28 February 2013 was £5,145k (2012: £5,946k).

The directors propose the payment of a final dividend of 8.40 pence per share (previous year: 8.15 pence which, together with the interim dividend of 3.1 pence per share (2012: 3.00 pence), totals 11.50 pence (2012: 11.15 pence) per share. The final dividend has not been included in payables as it was not approved before the year end.

Dividends paid during the year comprised of a final dividend of 8.15 pence per share for the year ended 29 February 2012 and an interim dividend of 3.1 pence per share for the year ended 28 February 2013.

Principal activities and review of the business

The principal activities of First Derivatives plc are the provision of a range of software and consulting services to the investment bank market, the derivatives technology industry, the foreign exchange market and the provision of technology sales services to the IT sector.

The group offers a range of services to various clients across the world. These services interlink and complement each other, which enables the group to be managed on an overall basis.

Reviews of the business and likely future developments are set out below and in the Chairman's and Chief Executive's statements on pages 2 to 8.

Investments

In recent periods a number of investments have been made to establish subsidiary entities or strategic associate holdings.

First Derivatives will continue to try to identify acquisitions or investments to expand its range of services and offerings available to its various clients. The focus of these acquisitions or investments remain to be that the new services or offerings interlink and complement each other, which enables the group to be managed on an unified basis.

Principal risks and uncertainties

The group operates in a changing economic and technological environment.

The key business risks affecting the group are set out below and in the Chairman's statement on pages 2 to 5 and Chief Executive's statement on pages 6 to 8. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the group.

First Derivatives plc

Directors' report *(continued)*

Personnel

As a software and services provider, the group is a people based business and its growth depends largely on growing staff numbers and training staff to meet the diverse requirements of our customer base. The group continues to refine its recruitment process to ensure a constant intake of suitable new staff and the internal training programme for each company is constantly evolving. Staff retention remains a key focus with initiatives such as mentoring programmes being employed, in addition to incentives schemes which include share options that are geared towards rewarding and motivating staff.

Market risk

The group operates in a competitive and often cyclical market environment. We address these risks by focusing sales campaigns on generating assignments with long-term visibility, continuing to increase the human capital of our consultants and diversifying our software and services portfolio offerings.

Technological changes

Technology in the software industry can change rapidly. It is important that our products remain up to date and that our development plans are flexible. We make a significant ongoing investment in research and development to allow us to identify and adapt to any technological changes that do occur, thereby ensuring that our products continue to meet the demands of our customers.

Financial risk management

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 has exposure to the US Dollar (USD), Euro (EUR) and Canadian Dollar (CAD). In addition, the group has financial risk exposure as a result of mortgage financing apartment 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 (MRP), Reference Data Factory Inc (RDF) and the investment in Kx Systems 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.

Key relationships with partners and customers

First Derivatives maintains successful relationships with Kx Systems, a key partner, and several key customers. Its relationship with Kx Systems is governed by a partnership agreement for the marketing of the kdb+ database to end customers, whilst the use of this database within the First Derivatives product suite is governed by a perpetual OEM agreement. A small number of key customers are important to the success of the group, our continued expansion will reduce this reliance.

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 5 and the Chief Executive's statement under the heading 'Financial Review' on page 8.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit. Further information is set out in note 39.

Property, plant and equipment

The details of property, plant and equipment are given in note 16 of the financial statements. During the year the group disposed of seven properties with a net book value of £4,281k. The properties were sold at a total profit of £717k.

Directors and secretary

The directors and secretary who held office during the year were as follows:

R D Anderson
B G Conlon
R G Ferguson
A Toner (resigned 09 May 2013)
K Cunningham (resigned 09 May 2013)
M G O'Neill (resigned 09 May 2013)
P Brazel
K MacDonald
S Keating (appointed 10 December 2012)
Richard Fulton (Company Secretary)

Directors and their interests

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:

	Ordinary shares of £0.005 each 2013 number	Ordinary shares of £0.005 each 2012 number
R D Anderson	**140,000**	140,000
B G Conlon	**7,853,953**	7,853,953
R G Ferguson	**117,647**	117,647
A Toner	**-**	10,000
K Cunningham	**281,710**	341,710
M G O'Neill	**300,000**	640,000
P Brazel	**-**	-
K MacDonald	**10,000**	-
S Keating	**-**	-

The directors interests in the contracts with the company is disclosed in note 38.
Details of share options granted to directors of the company are disclosed at note 12.

Directors' report *(continued)*

Substantial shareholdings

At 14 June 2013, 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 (44.01%), Standard life Investments Limited (9.15%), and Investec Asset Management (4.76%).

Research and development

The group's policy is to invest in product innovation and engage in research and development activities geared toward the development of products primarily for the use of the financial services industry. During the year costs of £5,608k (2012: £4,819k) 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 £1,428k (2012: £1,360k) 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.

Market value of land and buildings

The directors consider that the market value of land and buildings is significantly higher than its carrying value. The estimated market value is £18.9 million based on independent valuations performed in the prior year by external market valuers on an open market basis.

Political and charitable donations

The group and company made charitable donations of £nil (2012: £41k) during the period. The group and company made no political donations during the year (2012: £Nil).

Supplier payment policy

The group does not have a standard code which deals specifically with the payment of suppliers. However, suppliers are made aware of payment terms and how any disputes are to be settled and payment is made in accordance with those terms. At 28 February 2013 the group had 36.7 days purchases outstanding (29 February 2012: 33.5 days).

First Derivatives plc

Directors' report *(continued)*

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

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Richard Fulton 17 June 2013
Secretary

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated 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 (IFRSs) as adopted by the EU and applicable law and have elected to prepare the company financial statements on the same basis.

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 consolidated 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 EU; 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 that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with 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.

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

Richard Fulton
Secretary

17 June 2013

Report of the Remuneration Committee

Remuneration Committee

The Remuneration Committee operates within defined terms of reference. The Remuneration Committee comprises the Chairman and two Non-Executive Directors. It is chaired by Patrick Brazel.

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 option 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 and benefits in kind. The bonus elements are dependent on the Executive Directors achieving performance criteria set out by the Remuneration Committee. The criteria include targets for revenue, profits and earnings per share. In addition, the Group operates share option schemes for the Executive Directors. Details of the Directors remuneration is set out in note 12 of the financial statements.

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.

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.

Share Options

The Directors believe it is important to incentivise key management and employees.

Share options granted to the Directors over ordinary 0.05p shares in the Company are set out in note 12. The mid-market price of the Company's shares at close of business on 28 February 2013 was £5.88 and the high and low share prices during the year were £6.30 and £4.68 respectively.

The Company recognised total expenses of £576k (2012: £486k) related to equity-settled share-based payment transactions during the year. Expenses of £257k (2012: £225k) related to share options granted to the Directors. No share options were exercised by the directors during the current year (2012: Nil).

Directors' Share Interests

The Directors' shareholdings in the Company are listed in the Directors' Report on page 12.

Corporate governance

As an AIM-quoted company, the group is not required to produce a corporate governance report that satisfies all the requirements of the UK Corporate Governance Code 2010. However, certain corporate governance procedures have been put in place which reflects the group's size and structure.

The main features of the group's corporate governance procedures are:

- The board meets on a regular basis and brings independent judgement to bear. It approves budgets, long term plans and significant contracts. There is a formal schedule of matters reserved for decision by the board in place.

- The board has three non-executive directors; they all take an active role in board matters.

- The group has an audit committee and a remuneration committee. These committees consist of the non-executive directors. They have written constitutions and terms of reference.

- The audit committee meets twice each year, prior to the publication of the half-yearly 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.

- The board of directors 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.

- Share options have been granted to certain non-executive directors (see note 12).

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

We have audited the financial statements of First Derivatives plc for the year ended 28 February 2013 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements 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 (IFRSs) as adopted by the EU and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2013 and of the group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Arthur O'Brien(Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor 17 June 2013
Chartered Accountants
Stokes House
17/25 College Square East
Belfast
BT1 6DH

First Derivatives plc

Consolidated statement of comprehensive income

Year ended 28 February 2013

	Note	**2013**	2012
		£'000	£'000
	42		*Restated*
Continuing operations			
Revenue	*5*	**56,469**	46,087
Cost of sales		**(38,951)**	(31,127)
Gross profit		**17,518**	14,960
Other operating income	*6*	**1,616**	1,414
Administrative expenses	*7*	**(11,982)**	(8,413)
Results from operating activities		**7,152**	7,961
Finance income	*9*	**1**	2
Finance expense	*9*	**(661)**	(648)
Loss on foreign currency translation	*9*	**(538)**	(455)
Net financing expense		**(1,198)**	(1,101)
Share of profit of associate using the equity method, net of tax	*18*	**249**	458
Loss on dilution in associate using the equity method	*18*	**(43)**	(371)
Profit before tax		**6,160**	6,947
Tax expense	*11*	**(1,015)**	(1,001)
Profit for the year		**5,145**	5,946
Other comprehensive income			
Deferred tax on share options outstanding	*24*	**461**	(309)
Net exchange gains on net investment in foreign subsidiaries and associate	*27*	**905**	214
Net loss on hedge of net investment in foreign subsidiaries and associate	*27*	**(214)**	(121)
Other comprehensive income for the period, net of tax		**1,152**	(216)
Total comprehensive income for the period attributable to equity holders' of the company		**6,297**	5,730
Earnings per share		**Pence**	Pence
Basic	*15a*	**30.2**	36.0
Diluted	*15a*	**27.9**	32.8

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

The notes on pages 29 to 87 form part of these financial statements.

First Derivatives plc

Consolidated balance sheet
Year ended 28 February 2013

	Note	**2013 £'000**	2012 £'000
Assets			
Property, plant and equipment	*16*	**9,094**	14,738
Intangible assets and goodwill	*17*	**37,545**	30,053
Investment in associate	*18*	**6,295**	7,059
Trade and other receivables	*19*	**1,673**	437
Deferred tax asset	*29*	**1,969**	1,750
Non current assets		**56,576**	54,037
Trade and other receivables	*19*	**19,837**	13,767
Cash and cash equivalents	*20*	**1,902**	1,318
Assets held for sale	*21*	**3,364**	1,598
Current assets		**25,103**	16,683
Total assets		**81,679**	70,720
Equity			
Share capital	*22*	**87**	83
Share premium	*23*	**12,895**	10,502
Share option reserve	*24*	**3,341**	2,673
Revaluation reserve	*26*	**167**	167
Currency translation adjustment reserve	*27*	**981**	290
Retained earnings		**21,903**	18,521
Equity attributable to shareholders		**39,374**	32,236
Liabilities			
Loans and borrowings	*28*	**17,842**	18,598
Deferred tax liabilities	*29*	**2,622**	2,224
Trade and other payables	*32*	**2,224**	2,901
Non-current liabilities		**22,688**	23,723
Loans and borrowings	*28*	**6,213**	3,603
Trade and other payables	*32*	**8,505**	7,456
Current tax payable	*33*	**649**	702
Employee benefits	*35*	**3,038**	2,110
Contingent deferred consideration	*30*	**762**	890
Deferred consideration	*31*	**450**	-
Current liabilities		**19,617**	14,761
Total liabilities		**42,305**	38,484
Total equity and liabilities		**81,679**	70,720

These financial statements were approved by the board of directors on 17 June 2013.

David Anderson	Brian Conlon	Graham Ferguson
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

Registered company number: NI 30731

The notes on pages 29 to 87 form part of these financial statements.

First Derivatives plc

Company balance sheet
Year ended 28 February 2013

	Note	**2013** **£'000**	2012 £'000
Assets			
Property, plant and equipment	*16*	**7,738**	13,849
Intangible assets	*17*	**9,383**	5,933
Investment in subsidiaries	*18*	**17,864**	14,549
Investment in associate	*18*	**7,196**	7,196
Trade and other receivables	*19*	**3,369**	2,198
Deferred tax asset	*29*	**1,379**	1,084
Non current assets		**46,929**	44,809
Trade and other receivables	*19*	**17,514**	14,787
Cash and cash equivalents	*20*	**1,397**	962
Assets held for sale	*21*	**3,364**	1,598
Current assets		**22,275**	17,347
Total assets		**69,204**	62,156
Equity			
Share capital	*22*	**87**	83
Share premium	*23*	**12,895**	10,502
Share option reserve	*24*	**3,341**	2,673
Fair value reserve	*25*	**133**	131
Retained earnings		**17,615**	16,266
Equity attributable to shareholders		**34,071**	29,655
Liabilities			
Loans and borrowings	*28*	**16,812**	17,147
Deferred tax liabilities	*29*	**1,473**	1,539
Trade and other payables	*32*	**1,010**	1,820
Non-current liabilities		**19,295**	20,506
Loans and borrowings	*28*	**5,762**	3,447
Trade and other payables	*32*	**5,756**	5,590
Current tax payable	*33*	**336**	798
Employee benefits	*35*	**2,776**	1,901
Contingent deferred consideration	*30*	**758**	259
Deferred consideration	*31*	**450**	-
Current liabilities		**15,838**	11,995
Total liabilities		**35,133**	32,501
Total equity and liabilities		**69,204**	62,156

These financial statements were approved by the board of directors on 17 June 2013.

David Anderson	Brian Conlon	Graham Ferguson
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

Registered company number: NI 30731

The notes on pages 29 to 87 form part of these financial statements.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2013

	Share capital £000	Share premium £000	Share option reserve £000	Revaluation reserve £000	Currency translation adjustment £000	Retained earnings £000	Total equity £000
Balance at 1 March 2012	**83**	**10,502**	**2,673**	**167**	**290**	**18,521**	**32,236**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	5,145	**5,145**
Other comprehensive income							
Deferred tax on share options outstanding	-	-	461	-	-	-	**461**
Change in effective rate of deferred tax	-	-	-	2	-	(2)	**-**
Net exchange gains on net investment in foreign subsidiaries and associate	-	-	-	-	905	-	**905**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	-	(214)	-	**(214)**
Transfer on dilution of investment in associate	-	-	-	(2)	-	2	**-**
Total other comprehensive income	-	-	461	-	691	-	**1,152**
Total comprehensive income for the year	-	-	461	-	691	5,145	**6,297**
Transactions with owners of the company, recorded directly in equity							
Exercise of share options	3	1,294	(334)	-	-	-	**963**
Issue of shares as purchase consideration	1	1,099	-	-	-	-	**1,100**
Share based payment charge	-	-	686	-	-	-	**686**
Transfer on forfeit of share options	-	-	(145)	-	-	145	**-**
Dividends	-	-	-	-	-	(1,908)	**(1,908)**
Total contributions by and distributions to owners of the company	4	2,393	207	-	-	(1,763)	**841**
Balance at 28 February 2013	**87**	**12,895**	**3,341**	**167**	**981**	**21,903**	**39,374**

The notes on pages 29 to 87 form part of these financial statements.

Consolidated statement of changes in equity

Year ended 29 February 2012

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Revaluation reserve £000	Currency translation adjustment £000	Retained earnings £000	Total equity £000
Balance at 1 March 2011	80	7,846	2,384	-	174	197	14,207	24,888
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	5,946	**5,946**
Other comprehensive income								
Deferred tax on share options outstanding	-	-	(309)	-	-	-	-	**(309)**
Change in effective rate of deferred tax	-	-	-	-	5	-	(5)	**-**
Net exchange gains on net investment in foreign subsidiaries and associate	-	-	-	-	-	214	-	**214**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	-	-	(121)	-	**(121)**
Transfer on dilution of investment in associate	-	-	-	-	(12)	-	12	**-**
Total other comprehensive income	-	-	(309)	-	(7)	93	7	**(216)**
Total comprehensive income for the year	-	-	(309)	-	(7)	93	5,953	**5,730**
Transactions with owners of the company, recorded directly in equity								
Exercise of share options	1	442	(83)	-	-	-	**-**	**360**
Issue of shares as purchase consideration	2	2,214	-	-	-	-	-	**2,216**
Share based payment charge	-	-	725	-	-	-	-	**725**
Transfer on forfeit of share options	-	-	(44)	-	-	-	44	**-**
Dividends	-	-	-	-	-	-	(1,683)	**(1,683)**
Total contributions by and distributions to owners of the company	3	2,656	598	-	-	-	(1,639)	**1,618**
Balance at 29 February 2012	**83**	**10,502**	**2,673**	**-**	**167**	**290**	**18,521**	**32,236**

The notes on pages 29 to 87 form part of these financial statements.

Company statement of changes in equity

Year ended 28 February 2013

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2012	**83**	**10,502**	**2,673**	**131**	**16,266**	**29,655**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	3,114	**3,114**
Other comprehensive income						
Change in effective rate of deferred tax	-	-	-	2	(2)	**-**
Deferred tax on share options outstanding	-	-	461	-	-	**461**
Total other comprehensive income	-	-	461	2	(2)	**461**
Total comprehensive income for the year	-	-	461	2	(2)	**3,575**
Transactions with owners of the company, recorded directly in equity						
Exercise of share options	3	1,294	(334)	-	-	**963**
Issue of shares as purchase consideration	1	1,099	-	-	-	**1,100**
Share based payment charge	-	-	686	-	-	**686**
Transfer on forfeit of share options	-	-	(145)	-	145	**-**
Dividends to equity holders	-	-	-	-	(1,908)	**(1,908)**
Total contributions by and distributions to owners of the company	4	2,393	207	-	(1,763)	**841**
Balance at 28 February 2013	**87**	**12,895**	**3,341**	**133**	**17,615**	**34,071**

The notes on pages 29 to 87 form part of these financial statements.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 29 February 2012

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2011	**80**	**7,846**	**2.384**	**126**	**13,406**	**23,842**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	4,504	**4,504**
Other comprehensive income						
Change in effective rate of deferred tax	-	-	-	5	(5)	**-**
Deferred tax on share options outstanding	-	-	(309)	-	-	**(309)**
Total other comprehensive income	-	-	(309)	5	(5)	**(309)**
Total comprehensive income for the year	-	-	(309)	5	4,499	**4,195**
Transactions with owners of the company, recorded directly in equity						
Exercise of share options	1	442	(83)	-	-	**360**
Issue of shares as purchase consideration	2	2,214	-	-	-	**2,216**
Share based payment charge	-	-	725	-	-	**725**
Transfer on forfeit of share options	-	-	(44)	-	44	**-**
Dividends	-	-	-	-	(1,683)	**(1,683)**
Total contributions by and distributions to owners of the company	3	2,656	598	-	(1,639)	**1,618**
Balance at 29 February 2012	**83**	**10,502**	**2,673**	**131**	**16,266**	**29,655**

The notes on pages 29 to 87 form part of these financial statements.

First Derivatives plc

Consolidated cash flow statement

Year ended 28 February 2013

	2013	2012
	£'000	£'000
Cashflows from operating activities		
Profit for the year	**5,145**	5,946
Adjustments for:		
Net finance costs	**1,198**	1,101
Share of profit of associate	**(249)**	(458)
Share of loss on dilution in associate	**43**	371
Provision release	**-**	(266)
Depreciation	**699**	592
Amortisation of intangible assets	**2,527**	1,821
Gain on sale of property, plant & equipment	**(717)**	(528)
Equity settled share-based payment transactions	**576**	486
Grant income	**(1,589)**	(1,411)
Tax expense	**1,015**	1,001
	8,648	8,655
Changes in:		
Trade and other receivables	**(6,058)**	(1,331)
Trade and other payables	**1,372**	1,607
Onerous provisions	**-**	(78)
Taxes paid	**(765)**	(699)
Net cash from operating activities	**3,197**	8,154
Cash flows from investing activities		
Interest received	**1**	2
Acquisition of subsidiaries, net of cash acquired	**(811)**	-
Acquisition of property, plant and equipment	**(1,098)**	(866)
Disposal of property, plant and equipment	**5,046**	2,705
Acquisition of intangible assets	**(6,054)**	(4,636)
Dividend received from associate	**1,267**	570
Payment of deferred consideration	**(471)**	(3,316)
Net cash used in investing activities	**(2,120)**	(5,541)
Cash flows from financing activities		
Proceeds from issue of share capital	**963**	360
Receipt of new long term loan	**3,131**	1,553
Repayment of borrowings	**(1,835)**	(5,155)
Payment of finance lease liabilities	**(126)**	(26)
Interest paid	**(565)**	(767)
Dividends paid	**(1,804)**	(1,683)
Net cash from financing activities	**(236)**	(5,718)
Net increase/(decrease) in cash and cash equivalents	**841**	(3,105)
Cash and cash equivalents at 1 March	**(235)**	3,501
Effects of exchange rate changes on cash held	**(928)**	(631)
Cash and cash equivalents at 28 February	**(322)**	(235)

The notes on pages 29 to 87 form part of these financial statements.

First Derivatives plc

Company cash flow statement
Year ended 28 February 2013

	2013	2012
	£'000	£'000
Cashflows from operating activities		
Profit for the year	**3,114**	4,504
Adjustments for:		
Finance expense and foreign exchange loss	**1,523**	1,279
Depreciation	**324**	293
Amortisation of intangible assets	**733**	277
Dividend from associate	**(1,267)**	(570)
Equity settled share-based payment transactions	**494**	392
Profit on disposal	**(717)**	(528)
Grant income	**(1,053)**	(1,178)
Tax expense	**414**	918
	3,565	5,387
Changes in:		
Trade and other receivables	**(4,073)**	(1,442)
Trade and other payables	**1,160**	2,598
Taxes paid	**(775)**	(830)
Net cash from operating activities	**(123)**	5,713
Cash flows from investing activities		
Acquisition of subsidiaries	**(958)**	-
Acquisition of property, plant and equipment	**(260)**	(268)
Disposal of property, plant and equipment	**5,046**	2,705
Acquisition of intangible assets	**(4,076)**	(2,844)
Dividend received from associate	**1,267**	570
Payment of deferred consideration	**(158)**	(3,100)
Net cash used in investing activities	**861**	(2,937)
Cash flows from financing activities		
Proceeds from issue of share capital	**963**	360
Receipt of new long term loan	**3,131**	1,553
Repayment of borrowings	**(1,835)**	(5,155)
Interest paid	**(501)**	(767)
Dividends paid	**(1,804)**	(1,683)
Net cash from financing activities	**(46)**	(5,692)
Net increase/(decrease) in cash and cash equivalents	**692**	(2,916)
Cash and cash equivalents at 1 March	**(591)**	2,956
Effects of exchange rate changes on cash held	**(928)**	(631)
Cash and cash equivalents at 28 February	**(827)**	(591)

The notes on pages 29 to 87 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 company incorporated and domiciled in Northern Ireland. The address of the company's registered office is 3 Canal Quay, Newry, BT35 6BP. The company is primarily involved in the provision of a range of software and consulting services to the investment bank market, the derivatives technology industry and the provision of technology sales services to the IT sector.

The financial statements were authorised by the Board of Directors for issuance on 17 June 2013.

(a) Basis of preparation

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 associates. The company financial statements present information about the company as a separate entity and not about the group.

Both the consolidated financial statements and the company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs"). 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 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 except for the reclassification of certain comparable balances (see note 42).

The financial statements are presented in GBP, rounded to the nearest thousand, which is also the company's functional currency. They are prepared on the historical cost basis, except that financial instruments classified as available-for-sale are stated at their fair value where this can be reliably measured.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 10 to 14. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive's Review on pages 6 to 8 and below. In addition, note 2 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, liquidity risk and market risk.

The group meets its day to day working capital requirements through generated cash flows and loan facilities most of which are due for renewal in 2015. 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.

1 Significant accounting policies *(continued)*

Going concern (continued)

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 (except those classified as held for sale) 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 prudent estimates of deferred consideration payable based on the relevant share purchase agreements.

- Management have estimated the fair value of intangibles (including goodwill) acquired on acquisitions based on the projected profitability expected to be generated. The useful economic lives of the intangibles are assessed as being critical and are based on management's estimate of the life over which revenue can be generated and taking cognisance of the useful economic lives of similar competitor products.

- Where an intangible asset has been created by the group, the value has been derived by establishing the current cost associated with generating this asset based on direct costs and reasonable allocations of indirect costs. Useful economic lives of internally generated intangibles are assessed as being critical and are based on management's estimate of the life over which revenue can be generated and taking cognisance of the useful economic lives of similar competitor products.

- 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 tested for impairment if an indicator of impairment is identified.

1 Significant accounting policies *(continued)*

Critical accounting estimates and judgements (continued)
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.

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 2012 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 becomes mandatory for the group's and company's 2016 financial statements and could change the classification and measurement of financial assets. The group does not plan to adopt this standard early and the extent of this impact has not yet been determined. The standard and interpretations not adopted are outlined below:

- Amendments to IFRS 9 Financial Instruments (mandatory for the year commencing on or after 1 January 2015).

- Amendments to IFRS 7 disclosures: Offsetting assets and liabilities (mandatory for the year commencing on or after 1 January 2013).

- Amendments to IFRS10 Investment entities (mandatory for the year commencing on or after 1 January 2014).

- IFRS 13 Fair Value Measurement (mandatory for the year commencing on or after 1 January 2013).

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in other Entities, IAS 27 Separate Financial Statements (2012) which supercedes IAS 27 (2008) and IAS 28 Investments in Associates and Joint Ventures (2012) which supercedes IAS 28 (2008) (mandatory for the year commencing on or after 1 January 2014).

- Amendments to IAS 19 Employee Benefits (mandatory for the year commencing on or after 1 January 2013).

- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of other comprehensive Income (mandatory for the year commencing on or after 1 July 2012).

- Amendments to IAS 32 Financial Instruments – Offsetting financial assets and financial liabilities (mandatory for the year commencing on or after 1 January 2014).

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable.

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 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.

Costs related to the acquisition, 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 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. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

In the company's financial statements, investments in subsidiaries are carried at cost less any provision made for impairment.

1 Significant accounting policies *(continued)*

(c) Basis of consolidation *(continued)*

iii) 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. The group's investment includes goodwill identified on acquisition, net of any subsequent accumulated impairment losses 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 (note 18)). 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. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has incurred legal or has constructive obligations or has made payments on behalf of an investee.

In the company's financial statements, investments in associates are carried at cost less any provision made for impairment.

iv) 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)(ii) below.

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.

Gains or losses arising on the retranslation of foreign currency contingent deferred consideration estimated as payable at the year end on acquisitions prior to 1 March 2012 are accounted as an adjustment to goodwill. On acquisitions on or after 1 March 2012 the retranslation gain or loss is accounted for in profit or loss.

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 the group's presentational currency, GBP, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated 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. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of, such that control, significant influence or joint control 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 or joint venture that includes a foreign operation while retaining significant influence or joint control, 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.

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 within other comprehensive income 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

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy on impairment, note 1(i) below). 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.

1 Significant accounting policies *(continued)*

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

(i) Owned assets (continued)

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 expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Leased assets

Leases in terms of which 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.

Other leases are 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 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. Land is not depreciated. The estimated useful lives are as follows:

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

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.

1 Significant accounting policies *(continued)*

(e) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets or components of a disposal group, are remeasured in accordance with the group's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying value and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property plant and equipment once classified as held for sale or distribution are no longer amortised or depreciated.

(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 represents the difference between the fair value of consideration transferred and the net recognised amount of the identifiable assets acquired and the liabilities assumed. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee. Goodwill arising on subsidiaries and associates 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 in the income statement as an expense as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation (see below) and impairment losses (see accounting policy impairment note 1(i)).

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.

1 Significant accounting policies *(continued)*

(f) Intangible assets and goodwill *(continued)*

iii) Other intangible assets

Intangible assets other than goodwill that are acquired by the group are stated at cost less accumulated amortisation (see (v) below) and impairment losses (see accounting policy on impairment note 1(i)). 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.

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.

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% straight line
Acquired software	-	12.5% straight line
Brands	-	12.5% straight line
Developed software	-	12.5% straight line

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

(g) Trade and other receivables

The fair value of trade and other receivables are estimated at the present value of future cash flows, discounted at the market rate of interest at the measurement date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date. Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy impairment note 1(i)).

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. 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.

1 Significant accounting policies *(continued)*

(i) Impairment

(i) Non-derivative 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 (including equity securities) 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 both a specific asset and collective 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 have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at each balance sheet 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.

1 Significant accounting policies *(continued)*

(i) Impairment *(continued)*

(iii) Non-financial assets (continued)

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 that cannot be individually tested 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 CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, is allocated to the legal entity or business that has been acquired in a business combination.

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 (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) 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.

(j) 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.

(k) 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.

1 Significant accounting policies *(continued)*

(l) 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 in the income statement as incurred.

(ii) Share-based payment transactions

The share option programme allows group employees to acquire shares of the company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. 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.

(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.

(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.

1 Significant accounting policies *(continued)*

(n) Trade and other payables

Trade and other payables are stated at the discounted present value of the estimated outflows of funds. Where the maturity is six months or less they are not discounted and are shown at cost.

(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 balance sheet 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 and negotiates prices separately for each component. 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 the collection of the resulting receivable is considered probable.

- In respect of customisation of software, revenue is recognised upon acceptance by the customer and the collection of the resulting receivable is considered probable.

- Revenue from data management hosting, other hosting and transactional activities are 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 and the remaining balance is recognised following delivery and the resulting receivable is considered probable.

(ii) Commissions

When the group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the group. Revenue is recognised upon acceptance by the customer of the sale.

(iii) Government grants

An unconditional government grant is recognised in the income statement as other operating income when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income and when there is reasonable assurance that it will be received and that the group has complied with the conditions attaching to it, a release is then made to the profit and loss as other income. Grants that compensate the group for expenses incurred are recognised as other operating income in 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 profit or loss 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 in profit or loss as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method. When an available for sale asset is derecognised, the cumulative gain or loss in equity is transferred to finance income or expense.

Financing expenses comprises interest payable on borrowings calculated using the effective interest rate method, and foreign exchange gains and losses.

(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.

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

1 Significant accounting policies *(continued)*

(r) Taxation *(continued)*

Deferred tax is provided using the balance sheet 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.

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.

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.

(s) Classification of financial instruments issued by the group

Following the adoption of IAS 32, 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.

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1 Significant accounting policies *(continued)*

(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) 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.

2 Financial risk management

Overview

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board is responsible for monitoring the group's risk management policies, which are established to identify and analyse the risks faced by the group, to set appropriate risk limits and to monitor adherence to those policies.

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. Concentration of credit risk is disclosed in note 39 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 28 to the financial statements.

Notes *(continued)*

2 Financial risk management *(continued)*

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 level of trading and borrowings in foreign currency 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 the notes 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

On 27 September 2012 the company obtained control of Redshift Horizons Limited, Cowrie Financial Limited and Redshift Horizons LLP by acquiring all of the ordinary shares and membership of the entities. Acquiring the entities has enabled the group to expand its managed services and real-time infrastructure services. In the 5 months to 28 February 2013 the subsidiaries contributed revenue of £1,900k and net profit of £187k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2012, management estimates that revenue for the group would have been £59,129k and net profit would have been an estimated £5,407k. In determining these amounts, management has 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 2012.

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 acquisitions

The acquisitions had the following effect on the group's assets and liabilities.

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisition
	£000	£000	£000
Acquiree's net assets at the acquisition date:			
Intangible assets	-	1,422	1,422
Property, plant and equipment	4	-	4
Trade and other receivables	1,334	-	1,334
Cash and cash equivalents	139	-	139
Trade and other payables	(1,179)	-	(1,179)
Deferred tax liability	-	(341)	(341)
Net identifiable assets and liabilities	298	1,081	1,379
Goodwill on acquisition			1,919
			3,298
Consideration paid, satisfied as follows:			
Cash			1,098
Deferred consideration			450
Shares issued (232,731 shares)			1,100
Contingent consideration			650
			3,298
Cash consideration paid			950
Cash (acquired)			(139)
Net cash outflow			811

3 Acquisitions of subsidiaries and associates *(continued)*

Effect of acquisitions(continued)
£148k of the cash consideration was outstanding at 28 February 2013. The trade and other receivables comprised gross contractual amounts of £1,094k of which no amounts were expected to be uncollectable at the acquisition date. Acquisition costs of £8k were capitalised by the company as part of the investment and were expensed as profit and loss in the group.

Shares issued
The number of ordinary shares issued (232,731 shares) was derived based on the average price of shares on the 20 days prior to 27 September 2012 (472.65 pence per share). The fair value of the ordinary shares issued based on the listed share price on the 27 September 2012, the effective date of control (472.5 pence per share) was not materially different. The impact would be to decrease goodwill by £35k.

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 and the ability to leverage off client relationships and knowhow. The group has carried out an impairment review of goodwill as at 28 February 2013 and has not identified any impairment (see note 17). None of the goodwill is expected to be deductible for tax purposes.

Contingent consideration
The group has agreed to pay the selling shareholders additional consideration of £650k if the acquirer's turnover exceeds £2,750k over the next 12 months. The group has included £650k as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. At 28 February 2013, the contingent consideration continues to be recognised at £650k and is payable within 12 months.

Deferred consideration
The group has included £450k as deferred consideration which represents its fair value at the acquisition date. At 28 February 2013, the deferred consideration continues to be recognised at £450k and is payable within 12 months.

Acquisition related costs
The group incurred acquisition-related costs of £163k related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the group's consolidated statement of comprehensive income.

2012 acquisitions

There were no acquisitions completed in financial year ended 29 February 2012.

Notes *(continued)*

4 Operating segments

Business segments

The group's board of directors 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 by geographical location. Details regarding total revenues are presented in note 5.

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

- Consulting activities which includes services to capital markets; and
- Software activities which includes the sale of intellectual property and related services.

Revenue by division

	Consulting		**Software**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Total Segment Revenue	**41,475**	32,629	**14,994**	13,458	**56,469**	46,087

Geographical location analysis

	UK		**Rest of Europe**		**America**		**Australasia**		**Total**	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue from external customers	**19,485**	18,387	**8,047**	3,795	**23,075**	18,969	**5,862**	4,936	**56,469**	46,087
Non Current Assets	**21,766**	20,873	**10,437**	8,655	**22,648**	22,727	**1,725**	1,782	**56,576**	54,037

4 Operating segments *(continued)*

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 a key customer who individually generated more than 10% of group revenue in 2013. Revenue from this customer represents approximately £12,165k of the group's total revenue. The revenue from this customer has been derived from 32 different independent decision making business units across seven global locations with no other unit accounting for more than 3.51%. In the prior year the same key customer accounted for more than 10% of group revenue. Revenues from this customer accounted for approximately £14,882k of the group's total revenue in 2012.

5 Revenue

	2013	2012
	£'000	£'000
Sale of goods	**8,845**	7,216
Rendering of services	**47,604**	38,472
Commissions	**20**	399
	56,469	46,087

6 Other operating income

	2013	2012
	£'000	£'000
Government grants	**1,589**	1,411
Other income	**27**	3
	1,616	1,414

During the year, employment grant income of £435k (2012: £2,424k) was claimed from Invest Northern Ireland.

7 Administrative expenses

	2013	2012
	£'000	£'000
		Restated
Rent, rates and insurance	**1,305**	1,259
Telephone	**522**	360
Accountancy, audit and legal expenses	**725**	623
Advertising and marketing	**565**	418
Depreciation and amortisation	**3,226**	2,413
Payroll costs	**4,105**	3,669
Research and development credit	**(364)**	(532)
Listing expenses	**242**	131
Bad debts written off /(recovered)	**1,334**	(60)
Profit on disposal of property, plant and equipment	**(717)**	(528)
Other	**1,039**	660
	11,982	8,413

Certain comparable balances have been reclassified in the current year (see note 42).

8 Personnel expenses and numbers

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

	2013	2012
	Average no.	Average no.
Administration	**94**	65
Technical	**629**	544
	723	609

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£'000	£'000
Wages and salaries	**30,310**	24,699
Share based payments (see note 40)	**683**	669
Social security costs	**2,940**	2,459
Other pension costs	**860**	650
Less capitalised development costs	**(5,466)**	(4,622)
	29,327	23,855

Disclosed as:	**2013**	2012
	£'000	£'000
Cost of sales	**25,222**	20,186
Administrative expenses	**4,105**	3,669
	29,327	23,855

Notes *(continued)*

9 Finance income and expense

	2013 £'000	2012 £'000
Interest income on bank deposits	**1**	2
Finance income	**1**	2
Loss on foreign currency translation of monetary assets	**(538)**	(455)
Interest expense on bank loans	**(595)**	(620)
Other interest	**(66)**	(28)
Finance expense	**(661)**	(648)
Net finance expense recognised in profit or loss	**(1,198)**	(1,101)

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

10 Statutory and other information

	2013 £'000	2012 £'000
Depreciation on property, plant and equipment:		
Owned assets	**699**	592
Provision for/(reversal of) impairment of trade receivables	**1,334**	(60)
Amortisation of intangibles	**2,527**	1,821
Rents payable in respect of operating leases	**486**	513
Research and development costs expensed	**1,428**	1,360
Auditor's remuneration:		
KPMG Ireland		
Audit of these financial statements	**59**	52
Audit of the subsidiary undertakings included in the consolidation	**16**	15
Other services:		
Amounts receivable by the auditor (KPMG Ireland) in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**16**	11
All other services	**2**	-
Taxation compliance services	**40**	37
Other tax advisory services	**84**	93

Amounts receivable by the company's auditor in relation to 2012/2013 activities are £91k.

Notes *(continued)*

11 Tax expense

Income tax recognised in the income statement	**2013 £'000**	2012 £'000
Current tax expense		
Current year	**1,289**	757
Adjustment for prior periods	**(223)**	(365)
	1,066	392
Deferred tax expense		
Origination and reversal of temporary differences	**81**	542
Adjustment for prior periods	**(20)**	159
Change in tax rates	**(112)**	(92)
	(51)	609
Total tax expense in income statement	**1,015**	1,001

Reconciliation of effective tax rate		
Profit excluding income tax	**6,160**	6,947
Income tax using the company's domestic tax rate (24.2%) (2012: 26.2%)	**1,489**	1,818
Tax exempt income	**(88)**	(148)
Expenses not deductible for tax purposes	**(173)**	34
Over provision in prior year	**(243)**	(206)
Other differences	**154**	4
Profit of associate	**(50)**	(23)
Foreign tax rate differences	**(129)**	(422)
Reduction in tax rates	**(112)**	(92)
Unrelieved overseas taxes	**167**	36
	1,015	1,001

Following the 2013 budget statement, the main rate of UK corporation tax was reduced from 24% directly to 23% with effect from the 1 April 2013. Thereafter the main rate of UK corporation tax will continue to reduce to 21% by 2014 and to 20% from 1 April 2015. It is expected that this gradual fall in the main corporation tax rate will result in a reduction of the groups future current tax charge.

12 Remuneration of directors

The remuneration paid to the directors was:

	2013	2012
	£'000	£'000
Aggregate emoluments (including benefits in kind)	**915**	823
Company pension contributions	**47**	49
Share option payment charge	**257**	225
	1,219	1,097

During the period there were 4 directors accruing benefits under a defined contribution pension scheme (29 February 2012: 4).

The aggregate emoluments and company pension contributions of the highest paid director (excluding fees paid for provision of services) amounted to £308k and £15k respectively during the year (2012: £329k and £15k respectively).

The directors are deemed to be the key management of the group.

Directors emoluments

	Salary and fees £'000	Benefits £'000	Share based payment £'000	Bonus £'000	**2013 Total excluding pension £'000**	2012 Total excluding pension £'000	**2013 Pension £'000**	2012 Pension £'000
R D Anderson	50	-	15	-	**65**	47	**-**	-
B G Conlon	161	-	-	100	**261**	210	**16**	21
R G Ferguson	150	-	98	60	**308**	329	**15**	15
A Toner	120	-	136	40	**296**	247	**12**	12
K Cunningham	151	-	-	6	**157**	135	**4**	1
M G O'Neill	10	-	-	-	**10**	50	**-**	-
P Brazel	35	-	8	-	**43**	30	-	-
S Keating	6	-	-	-	**6**	-	-	-
K MacDonald	26	-	-	-	**26**	-	-	-
Total	709	-	257	206	**1,172**	1,048	**47**	49

Notes *(continued)*

12 Remuneration of directors *(continued)*

Directors interests

Directors' rights to subscribe for shares in the company are indicated below:

	At 01 March 2012	Granted during the year	Exercised/ Cancelled during the year	At 28 February 2013	Exercise price £	Exercise period
Adrian Toner	175,000	-	-	**175,000**	4.80	2014-2021
	175,000	-	-	**175,000**	4.15	2014-2020
David Anderson	50,000	-	-	**50,000**	4.80	2014-2021
	10,000	-	-	**10,000**	1.79	2013-2019
Graham Ferguson	175,000	-	-	**175,000**	4.15	2014-2020
	175,000	-	-	**175,000**	1.77	2013-2019
Pat Brazel	25,000	-	-	**25,000**	4.80	2014-2021

The average share price during the year was £5.04 (2012: £4.93) and the closing price at year end was £5.88 (2012: £4.75).

13 Dividends

	2013	2012
	£'000	£'000
Final dividend relating to the prior year	**1,370**	1,187
Interim dividend paid	**538**	496
	1,908	1,683

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 8.15 (previous year: 7.25) pence per share and the interim dividend paid during the year amounted to 3.1 (previous year: 3.00) pence per share. The cumulative dividend paid during the year amounted to 11.25 (previous year: 10.25) 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.

	2013	2012
	£'000	£'000
8.40 pence per ordinary share (2012: 8.15 pence)	**1,499**	1,370

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 (after subtraction of foreign currency loss of £928k (2012: loss of £631k)) for the financial year of the company as approved by the Board was £3,114k (2012: £4,504k).

15 (a) Earnings per ordinary share

Basic
The calculation of basic earnings per share at 28 February 2013 was based on the profit attributable to ordinary shareholders of £5,145k (2012: £5,946k), and a weighted average number of ordinary shares ranking for dividend of 17,048k (2012: 16,510k).

	2013	2012
	Pence per share	Pence per share
Basic earnings per share	**30.2**	36.0

15 (a) Earnings per ordinary share (continued)

Weighted average number of ordinary shares

	2013 Number '000	2012 Number '000
Issued ordinary shares at 1 March	**16,633**	15,924
Effect of share options exercised	**317**	170
Effect of shares issued as purchase consideration	**98**	416
Weighted average number of ordinary shares at 28 February	**17,048**	16,510

Diluted

The calculation of diluted earnings per share at 28 February 2013 was based on the profit attributable to ordinary shareholders of £5,145k (2012: £5,946k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 18,432k (2012: 18,128k).

	2013 Pence per share	2012 Pence per share
Diluted earnings per share	**27.9**	32.8

Weighted average number of ordinary shares (diluted)

	2013 Number '000	2012 Number '000
Weighted average number of ordinary shares (basic)	**17,048**	16,510
Effect of dilutive share options in issue	**1,384**	1,618
Weighted average number of ordinary shares (diluted) at 28 February	**18,432**	18,128

At 28 February 2013 1,183k options (2012: 600k) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the group's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period the options were outstanding.

15 (b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £6,160k (2012: £6,947k). The number of shares used in this calculation is consistent with note 15(a) above.

	2013 Pence per share	2012 Pence per share
Basic earnings before tax per ordinary share	**36.1**	42.1
Diluted earnings before tax per ordinary share	**33.4**	38.3

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

	2013 Pence per share	2012 Pence per share
Basic earnings per share	**30.2**	36.0
Impact of taxation charge	**5.9**	6.1
Adjusted basic earnings before tax per share	**36.1**	42.1
Diluted earnings per share	**27.9**	32.8
Impact of taxation charge	**5.5**	5.5
Adjusted diluted earnings before tax per share	**33.4**	38.3

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 profit after taxation of £6,480k (2012: £6,195k). The adjusted profit after tax has been calculated by adjusting for the Group's share of loss on dilution of investment in associate £43k (2012: £371k), share of profit of associate £249k (2012: £458k), an increase in bad debt provision £1,009k (2012: £Nil), acquisition costs £124k (2012: £Nil) and loss on foreign currency translation after tax effect £408k (2012: £336k). The number of shares used in this calculation is consistent with note 15(a) above.

	2013 Pence per share	2012 Pence per share
Basic earnings after tax per ordinary share	**38.0**	37.5
Diluted earnings after tax per ordinary share	**35.2**	34.2

16 Property, plant and equipment

Group

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2012	14,855	1,688	128	16,671
Additions	134	928	36	1,098
Acquisition through business combinations	-	4	-	4
Disposals	(2,843)	-	-	(2,843)
Reclassification to assets held for sale	(3,630)	-	-	(3,630)
Exchange adjustments	(22)	76	1	55
At 28 February 2013	**8,494**	**2,696**	**165**	**11,355**
Depreciation				
At 1 March 2012	929	919	85	1,933
Charge for the year	254	420	25	699
Disposals	(160)	-	-	(160)
Reclassification to assets held for sale	(266)	-	-	(266)
Exchange adjustments	5	49	1	55
At 28 February 2013	**762**	**1,388**	**111**	**2,261**

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2011	18,592	1,143	127	19,862
Additions	320	545	1	866
Disposals	(2,352)	-	-	(2,352)
Reclassification to assets held for sale	(1,734)	-	-	(1,734)
Exchange adjustments	29	-	-	29
At 29 February 2012	**14,855**	**1,688**	**128**	**16,671**
Depreciation				
At 1 March 2011	922	587	61	1,570
Charge for the year	242	326	24	592
Disposals	(99)	-	-	(99)
Reclassification to assets held for sale	(136)	-	-	(136)
Exchange adjustments	-	6	-	6
At 29 February 2012	**929**	**919**	**85**	**1,933**
Carrying amounts				
At 1 March 2011	17,670	556	66	18,292
At 29 February 2012	13,926	769	43	14,738
At 28 February 2013	**7,732**	**1,308**	**54**	**9,094**

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

Details of security provided for borrowing in respect of property, plant and equipment are disclosed in note 28.

16 Property, plant and equipment *(continued)*

Company

	Land and Buildings £'000	Plant and equipment £'000	Office furniture and equipment £'000	Total £'000
Cost				
At 1 March 2012	14,660	444	68	15,172
Additions	97	156	7	260
Disposals	(2,843)	-	-	(2,843)
Reclassification to assets held for sale	(3,630)	-	-	(3,630)
At 28 February 2013	**8,284**	**600**	**75**	**8,959**
Depreciation				
At 1 March 2012	910	353	60	1,323
Charge for the year	229	90	5	324
Disposals	(160)	-	-	(160)
Reclassification to assets held for sale	(266)	-	-	(266)
At 28 February 2013	**713**	**443**	**65**	**1,221**

	Land and Buildings £'000	Plant and equipment £'000	Office furniture and Equipment £'000	Total £'000
Cost				
At 1 March 2011	18,567	356	67	18,990
Additions	179	88	1	268
Disposals	(2,352)	-	-	(2,352)
Reclassification to assets held for sale	(1,734)	-	-	(1,734)
At 29 February 2012	**14,660**	**444**	**68**	**15,172**
Depreciation				
At 1 March 2011	908	305	52	1,265
Charge for the year	237	48	8	293
Disposals	(99)	-	-	(99)
Reclassification to assets held for sale	(136)	-	-	(136)
At 29 February 2012	**910**	**353**	**60**	**1,323**
Carrying amounts				
At 1 March 2011	17,659	51	15	17,725
At 29 February 2012	13,750	91	8	13,849
At 28 February 2013	**7,571**	**157**	**10**	**7,738**

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 28.

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 2012	12,890	2,362	8,645	304	10,951	35,152
Development costs	-	-	-	-	5,608	5,608
Additions	-	-	553	-	-	553
Acquisition through business combinations	1,919	1,350	-	72	-	3,341
Adjustment to deferred consideration	(317)	-	-	-	-	(317)
Exchange adjustments	451	98	316	11	202	1,078
Balance at 28 February 2013	**14,943**	**3,810**	**9,514**	**387**	**16,761**	**45,415**
Amortisation and impairment losses						
Balance at 1 March 2012	-	924	2,433	107	1,635	5,099
Exchange adjustment	-	51	157	6	30	244
Amortisation for the year	-	381	1,063	43	1,040	2,527
Balance at 28 February 2013	**-**	**1,356**	**3,653**	**156**	**2,705**	**7,870**

	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2011	13,941	2,327	7,252	302	6,168	29,990
Development costs	-	-	-	-	4,819	4,819
Additions	-	-	1,340	-	-	1,340
Adjustment to deferred consideration	(1,354)	-	-	-	-	(1,354)
Exchange adjustments	303	35	53	2	(36)	357
Balance at 29 February 2012	**12,890**	**2,362**	**8,645**	**304**	**10,951**	**35,152**
Amortisation and impairment losses						
Balance at 1 March 2011	-	617	1,424	65	1,152	3,258
Exchange adjustment	-	14	6	4	(4)	20
Amortisation for the year	-	293	1,003	38	487	1,821
Balance at 29 February 2012	**-**	**924**	**2,433**	**107**	**1,635**	**5,099**
Carrying amounts						
At 1 March 2011	13,941	1,710	5,828	237	5,016	26,732
At 29 February 2012	12,890	1,438	6,212	197	9,316	30,053
At 28 February 2013	**14,943**	**2,454**	**5,861**	**231**	**14,056**	**37,545**

17 Intangible assets and goodwill *(continued)*

The basis by which amortisation is calculated is stated in note 1. Amortisation is recognised in administration expenses in the income statement.

Included within development costs capitalised in the year is £5,466k (2012: £4,622k) of capitalised employees costs, including £107k of capitalised share option costs (2012: £183k) together with £35k of capitalised consultancy costs (2012: £197k) for the year. Developed software includes £2,235k (2012: £4,414k) of software under development at 28 February 2013 not yet commissioned.

Impairment testing of goodwill

The group tests goodwill annually for impairment on 28/29 February, or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to divisions which represent the lowest level within the group at which goodwill is monitored, which is not higher than the statutory entity level summary. A statutory entity level summary of the goodwill is presented below:

	2013	2012
	£'000	£'000
Subsidiaries		
Market Resource Partners LLC	**10,045**	9,602
Reference Data Factory LLC	**788**	1,100
Lepton Pty Limited	**1,483**	1,493
First Derivatives (Ireland) Limited	**171**	166
LakeFront Data Ventures Inc.	**537**	529
Cowrie Financial Limited	**841**	-
Redshift Horizons Limited	**1,078**	-
	14,943	12,890
Associate		
Kx Systems Inc. (included in note 18)	**4,186**	4,008

The recoverable amount of each cash generating unit (CGU) has been determined based on a value-in-use (VIU) calculation using cash flows derived from financial projections over a five year period, with cash flows thereafter calculated using a terminal value methodology. A growth rate of 10% (2012: 10%) is applied for years 2 to 5, followed by a growth rate of 2% (2012: 2%) thereafter. The pre-tax discount rates applied to cash flow projections of the CGUs was 15% (2012: 15%).

17 Intangible assets and goodwill (continued)

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.

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 market assessment of risks specific to each CGU for which the cash flow projections have not been adjusted.

There was no impairment charge for the year ended 28 February 2013 (2012: Nil). For the purposes of performing sensitivity analysis, a change in the assumption to increase the discount rate by 0.5% or, separately, to reduce the terminal growth by 0.5% would not result in any indication of impairment.

No reasonable change in assumption would indicate any impairment.

Company	**Internally developed software £'000**
Cost	
Balance at 1 March 2012	7,249
Development cost	4,183
Balance at 28 February 2013	**11,432**
Amortisation and impairment losses	
Balance at 1 March 2012	1,316
Amortisation for the year	733
Balance at 28 February 2013	**2,049**
Cost	
Balance at 1 March 2011	4,222
Development cost	3,027
Balance at 29 February 2012	**7,249**
Amortisation and impairment losses	
Balance at 1 March 2011	1,039
Amortisation for the year	277
Balance at 29 February 2012	**1,316**
Carrying amounts	
At 1 March 2011	3,183
At 29 February 2012	5,933
At 28 February 2013	**9,383**

Included within development costs capitalised in the year is £4,076k (2012: £3,027k) of capitalised employees costs including £107k of capitalised share option costs (2012: £183k) for the year. Developed software includes £1,490k (2012: £2,784k) of software under development at 28 February 2013 not yet commissioned.

Notes *(continued)*

18 Investment in subsidiaries and associate

The group and company have the following investments in subsidiaries:

	Country of incorporation	Class of share held	Ownership 2013	2012
Group				
Market Resource Partners LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited	Australia	Ordinary	100%	100%
First Derivatives Pty Limited	Australia	Ordinary	100%	100%
First Derivatives (Ireland) Limited	Ireland	Ordinary	100%	100%
Reference Data Factory LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Inc	United States	Ordinary	100%	100%
First Derivatives US Inc	United States	Ordinary	100%	100%
First Derivatives No.1 Inc	United States	Ordinary	100%	100%
LakeFront Data Ventures Inc	Canada	Ordinary	100%	100%
Market Resource Partners Limited	N. Ireland	Ordinary	100%	100%
Cowrie Financial Limited	UK	Ordinary	100%	-
Redshift Horizons Limited	UK	Ordinary	100%	-

	Country of incorporation	Class of share held	Ownership 2013	2012
Company				
Market Resource Partners LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited	Australia	Ordinary	100%	100%
First Derivatives (Ireland) Limited	Ireland	Ordinary	100%	100%
First Derivatives Holdings Inc	United States	Ordinary	100%	100%
First Derivatives No.1 Inc	United States	Ordinary	100%	100%
LakeFront Data Ventures Inc	Canada	Ordinary	100%	100%
Market Resource Partners Limited	N. Ireland	Ordinary	100%	100%
Cowrie Financial Limited	UK	Ordinary	100%	-
Redshift Horizons Limited	UK	Ordinary	100%	-

First Derivatives Holdings Pty Limited holds 100% of the ordinary shares of First Derivatives Pty Limited. First Derivatives Holdings Inc. holds 100% of the ordinary shares of Reference Data Factory LLC and First Derivatives US Inc. First Derivatives Plc and Redshift Horizons Limited are the only members of the subsidiary Redshift Horizons LLP.

	Company 2013 £'000	Company 2012 £'000
Unlisted investments in subsidiaries at cost		
At 1 March	**14,549**	14,217
Additions	**3,306**	-
Increase of contingent deferred consideration	**-**	133
Foreign exchange movement in contingent deferred consideration	**9**	199
At 28 February	**17,864**	14,549

18 Investment in subsidiaries and associate *(continued)*

Associate
The group has the following investment in an associate:

	Country of incorporation	Class of share held	Ownership 2013	Ownership 2012
Group and Company				
Kx Systems Inc	United States	Ordinary	20.1%	20.4%

The group's share of profit in associates for the year was £249k (2012: £458k). The associate is not publicly listed and consequently does not have a published share price. During the year, the group received dividends of £1,267k (2012: £570k) from its associate. Summary financial information for the year to 28 February 2013 for the associate for total assets, total liabilities, revenue and net profit was £9,984k (2012: £11,345k), £7,185k (2012: £5,748k), £8,367k (2012: £9,586k) and £3,221k (2012: £3,329k) respectively.

Group

	2013 £'000	2012 £'000
At 1 March	**7,059**	7,447
Dividends received	**(1,267)**	(570)
Share of associate profit	**249**	458
Loss on dilution in associate using the equity method	**(43)**	(371)
Exchange adjustment	**297**	95
At 28 February	**6,295**	7,059

Company

	£'000
At 29 February 2012 and 28 February 2013	**7,196**

The directors are of the view that the fair value of the investment in Kx Systems is substantially in excess of its carrying value. The loss on dilution arises on the exercise of share options in Kx Systems at an exercise price less than the carrying value per share at which the group acquired its investment.

Goodwill arising on the associate was tested for impairment, see note 17.

19 Trade and other receivables

Current assets

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Trade receivables	**14,672**	9,299	**7,541**	4,871
Receivables from associates	**43**	64	**43**	64
Receivables from subsidiaries	**-**	-	**7,803**	7,832
Sundry receivables	**2,665**	2,379	**302**	180
Prepayments	**1,807**	1,159	**1,562**	753
Grant income receivable	**650**	866	**263**	1,087
	19,837	13,767	**17,514**	14,787

Non current assets

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Receivables from subsidiaries	**-**	-	**2,632**	2,198
Trade and other receivables	**737**	-	**737**	-
Grant income receivable	**936**	437	**-**	-
	1,673	437	**3,369**	2,198

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

At 28 February 2013 group and company trade receivables are shown net of an allowance for doubtful debts of £1,532k and £211k respectively (2012: group £379k; company £230k) arising from on-going invoice disputes and the risk of companies defaulting. The impairment charge in the year was £1,334k (2012: charge £60k) for group and £128k (2012: charge £120k) 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 39.

20 Cash and cash equivalents

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Bank balances	**1,902**	1,318	**1,397**	962

See note 39 for discussion of interest rate risk and sensitivity analysis.

For the purposes of the Statement of Cashflows, cash and cash equivalents compromises bank balances less the bank overdraft (see note 28).

Notes *(continued)*

21 Assets held for resale

The three properties presented as held for sale in the prior year were disposed off during the current year. Six properties are presented as held for sale following the commitment of management to a plan to dispose of the properties. Efforts to sell the properties have commenced and are expected to be concluded by August 2013. No impairment loss has been recognised as management expect to dispose of the properties at a profit.

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Property, plant and Equipment	**3,364**	1,598	**3,364**	1,598

22 Share capital

	Ordinary shares	
	2013	2012
	Number	Number
In issue at 1 March	**16,633,036**	15,923,953
Exercise of share options (Note 40)	**618,302**	258,168
Issued in business combinations (Note 3)	**232,731**	-
Issued as payment of deferred consideration	**-**	450,915
In issue at 28 February – fully paid	**17,484,069**	16,633,036

	2013	**2013**	2012	2012
	Number	**£'000**	Number	£'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**17,484,069**	**87**	16,633,036	83

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 618,302 share options (2012: 258,168) for consideration of £963k (2012: £360k) together with an associated transfer from the share option reserve of £334k (2012: £83k), the issue of nil shares (2012: 450,915) at £nil (2012: £2,216k) purchase consideration for outstanding deferred consideration on subsidiaries and the issue of 232,731 shares at £1,100k (2012: Nil) as purchase consideration in business combinations.

23 Share premium account

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Opening balance	**10,502**	7,846	**10,502**	7,846
Premium on shares issued	**2,393**	2,656	**2,393**	2,656
Closing balance	**12,895**	10,502	**12,895**	10,502

Notes *(continued)*

24 Share option reserve

	Group **2013 £'000**	2012 £'000	*Company* **2013 £'000**	2012 £'000
Opening balance	**2,673**	2,384	**2,673**	2,384
Fair value of share based payments cost (note 40)	**686**	725	**686**	725
Options exercised in the period	**(334)**	(83)	**(334)**	(83)
Effect of share option forfeits	**(145)**	(44)	**(145)**	(44)
Deferred tax on share based payments	**461**	(309)	**461**	(309)
Closing balance	**3,341**	2,673	**3,341**	2,673

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.

25 Fair Value reserve

	Company **2013 £'000**	2012 £'000
Opening balance	**131**	126
Effect of corporation tax rate reduction on deferred tax liability	**2**	5
Closing balance	**133**	131

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired. The amount is retained in the company as the original investment was included at fair value in the carrying value of the associate when significant influence was obtained.

26 Revaluation reserve

	Group **2013 £'000**	2012 £'000
Opening balance	**167**	174
Transfer to retained earnings on loss of interest in associate	**(2)**	(12)
Effect of corporation tax rate reduction on deferred tax liability	**2**	5
Closing balance	**167**	167

For the purposes of the group, the revaluation of the available for sale asset prior to its reclassification as an associate has been transferred to the revaluation reserve.

27 Currency translation adjustment reserve

	Group	
	2013	2012
	£'000	£'000
Opening balance	**290**	197
Net gain / (loss) on net investment in foreign subsidiaries	**608**	119
Net gain / (loss) on net investment in associate	**297**	95
Net (loss) /gain on hedge of net investment in foreign subsidiaries	**(97)**	(63)
Net (loss) / gain on hedge of investment in associate	**(117)**	(58)
Closing balance	**981**	290

The translation 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.

28 Loans and borrowings

This note provides information about the contractual terms of the group's and company's interest-bearing loans and borrowings, which are measured at amortised costs. For more information about the group's and company's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings see note 39.

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Current liabilities				
Secured bank loans	**5,762**	3,447	**5,762**	3,447
Finance lease liabilities	**451**	156	**-**	-
	6,213	3,603	**5,762**	3,447
Non-current liabilities				
Secured bank loans	**16,838**	17,178	**16,838**	17,178
Less: Capital arrangement fee	**(26)**	(31)	**(26)**	(31)
Finance lease liabilities	**1,030**	1,451	-	-
	17,842	18,598	**16,812**	17,147

Terms and debt repayment schedule

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

£11,500,000 multi currency loan (Facility A)
£9,000,000 multi currency loan (Facility B)
£2,500,000 sterling overdraft (Facility C)

28 Loans and borrowings *(continued)*

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	28 February 2013 Face value £000	28 February 2013 Carrying amount £000	29 February 2012 Face value £000	29 February 2012 Carrying amount £000
Facility A	Multi	3.00%+LIBOR	2015	**11,376**	**11,350**	9,652	9,621
Facility B	Multi	2.50%+LIBOR*	2017	**9,000**	**9,000**	8,542	8,542
Facility C	GBP	2.00%+LIBOR	-	**2,224**	**2,224**	1,553	1,553
Loan A	USD	3%+ LIBOR	2016	**-**	**-**	878	878
Finance lease liabilities	EUR	4.375%	2015	**1,481**	**1,481**	1,607	1,607
Total interest-bearing				**24,081**	**24,055**	22,232	22,201

* 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 2.0%+LIBOR.

The bank loans are secured over property, plant and equipment including assets held for sale with a carrying amount of £11,096k (2012: £15,524k). All outstanding loans have interest charged at 2%, 2.50% or 3% (2012: 2%, 2.25% or 3%) above LIBOR.

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Future minimum lease payments 2013	Interest 2013	Principal 2013	Future minimum lease payments 2012	Interest 2012	Principal 2012
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than one year	**511**	**60**	**451**	224	68	156
Between one and five years	**1,054**	**24**	**1,030**	1,531	80	1,451
	1,565	**84**	**1,481**	1,755	148	1,607

The finance leases are secured over the leased equipment.

29 Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**-**	-	**(1,530)**	(1,633)	**(1,530)**	(1,633)
Share based payments	**1,211**	1,048	**-**	-	**1,211**	1,048
Trading Losses	**323**	302	**-**	-	**323**	302
Net fair value movement on available for sale assets	**-**	-	**(40)**	(42)	**(40)**	(42)
Intangible assets	**-**	-	**(1,052)**	(549)	**(1,052)**	(549)
Other	**435**	400	**-**	-	**435**	400
Net tax assets/(liabilities)	**1,969**	1,750	**(2,622)**	(2,224)	**(653)**	(474)

Movement in deferred tax balances differences during the year:

	Balance at 1 March 2011 £000	**Recognised in income £000**	**Recognised in equity £000**	**Share options exercised £000**	**Balance at 29 Feb 2012 £000**	**Recognised in income £000**	**Recognised in equity £000**	**Recognised on acquisition £000**	**Share options exercised £000**	**Balance at 28 Feb 2013 £000**
Property, plant and equipment	(881)	(752)	-	-	(1,633)	103	-	-	-	**(1,530)**
Share based payments	1,427	32	(309)	(102)	1,048	28	461	-	(326)	**1,211**
Trading losses	228	74	-	-	302	21	-	-	-	**323**
Net fair value movement on available for sale assets	(47)	-	5	-	(42)	-	2	-	-	**(40)**
Intangible assets	(387)	(162)	-	-	(549)	(136)	(26)	(341)	-	**(1,052)**
Other	201	199	-	-	400	35	-	-		**435**
	541	(609)	(304)	(102)	(474)	51	437	(341)	(326)	**(653)**

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

29 Deferred taxation *(continued)*

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**-**	-	**(1,433)**	(1,497)	**(1,433)**	(1,497)
Share based payments	**1,211**	1,048	**-**	-	**1,211**	1,048
Net fair value movement on available for sale assets	**-**	-	**(40)**	(42)	**(40)**	(42)
Trading losses	**131**	-	**-**	-	**131**	-
Other	**37**	36	**-**	-	**37**	36
Net tax assets/(liabilities)	**1,379**	1,084	**(1,473)**	(1,539)	**(94)**	(455)

Movement in deferred tax balances during the year:

	Balance at 1 March 2011	Recognised in profit and loss	Recognised in equity	Share options exercised	Balance at 29 Feb 2012	Recognised in profit and loss	Recognised in equity	Share options exercised	Balance at 28 Feb 2013
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Property, plant and equipment	(867)	(630)	-	-	(1,497)	64	-	-	**(1,433)**
Share based payments	1,427	32	(309)	(102)	1,048	28	461	(326)	**1,211**
Net fair value movement on available for sale assets	(47)	-	5	-	(42)	-	2	-	**(40)**
Trading losses	-	-	-	-	-	131	-	-	**131**
Other	41	(5)	-	-	36	1	-	-	**37**
	554	(603)	(304)	(102)	(455)	224	463	(326)	**(94)**

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

30 Contingent deferred consideration

Contingent deferred consideration liabilities are payable as follows:

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
At 1 March	**890**	7,610	**259**	5,268
Additions	**650**	-	**650**	-
(Decrease)/Increase in contingent deferred consideration	**(317)**	(1,354)	**-**	133
Foreign exchange movement in contingent deferred consideration	**13**	222	**10**	199
Settled in year – cash	**(471)**	(3,316)	**(158)**	(3,100)
Settled in year – shares issued	**-**	(2,216)	**-**	(2,216)
Settled in year – share option charge	**(3)**	(56)	**(3)**	(25)
At 28 February	**762**	890	**758**	259

The payment of contingent deferred consideration was paid in cash together with a share option charge in respect of share options issued as part of purchase consideration. The (decrease)/increase in contingent deferred consideration arises from a reassessment of contingent deferred consideration in line with (decreased)/increased performance of the subsidiary as per the terms of the relevant sale and purchase agreement. As at 28 February 2013 the maximum total amount payable under the terms of the sale and purchase agreements is £762k (2012: £4,772k) and the minimum total amount payable is £112k (2012: £335k).

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Less than one year	**762**	890	**758**	259
Between one and five years	**-**	-	**-**	-
	762	890	**758**	259

The amount of contingent deferred consideration is variable depending on the future performance of the relevant subsidiary. £762k (2012: £859k) of the group contingent deferred consideration is payable in cash and £Nil (2012: £31k) unamortised share option charge.

31 Deferred consideration

Deferred consideration liabilities are payable as follows:

	Group 2013 £'000	2012 £'000	*Company* 2013 £'000	2012 £'000
At 1 March	**-**	-	**-**	-
Additions in deferred consideration	**450**	-	**450**	-
	450	-	**450**	-

The deferred consideration is loan notes which are redeemable from 28 March 2013 in either a variable number of shares or cash.

32 Trade and other payables

Current liabilities

	Group 2013 £'000	2012 £'000	*Company* 2013 £'000	2012 £'000
Trade payables	**1,922**	1,265	**826**	707
Other payables	**1,990**	1,801	**1,614**	1,405
Accruals	**729**	692	**464**	535
Deferred income including government grants	**3,864**	3,698	**1,887**	1,978
Payables to subsidiaries	**-**	-	**965**	965
	8,505	7,456	**5,756**	5,590

Non current liabilities

	Group 2013 £'000	2012 £'000	*Company* 2013 £'000	2012 £'000
Deferred income in respect of government grants	**2,224**	2,901	**1,010**	1,820

The group and company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 39.

32 Trade and other payables (*continued*)

The group has claimed three government grants to date as follows:

- Grant amounting to £5,522k (2012: £5,122k), conditional on recruitment of additional staff. The grant is recognised as deferred income as additional staff are recruited and is being amortised over the period of the grant.
- Grant amounting to £468k (2012: £468k), conditional on the provision of staff training. It is recognised as other income as training is provided.
- Grant amounting to £1,656k (2012: £1,744k), conditional upon research and development expenditure. This is recognised as deferred income as expenditure is incurred and is being amortised over the useful life of the generated intangible.

33 Current tax payable

	Group		***Company***	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Current tax payable	**649**	702	**336**	798

34 Provisions

	Group
	£'000
At 28 February 2013 and 29 February 2012	**-**
At 1 March 2011	344
Payments	(78)
Release to income statement	(266)
At 29 February 2012	-
At 28 February 2013	**-**

On the acquisition of the trade and assets of Cognotec Holdings Ltd in 2010 certain contracts were identified that were deemed to be onerous in nature due to the requirement to deliver services for no additional income. This related to a prepayment made by a third party prior to the group's purchase of the trade and assets of the business. The contracted service to be delivered for this payment had not been delivered at the time of the acquisition. The group had an obligation to refund the prepayment and subsequently reached a settlement with the third party in the prior year.

35 Employee benefits

	Group		***Company***	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Accrued holiday pay	**775**	632	**625**	517
Employee taxes	**2,263**	1,478	**2,151**	1,384
	3,038	2,110	**2,776**	1,901

Notes *(continued)*

36 Commitments

There was no capital or other commitments at the current or prior year end.

Non-cancellable operating lease rentals are payable as follows:

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Less than one year	**447**	572	**140**	140
Between one and five years	**1,376**	1,466	**560**	560
More than five years	**821**	1,121	**700**	840
	2,644	3,159	**1,400**	1,540

The group leases four premises under operating lease arrangements.

Group
During the year £486k was recognised as an expense in the income statement in respect of operating leases (2012: £513k).

Company
During the year £140k was recognised as an expense in the income statement in respect of operating leases (2012: £140k).

37 Pension contributions

The group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £860k (2012: £650k). Contributions amounting to £124k (2012: £101k) were payable to the schemes at the year end and are included in creditors.

38 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
The remuneration of the directors and rights to subscribe for shares as set out in note 12 is deemed to be the remuneration of key management personnel.

Key management personnel and director transactions
The Group is charged rent monthly for the use of apartments located in London owned by Brian Conlon. The charge incurred during the financial year amounted to £53k (2012: £53k). Rent deposits of £26k (2012: £26k) have been paid to the Brian Conlon in respect of these apartments. The balance owed to Brian Conlon at 28 February is £Nil (2012: £Nil).

During the year the group incurred £Nil (2012: £40k) expenditure with Glenmount Limited, a consultancy services company in which M O'Neill is a director. The balance owed to Glenmount at 28 February 2013 is £Nil (2012: £6k).

Notes *(continued)*

38 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 owned by B Conlon and M O'Neill. £140k (2012: £140k) rental charge was incurred in the year. The balance owed to Oncon at 28 February 2013 is £Nil (2012: £Nil).

Other related party transactions

	Commission earned		**Administrative expenses incurred from**	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Associate	**20**	458	**-**	121
	20	458	**-**	121

	Receivables outstanding		**Payables outstanding**	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Associate	**148**	106	**-**	-
	148	106	**-**	-

Company

Other related party transactions

	Revenue		**Administrative expenses incurred from**	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Subsidiaries	**1,741**	1,783	**6,153**	4,317
Associate	**98**	458	**-**	121
	1,839	2,241	**6,153**	4,438

38 Related parties transactions (*continued)*

	Receivables outstanding		Payables outstanding	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Subsidiaries	**10,435**	10,030	**965**	965
Associates	**148**	106	**-**	-
	10,583	10,136	**965**	965

The above associate receivables balances outstanding for group and company includes a trade receivable balance of £43k (2012: £64k) and a prepayment of £105k (2012: £42k).

All outstanding trade receivable balances with the associate are on an arm's length basis and are due to be settled in cash within six months of the reporting date. The balances are not secured. The group has a perpetual OEM agreement for the kdb+ software.

During the year development costs of £nil (2012: £328k) were recharged from a subsidiary to the company.

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

39 Financial instruments

Fair values

Group

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

2013

	Loans and receivables	**Liabilities at amortised cost**	**Carrying amount**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Trade and other receivables	19,703	-	19,703	19,703
Cash and cash equivalents	1,902	-	1,902	1,902
Secured bank loans	-	(22,574)	(22,574)	(22,574)
Finance leases	-	(1,481)	(1,481)	(1,481)
Trade, accruals and other payables		(4,641)	(4,641)	(4,641)
Employee benefits	-	(3,038)	(3,038)	(3,038)
Deferred consideration	-	(450)	(450)	(450)
Contingent deferred consideration	-	(762)	(762)	(762)

39 Financial instruments (*continued)*

Fair values *(continued)*

2012

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	13,045	-	13,045	13,045
Cash and cash equivalents	1,318	-	1,318	1,318
Secured bank loans	-	(20,594)	(20,594)	(20,594)
Finance leases	-	(1,607)	(1,607)	(1,607)
Trade, accruals and other payables	-	(3,758)	(3,758)	(3,758)
Employee benefits	-	(2,110)	(2,110)	(2,110)
Contingent deferred consideration	-	(859)	(859)	(859)

Company

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

2013

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	19,321	-	19,321	19,321
Cash and cash equivalents	1,397	-	1,397	1,397
Secured bank loans	-	(22,574)	(22,574)	(22,574)
Trade, accruals and other payables	-	(3,869)	(3,869)	(3,869)
Employee benefits	-	(2,776)	(2,776)	(2,776)
Deferred consideration	-	(450)	(450)	(450)
Contingent deferred consideration	-	(758)	(758)	(758)

39 Financial instruments (*continued)*

Fair values *(continued)*

2012

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	16,232	-	16,232	16,232
Cash and cash equivalents	962	-	962	962
Secured bank loans	-	(20,594)	(20,594)	(20,594)
Trade, accruals and other payables	-	(3,612)	(3,612)	(3,612)
Employee benefits	-	(1,901)	(1,901)	(1,901)
Contingent deferred consideration	-	(259)	(259)	(259)

Licence agreement

During the year the Group entered into a licence agreement which upon termination or expiry of the licence, it will receive a termination fee based on 30% of enterprise value of the licensee. This is considered to be a level 3 fair value instrument. The Group and the licensee both have the option to terminate the agreement after an initial contract period of five years. At 28 February 2013, the termination fee was fair valued at £Nil as the provision of the licensed services had not commenced until subsequent to the year end and the agreement was therefore not considered to have commenced. No fair value gain or loss has been recognised in the Consolidated Statement of Comprehensive Income during the period (2012: £Nil).

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**	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Trade and other receivables	**19,703**	13,045	**19,321**	16,232
Cash and cash equivalents	**1,902**	1,318	**1,397**	962
	21,605	14,363	**20,718**	17,194

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

39 Financial instruments *(continued)*

Exposure to credit risk *(continued)*

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

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Europe	**4,585**	2,667	**8,054**	6,861
America	**7,621**	4,949	**6,630**	4,899
United Kingdom	**4,934**	3,666	**3,906**	3,759
Australasia	**2,563**	1,763	**731**	713
	19,703	13,045	**19,321**	16,232

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

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
End-user customer	**14,948**	9,337	**7,585**	5,040
Other	**4,755**	3,708	**11,736**	11,192
	19,703	13,045	**19,321**	16,232

The group's most significant customer is an investment bank which accounts for £2,103k of the trade and other receivables carrying amount at 28 February 2013 (2012: £1,472k). No other customers had receivable balances in excess of 10% of the group's total balance at the year end. In addition £650k (2012: £1,303k) 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 2013 £'000**	**Impairment 2013 £'000**	**Gross 2012 £'000**	**Impairment 2012 £'000**
Not past due	**7,628**	**-**	4,612	-
Past due 0-30 days	**1,769**	**-**	1,464	-
Past due 31-120 days	**1,023**	**-**	761	-
Past due 120 days +	**5,784**	**1,532**	2,841	379
Total	**16,204**	**1,532**	9,678	379

39 Financial instruments *(continued)*

Impairment losses (continued)

Company	**Gross 2013 £'000**	**Impairment 2013 £'000**	**Gross 2012 £'000**	**Impairment 2012 £'000**
Not past due	**4,784**	**-**	3,192	-
Past due 0-30 days	**1,256**	**-**	757	-
Past due 31-120 days	**563**	**-**	425	-
Past due 120 days +	**1,149**	**211**	727	230
Total	**7,752**	**211**	5,101	230

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

	Group		***Company***	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
Balance at 1 March	**379**	440	**230**	350
Impairment loss (reversed) /charged	**1,334**	(60)	**128**	(120)
Amounts written off	**(181)**	(1)	**(147)**	-
Balance at 28 February	**1,532**	379	**211**	230

A review of debt outstanding led to the increase of £1,334k in the impairment provision. A specific impairment loss was incurred during the prior year with regard to concerns over the recoverability of debt various customers mainly due to the economic circumstances of the 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 above allowance for impairment for the group includes a collective based provision of £nil (2012: £112k). The allowance for impairment for the company is entirely specific.

The group and company held cash and cash equivalents of £1,902k (2012: £1,318k) and £1,397k (2012: £962k) respectively at 28 February 2013 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.

39 Financial instruments *(continued)*

Liquidity risk

Group

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

28 February 2013

	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	(22,574)	(24,113)	(3,517)	(2,978)	(4,042)	(13,576)	-
Finance leases	(1,481)	(1,565)	(205)	(306)	(1,054)	-	-
Trade and other payables	(4,641)	(4,641)	(4,641)	-	-	-	-
Deferred consideration	(1,212)	(1,212)	(562)	(650)	-	-	-
	(29,908)	(31,531)	(8,925)	(3,934)	(5,096)	(13,576)	-

29 February 2012

	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	(20,594)	(25,475)	(2,881)	(1,589)	(3,045)	(17,960)	-
Finance leases	(1,607)	(1,755)	(87)	(137)	(498)	(1,033)	-
Trade and other payables	(3,758)	(3,758)	(3,758)	-	-	-	-
Deferred consideration	(859)	(859)	(438)	(421)	-	-	-
	(26,818)	(31,847)	(7,164)	(2,147)	(3,543)	(18,993)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 28.

Company

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

28 February 2013

	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	(22,574)	(24,113)	(3,517)	(2,978)	(4,042)	(13,586)	-
Trade and other payables	(3,869)	(3,869)	(3,869)	-	-	-	-
Deferred consideration	(1,208)	(1,208)	(558)	(650)	-	-	-
	(27,651)	(29,190)	(7,944)	(3,628)	(4,042)	(13,576)	-

29 February 2012

	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	(20,594)	(25,475)	(2,881)	(1,589)	(3,045)	(17,960)	-
Trade and other payables	(3,612)	(3,612)	(3,612)	-	-	-	-
Deferred consideration	(259)	(259)	(259)	-	-	-	-
	(24,465)	(29,346)	(6,752)	(1,589)	(3,045)	(17,960)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 28.

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

Notes *(continued)*

39 Financial instruments *(continued)*

Currency risk

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

	28 February 2013			29 February 2012		
	CAD	**Euro**	**USD**	CAD	Euro	USD
	£000's	**£'000**	**£'000**	£000's	£'000	£'000
Trade receivables	**697**	**938**	**7,527**	947	249	4,091
Secured bank loans	**-**	**-**	**-**	-	-	(453)
Trade payables	**-**	**-**	**-**	-	-	-
Gross balance sheet exposure	**697**	**938**	**7,527**	947	249	3,638

The secured bank loan above excludes bank loans designated in a net investment hedge of £9,356k (2012: £10,631k).

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

	28 February 2013			29 February 2012		
	CAD	**Euro**	**USD**	CAD	Euro	USD
	£000's	**£'000**	**£'000**	£000's	£'000	£'000
Trade receivables	**697**	**886**	**3,209**	947	215	1,679
Secured bank loans	**-**	**-**	**(9,356)**	-	-	(11,084)
Trade payables	**-**	**-**	**-**	-	-	-
Gross balance sheet exposure	**697**	**886**	**(6,147)**	947	215	(9,405)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2013	2012	**2013**	2012
USD 1	**1.57**	1.60	**1.51**	1.58
EUR 1	**1.23**	1.16	**1.15**	1.18
CAD 1	**1.57**	1.59	**1.55**	1.58

Sensitivity analysis
A 10% strengthening of Sterling against the above currencies at the end of the period would decrease group equity and profit or loss by approximately £1,407k (2012: £762k). A 10% weakening of Sterling against the above currencies at the end of the period would increase group equity and profit or loss by approximately £1,407k (2012: £762k). 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.

39 Financial instruments *(continued)*

Interest rate risks

At the reporting date the interest profile of the group's and company's interest bearing financial instruments was:

	Group		*Company*	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
Variable rate instruments				
- Financial assets	**-**	-	**-**	-
- Financial liabilities	**(22,600)**	(20,625)	**(22,600)**	(20,625)
	(22,600)	(20,625)	**(22,600)**	(20,625)
Fixed rate instruments				
- Financial assets	**-**	-	**-**	-
- Financial liabilities	**(1,481)**	(1,607)	**-**	-
	(1,481)	(1,607)	**-**	-

A 10% reduction in interest rates at the end of the period would increase group equity and profit and loss by approximately £72k (2012: £116k). A 10% increase in interest rates at the end of the period would decrease group equity and profit or loss by approximately £72k (2012: £116k). This analysis assumes that all other variables remain constant.

40 Share based payments

Options have been granted as set out below under the group's two equity-settled share option schemes which are open to all directors and employees of the group. The key terms of all options issued are consistent, with all options subject to the completion of one, two, three and four years of service as set by the group prior to the grant of the option, with the exception of options issued as purchase consideration which include conditions relating to performance. As the options vest at annual intervals over a three 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.

40 Share based payments (*continued)*

Reconciliation of outstanding share options

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

	Weighted average exercise price 2013	**Number of options 2013**	Weighted average exercise price 2012	Number of options 2012
Maximum options outstanding at beginning of period	**1.32**	**1,482,667**	1.31	1,790,375
Lapsed during the period	**-**	**-**	1.04	(79,875)
Exercised during the period	**1.27**	**(456,500)**	1.30	(227,833)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**1.35**	**1,026,167**	1.32	1,482,667
Exercisable at end of period	**1.35**	**1,026,167**	1.24	630,000

The options outstanding at 28 February 2013 above have an exercise price in the range of £0.510 to £1.785 (2012: £0.510 to £1.785) and a weighted average contractual life of 4.8 phyears (2012: 5.6 years).

	Weighted average exercise price 2013	**Number of options 2013**	Weighted average exercise price 2012	Number of options 2012
Maximum options outstanding at beginning of period	**2.49**	**931,665**	2.51	1,087,000
Lapsed during the period	**2.67**	**(225,033)**	2.64	(125,000)
Exercised during the period	**2.36**	**(161,802)**	2.50	(30,335)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**2.46**	**544,830**	2.49	931,665
Exercisable at end of period	**2.51**	**445,387**	2.69	195,120

The options outstanding at 28 February 2013 above have an exercise price in the range of £2.270 to £2.735 (2012: £2.270 to £2.735) and a weighted average contractual life of 6.0 years (2012: 7.1 years).

40 Share based payments (*continued)*

	Weighted average exercise price 2013	**Number of options 2013**	Weighted average exercise price 2012	Number of options 2012
Maximum options outstanding at beginning of period	**4.33**	**1,361,600**	4.15	350,000
Lapsed during the period	**4.55**	**(80,000)**	-	-
Exercised during the period	**-**	**-**	-	-
Granted during the period	**4.74**	**983,000**	4.40	1,011,600
Maximum options outstanding at end of period	**4.50**	**2,264,600**	4.33	1,361,600
Exercisable at end of period	**4.30**	**560,533**	-	-

The options outstanding at 28 February 2013 above have an exercise price in the range of £4.15 to £5.05 (2012: £4.150 to £4.800) and a weighted average contractual life of 7.7 years (2012: 9.7 years).

The weighted average share price at the date of exercise for share options exercised for the year ending 28 February 2013 was £5.00 per share (2012: £4.95).

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 2013			
Grant date	**25/06/12**	**27/09/12**	**12/12/12**
Fair value at grant date	**0.81**	**0.91**	**0.86**
Share price at grant date	**4.72**	**4.73**	**5.05**
Exercise price	**4.72**	**4.73**	**5.05**
Number of options	**394,000**	**550,000**	**39,000**
Expected volatility (weighted average volatility)	**20%**	**20%**	**20%**
Option life (expected weighted average life)	**2.5 years**	**3 years**	**2.5 years**
Expected dividends	**0.1%**	**0.1%**	**0.1%**
Risk-free interest rate (based on government bonds)	**4.0%**	**4.0%**	**4.0%**

Grant of options during the year ended 29 February 2012			
Grant date	20/12/11	03/03/11	03/03/11
Fair value at grant date	1.22	1.19	0.98
Share price at grant date	4.80	4.27	4.27
Exercise price	4.80	4.27	4.27
Number of options	250,000	90,000	671,600
Expected volatility (weighted average volatility)	30%	30%	30%
Option life (expected weighted average life)	3 years	3.5 years	2.5 years
Expected dividends	0.1%	0.1%	0.1%
Risk-free interest rate (based on government bonds)	4.0%	4.0%	4.0%

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

40 Share based payment *(continued)*

Employee expenses – equity settled

	2013 **£'000**	2012 £'000
Expense relating to:		
Share options granted in 2009/10 – equity settled	**-**	64
Share options granted in 2010/11 – equity settled	**273**	296
Share options granted in 2011/12 – equity settled	**140**	126
Share options granted in 2012/13 – equity settled	**163**	-
Total expense recognised as employee benefit expense	**576**	486
Capitalised expenses – equity settled		
Amounts relating to:		
Share options granted in 2011/12- equity settled	**96**	183
Share options granted in 2012/13- equity settled	**11**	-
Total amount recognised as software development cost	**107**	183
Business combinations – equity settled		
Amount relating to:		
Share options granted in 2009/10 – equity settled	**3**	56
Total amount recognised in share based payment reserve	**686**	725

41 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 May 2014, February 2016 and October 2016 in relation to the respective grants.

42 Comparative amounts

Certain comparable amounts have been restated in the current year to ensure comparability. A comparative amount of £955k in respect of computer and data centre costs has been reclassified from administrative expense to cost of sales in the current year.

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