First Derivatives plc

Directors' report and consolidated financial statements

Registered number: NI 30731

28 February 2014

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Chairman's statement

The fiscal year to 28 February 2014 has seen the Group grow its operations across all regions and divisions in a market which continues to improve. The ongoing investment in the Group's technology platform ensures we are in a strong position to meet clients' needs and to deliver further strong growth.

Revenue for the year ended 28 February 2014 increased by 23.8% to £69.9 million from £56.5 million in the previous year. Pre-tax profits grew 29.0% to £7.9 million compared to £6.2 million in 2013.

The programme of disposals of our property portfolio has continued over the year with the sale of eleven individual properties generating a profit on sale of £0.9 million. We also raised £4.7m in a share placing at £5.64 per share in July 2013 leading to net debt of £11.2m at the year-end in comparison to £22.2m last year.

The Group continues to generate positive operating cash flows and this has allowed the Board to recommend payment of a final dividend of 9.00p per share which, together with the interim dividend of 3.20p per share paid on 5 December 2013, gives a total dividend for the year of 12.20p.

The final dividend, if approved at the AGM, will be paid on 25 July 2014 to those shareholders on the register on 20 June 2014.

Software

Growth in software sales to £19.3 million (2013: £15.0 million) represented an increase of 28.8% arising from our continued focus on three markets segments for the Delta software suite.

The announcement of our win to provide surveillance software to the Australian Securities and Investment Commission at the end of the last financial year initiated numerous discussions with exchanges, brokers and regulators on a global basis. We expect to gain further market share in the area of market surveillance and monitoring in the coming months.

Announcements like those made with NYSE Technologies ("NYSET") and Thomson Reuters demonstrates we have software which is the epitome of big data software solutions for volume and velocity.

Our focus on the Foreign Exchange Trading market remains. During the year we successfully launched Delta Flow in our Tokyo Data Centre linking local bank pricing engines to allow Asian brokers to source FX liquidity from a potential pool of 40 banks. We see this as a major boost as it improves our ability to gain market share of the largest segment (Japanese retail FX trading) of the largest market in the world (FX Market). We continue to invest in Delta Flow and anticipate increasing our share of the market further this year.

Consulting

Consulting revenues grew strongly rising by 22.0% to £50.6 million from £41.5 million in the previous year. This impressive performance demonstrates the strength of our offering in meeting the regulation, remediation and realignment needs of our customers. The market is improving and investment continues to be needed by institutions to meet regulation driven requirements. This, along with continuing remediation of existing systems to meet new requirements while realigning back and middle office to support new institution strategies to meet them efficiently, generates continuing demand for services.

Chairman's statement *(continued)*

We continue to be successful in cross selling to existing customers, whilst also adding new institutions. Confidence in our ability to do so allows us to invest in enhancing the capabilities as demonstrated by the acquisitions of Redshift Horizons Limited and Cowrie Financial Limited last year and our continued investment in recruitment and training of our staff. We are confident we are well positioned to continue our growth trajectory as we enhance and adapt our services, building upon our existing stable revenue arising from our focus on mission critical applications.

Board changes

At the Annual General Meeting on 18 July 2013 David Anderson stepped down as Non-executive Chairman following 12 years of unfaltering service, and David remains a Non-executive Director. I would like, on behalf of the Board, to thank David for his substantial contribution to Group over this period. I also thank Michael O'Neil who resigned from the board during the year after many years of dedicated service to First Derivatives.

During the year we established an Executive Committee as we strengthened our senior management team. Two executive directors, Adrian Toner and Kevin Cunningham, resigned from the main board as they joined the Executive Committee and continue to be key members of the senior management team.

Outlook

The 2013/14 year has seen strong growth across the Group's activities with total revenues up over 23.8%. The current fiscal year is set to be a pivotal year for the Group as we gain traction in our target markets for our software. We have a strong business in consulting with an expansive capability and have confidence in our ability to grow this as we have done in previous years. The pipeline across the business is strong and as the year progresses we expect to demonstrate progress in the areas we are addressing. We have invested to ensure the Group is in a strong position to capture market share in software and consulting and consequently expect to report further progress in the year to 28 February 2015.

I would like to thank the staff of First Derivatives and my board colleagues for their hard work for achieving another successful year of growth for the Group.

Seamus Keating 19 May 2014
Chairman

First Derivatives plc

Chief Executive's statement

The outlook for the capital markets has improved in 2014 with major economies emerging from recession and the Eurozone crisis having abated for the moment. For the first time in a number of years our customers are looking to invest to exploit new opportunities, in addition to dealing with ever more complex regulations and shoring up their capital bases by seeking to reduce costs. Amidst this I am pleased to report that First Derivatives has had another successful year. As well as growing our revenues and increasing profits, we have made a number of significant investments in research and development and our sales capacity which we believe will generate further growth in the coming years.

Review of activities

First Derivatives sells software products to the capital markets and provides a range of associated consulting services. Our growing customer base currently consists mainly of 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 Bahrain, Mumbai, Milan and Mexico City.

There are potentially thousands of customers for our products and services, many of whom spend hundreds of millions of pounds annually on technology and associated services. We differentiate ourselves from other vendors by providing a combination of domain knowledge and technical expertise. This is relatively unique in the industry, which has no dominant player and is extremely fragmented. First Derivatives has strong brand recognition and is rapidly becoming one of the industry's leading players. We are focused on building recurring revenue from our software assets and in our consulting business we target assignments that last for many years to establish a visible revenue stream.

We made a major investment in our sales capacity this year. We have established a regional hub in Singapore with supporting satellite offices in Hong Kong and Japan. In addition,we signed new partnerships with NYSE Technologies, Pivotal in California and are about to sign up a new partner in China and Taiwan. This expansion in direct and indirect sales channels has been accompanied by a significant increase in front line personnel and is indicative of our confidence in the quality of our product and consulting offerings.

Delta Software

Our singular focus in developing our software since we made the strategic decision to develop our own product has been data – the capture, enrichment and analysis of vast amounts of high frequency data in real-time. We have been working with Big Data, long before the term came into vogue, and are one of the few companies to have built and deployed Big Data products. We used our capital markets domain knowledge to the benefit of our customers and created disruptive applications in a number of niche areas, branded under the Delta umbrella. Furthermore, we have invested significantly in building ecosystems in the cloud to deploy Delta applications – not only does it allow our customers to share data and liquidity but it also saves them significant infrastructure, support and development costs. We secured prestigious anchor tenants for these deployments who are happy to act as reference clients. This multi-tenanted, hosted model is expensive to establish as it entails significant upfront development and infrastructure cost. However the acquisition of new cost customers is low as are ongoing incremental support costs. In the past year we have had success in a number of areas:

Delta Software (continued)

Delta Stream (Surveillance) – This has been an exciting year for us as we have travelled the world to meet Exchanges, Regulators and Brokers in each continent. The catalyst for this increased interest in our Delta Stream product has been the successful deployment of a surveillance system for the Australian market – a deal we announced in December 2012. This system is being publicly heralded by the Australian Regulator as a key weapon in their mandate to discourage insider trading and to reduce systemic risk. Delta Stream analyses trades and quotes in real-time and applies algorithms to identify patterns of activity indicating insider trading, fat finger trades and other forms of market dysfunction and to take remedial action where necessary. One topical form of market dysfunction that Delta Surveillance is designed to prevent is the type of flash crash which sent the Dow Jones crashing by over 1,000 points in 10 minutes in May 2010. We have recently signed a deal in this area and we expect to be in a position to provide further news in the coming months.

Delta Flow (Foreign Exchange) - Our Delta Flow product is now a relatively mature product and is in use by circa 30 banks and brokers to help them source FX liquidity from a pool of 40 banks co-located in data centres in New Jersey and Tokyo. We successfully deployed Delta Flow in Tokyo late last year and live trading started in February 2014. This initiative, which was backed by one of Japan's largest banks, gives us a springboard for increasing our market share in the country, the world's largest retail FX market and in Asia in general. Our customers trade billions of dollars of spot FX per day and we now also support FX forwards and swaps following the latest release of our product in March 2014. We will continue to invest heavily in Delta Flow and have a number of exciting initiatives underway (including extension of our mobile offering) in our bid to become a leading player in the world's largest market, estimated to be worth $3 billion per annum in revenue.

Delta DAAS (Data As A Service) – Our Data As A Service (DAAS) offering launched in mid 2013 has generated interest from a number of leading data providers and exchanges. DAAS is a hosted and fully managed solution targeted at consumers of data, including market and reference data, who spend vast sums building the internal global support teams and physical infrastructure (e.g., primary and secondary data centres, disk storage, hardware) required to collect and store data. The acquisition of this data does not generate any competitive advantage per se – this derives from how the data is mined and used. Our intention is to work with partners to make this data a shared utility in the same manner as water or electricity. DAAS is an example of Big Data in action – on the North American financial markets alone there are c20 million price updates a second or 113 billion per day on average, which rolls up to almost 100 trillion (10^{14}) in 5 years, needing c21 petabytes of storage. In September 2013 we announced a partnership with NYSE Technologies to bring a revolutionary Tick As A Service (TAAS) offering to the market. This initiative is on hold pending reshuffles following the ICE takeover of NYSE but is a validation of our offering and we are working on a number of similar initiatives with data vendors and exchanges.

Big Data - Our platform is designed to meet the challenges of Big Data and recent product wins allied with our data pedigree has brought us to the attention of some of the major players in the technology arena. Traditionally we have focussed on the "volume" and "velocity" challenges of Big Data but we have initiated a development stream to encompass a "veracity" dimension. This involves tagging and indexing events such as tweets, emails, documents and voice records. Work is still at a relatively early stage but will potentially open up a new frontier for us as we seek to "own the timestamp" for both structured and unstructured data in the capital markets. We are working on a number of partnerships with some leading Big Data players and our hope is that these partnerships will help bring our technology to a wider arena beyond finance.

Chief Executive's statement (*continued)*

Delta Software (continued)

I am pleased to report that our recurring software revenue increased by 11% this year and the growth trend has continued into the new financial year. Commitment to establishing this annual recurring/transactional model is key to building a sustainable and profitable software business.

Our partner company Kx Systems has had another successful year. As a 20% shareholder and with a seat on the Board we will continue to benefit from their success and their continuing commitment to pushing the boundaries of database technology. Their product, kdb+, is used by many of the world's largest financial institutions and Kx Systems lists organisations such as Deutsche Bank, JP Morgan, Zurich Financial Group, Morgan Stanley, Unicredit and Total Gas & Power as customers. An exciting development this year has been the expansion into the pharmaceutical and utilities sector with the signing of Purdue Pharma and the Canadian electricity regulator, IESO.

Consulting

First Derivatives has established itself as one of the leading niche capital markets consulting companies in the world. 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 eighteen years and our areas of expertise continue to broaden and deepen. We are bidding for large transformation and outsourced work against (and indeed sometimes jointly bidding with) titans such as IBM, Fujitsu and Accenture. The potential lifetime value of these innovative initiatives is measured in tens of millions of pounds.

In our consulting division, our underlying philosophy remains unchanged. We provide people who understand the capital markets and who understand technology. This differentiates us from our competitors as does our flexible operating model. Our consulting engagements allow us to keep abreast of, and respond to trends in the market. This year, utilising our platform we have developed a number of products in areas such as application monitoring (Delta Monitoring), reconciliations (Delta Rec) and testing (Delta Tools for Calypso) which further differentiate us from competitors in the consulting arena. Our consultants, whilst on the bench, are deployed 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. It is important to note that this pool of available resources will allow us to scale our software business.

We have developed and refined a number of consulting offerings which are designed to allow us to bid for larger projects, to lock-in recurring revenue and to cross sell products. These include a Nearshore offering and Multi-Vendor application support. Our Nearshore model is an alternative to the popular but only partially successful outsourcing model. It is a hybrid model which involves deploying a team of consultants in situ at multiple customer sites supported by a team with similar expertise at a lower cost in our headquarters. This model is designed to address many of the shortcomings of outsourcing – cultural issues, domain expertise, timezone issues and supply and sustainability. Our Multi-Vendor application support offering (often used in conjunction with the Nearshore model) involves providing a single team to support a range of third party applications such as Calypso, Murex and Summit as well as legacy in-house systems. This multi-disciplined team is also responsible for upgrades, testing, customisation and development of interfaces. The advantage to the bank is that rather than managing multiple siloed teams they have one point of contact and cumulative savings around training, recruitment fees, duplication of effort and management overhead.

Consulting (continued)

The Group has had a number of notable successes this year worth highlighting:

- We have been appointed as the lead consultant in a multi-year transformation project for the European arm of a Japanese bank. Delta Rec is used as part of this engagement;
- We were chosen to provide outsourced application management services across a range of applications to a German bank. This is a seven year agreement. This also involves the sale of Delta Monitoring; and
- A European bank has chosen First Derivatives to assist them in the disposal of non-core assets in a program expected to last five years.

Management and Personnel

The Group now employs over 900 people and increased recognition of the First Derivatives brand allows us to attract talented people in our locations around the world. Our renowned graduate recruitment and training programme, the Options programme, is now six years old and with our high retention rate the experience profile of our consultants continues to increase. Once again I would like to pay tribute to all First Derivatives employees who are hardworking, talented, flexible and dedicated.

Financial Review

Post-tax profit for the year was £6.4 million (2013: £5.1 million) on turnover of £69.9 million (2013: £56.5 million). Our balance sheet is strong with equity attributable to shareholders up to £52.1 million (2013: £39.4 million), an increase of 32%. This, and our confidence in the Group's ability to generate cash, enables the Board to recommend a final dividend of 9.00p per share (2013: 8.40p) which means that we will have paid a total dividend of 12.20p (2013: 11.50p) per share for the full year.

Outlook

The increasing maturity of our products, the investment in additional sales capacity and the health of our current pipeline gives us confidence in anticipating further growth in the year to 28 February 2015. As well as organic growth the Board will continue to pursue acquisition opportunities where we see a strategic fit. We believe 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 19 May 2014
Chief Executive Officer

First Derivatives plc

Directors and advisers

Directors

S Keating	–	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*
R D Anderson	–	Non-executive Director*[+]

Secretary

JJ Kearns

Registered Office

3 Canal Quay
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Co Down
BT35 6BP

Auditors

KPMG
Chartered Accountants
Stokes House
17/25 College Square East
Belfast
BT1 6DH

Solicitors

Mills Selig
21 Arthur Street
Belfast
BT1 4GA

Bankers

Bank of Ireland
Corporate Headquarters
Donegall Place
Belfast
BT1 5LU

Nominated Advisor/EMI Advisor and Joint Brokers

Charles Stanley Securities	Goodbody Corporate Finance
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London	Ballsbridge
EC2A 1NT	Dublin 4

Company registration number

NI 30731

Registrar and Transfer Office

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18 Laurel Lane
Halesowen
West Midlands
B63 3DA

* 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 2014.

Results and dividend

The Group's profit after taxation attributable to the shareholders for the year to 28 February 2014 was £6,401k (2013: £5,145k).

The Directors propose the payment of a final dividend of 9.00 pence per share (previous year: 8.40 pence) which, together with the interim dividend of 3.20 pence per share (2013: 3.10 pence), totals 12.20 pence per share (2013: 11.50 pence). The final dividend has not been included in payables as it was not approved before the year end.

Dividends paid during the year comprised of a final dividend of 8.40 pence per share for the year ended 28 February 2013 and an interim dividend of 3.2 pence per share for the year ended 28 February 2014.

Directors

The Directors 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

Directors and their interests

The interests of the Directors in shares during the year are set out on page 15 in the report of the Remuneration Committee.

Substantial shareholdings

At 19 May 2014, 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 (39.7%), Standard Life Investments Limited (8.4%), Legal & General Group plc (4.00%) and Investec Asset Management (3.3%).

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 £5,987k (2013: £5,608k) 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 £1,497k (2013: £1,428k) were expensed during the year.

Directors' report *(continued)*

Employees

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

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

Financial instruments

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

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

Political donations

The Group and Company made no political donations during the year (2013: £Nil).

Future developments

As highlighted in the Chairman's Report and the report of the Chief Executive, the Group focuses on the sale of software and consulting services to the capital markets industry. This remains the key strategy of the Group to increase its share in its target market segments. The Delta software suite is asset class agnostic and can be applied to other asset classes and markets. The Group's focus will remain on the capital markets, though exploitation of the software assets of the Group will be pursued.

Events after the reporting date

No significant events have occurred between 28 February 2014 and the date of authorisation of these financial statements.

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

JJ Kearns
Secretary

19 May 2014

First Derivatives plc

Strategic report

Strategy and business objectives

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

First Derivatives objective is to increase shareholder value by increasing the Group's sales revenue and profit before tax. Its strategy to achieve this is focused upon organic growth supported by investment in the Group's infrastructure or selective acquisitions providing these can be demonstrated to enhance shareholder value.

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. Organic growth is driven by providing innovative services or products to its client base focused on meeting their needs and objectives. This has seen a growing demand for software and consulting services as clients look to improve business efficiencies within their operating environment while meeting the increasing regulation needs. The business model focuses servicing or providing mission critical applications for the client base. This assists in the retention of revenue streams while allowing cross selling in the future. In addition several new clients are sought to be won each year which combined with ongoing revenue retention and cross selling ensures the continued progression of the Group.

In recent periods a number of investments have been made to establish subsidiary entities. 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 remains to be that the new services or offerings interlink and complement each other, which enables the Group to be managed on a unified basis.

Development and performance

The Group performed in the year with sales increasing by £13.4 million (23.8%). Growth arose from further penetration in the two key business areas with consultancy sales increasing by £9.1 million (22.0%) and software sales by £4.3 million (28.8%). The profit before tax for the year of £7.9 million (2013: £6.2 million) represented a growth of 29.0%.

Position at year end

The Group's cash from operating activities increased by 153.0% to £8.1 million which resulted in a cash and cash equivalent balance of £1.5 million (2013: (£0.3 million)). Net assets at 28 February 2014 were £52.1 million compared to £39.4 million at 28 February 2014.

Strategic report *(continued)*

Key performance indicators

A review of the Group's activities in the current year is detailed in the Chief Executive's Statement with progress against the stated objectives shown in the below table:

	2014 £'000	2013 £'000
Annual Revenue	69,902	56,469
Profit Before Tax	7,947	6,160

Principal risks and uncertainties

The Group operates in a changing economic and technological environment and is exposed to a number of risks and uncertainties in the undertaking of its day to day activities. 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.

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 its 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. It addresses these risks by focusing sales campaigns on generating assignments with long-term visibility, continuing to increase the human capital of its consultants and diversifying its software and services portfolio offerings.

Technological changes
Technology in the software industry can change rapidly. It is important that the Group's products remain up to date and that its development plans are flexible. Significant ongoing investment is made in research and development to allow the identification and adaptation to any technological changes that do occur, thereby ensuring that its products continue to meet the demands of its customers.

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 perpetual OEM agreement for the use of this database within the First Derivatives product suite. A small number of customers are important to the success of the Group, though its continued expansion continues to reduce the reliance.

Growth management
The Group's ability to manage its growth effectively will require it to continue to improve its operations, financial and management controls, reporting systems and procedures, and to train, motivate and manage its employees. Investment is made in each of these areas each year to improve and add to existing functions to continue to manage the Group's growth.

Strategic report *(continued)*

Principal risks and uncertainties (continued)

Other information
The other information required to be disclosed in respect of the review of the Group's business as required under Section 417 of the Companies Act 2006 is given in the Chairman's Statement on pages 2 to 3 and the Chief Executive's Statement under the heading 'Financial Review' on page 7 as well as further consideration of the key business risks highlighted above.

The Directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit. Further information is set out in note 38.

On behalf of the board

JJ Kearns
Secretary

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 options and other equity rewards which underlying securities grantees are very much encouraged to retain over the longer term.

The components of the Executive Directors' remuneration packages are currently a basic salary, bonus, money purchase pension contributions 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 Director's 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.

Directors' interests in shares

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

	Ordinary shares of £0.005 each 2014 number	Ordinary shares of £0.005 each 2013 number
R D Anderson	**130,000**	140,000
B G Conlon	**7,853,953**	7,853,953
R G Ferguson	**117,467**	117,647
P Brazel	**-**	-
K MacDonald	**10,000**	10,000
S Keating	**8,643**	-

Report of the Remuneration Committee

Share options

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

Share options granted to the Directors over ordinary £0.005 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 2014 was £12.65 and the high and low share prices during the year were £15.83 and £5.55 respectively.

The Company recognised total expenses of £667k (2013: £576k) related to equity-settled share-based payment transactions during the year. Expenses of £161k (2013: £257k) related to share options granted to the Directors. 70,000 share options were exercised by the Directors during the current year (2013: Nil).

Transactions with Directors

The Directors interests in the contracts with the Company are disclosed in note 37.

First Derivatives plc

Corporate governance

As an AIM-quoted Company, the Group is not required to comply with the requirements of the UK Corporate Governance Code and the Group has not elected to voluntarily comply with the Code.

The Group has however, put in place corporate governance arrangements which reflects the Group's size and structure. The main features of the Group's corporate governance arrangements 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 to the financial statements).

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic report, 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

JJ Kearns 19 May 2014
Secretary

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 2014 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 18, 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 the Company's affairs as at 28 February 2014 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.

Opinion on other matter prescribed by the Companies Act 2006

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

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 19 May 2014
Chartered Accountants
Stokes House
17/25 College Square East
Belfast
BT1 6DH

First Derivatives plc

Consolidated statement of comprehensive income

Year ended 28 February 2014

	Note	2014 £'000	2013 £'000
Continuing operations			
Revenue	*5*	**69,902**	56,469
Cost of sales		**(50,674)**	(38,951)
Gross profit		**19,228**	17,518
Other operating income	*6*	**1,950**	1,616
Administrative expenses	*7*	**(12,890)**	(11,982)
Results from operating activities		**8,288**	7,152
Finance income	*9*	**4**	1
Finance expense	*9*	**(594)**	(661)
Loss on foreign currency translation	*9*	**(19)**	(538)
Net financing expense		**(609)**	(1,198)
Share of profit of associate using the equity method, net of tax	*18*	**268**	249
Loss on dilution in associate using the equity method	*18*	**-**	(43)
Profit before tax		**7,947**	6,160
Tax expense	*11*	**(1,546)**	(1,015)
Profit for the year		**6,401**	5,145
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Deferred tax on share options outstanding	*24*	**-**	461
Net exchange (loss)/gains on net investment in foreign subsidiaries and associate	*27*	**(3,794)**	905
Net loss on hedge of net investment in foreign subsidiaries and associate	*27*	**(227)**	(214)
Other comprehensive income for the period, net of tax		**(4,021)**	1,152
Total comprehensive income for the period attributable to equity holders' of the Company		**2,380**	6,297
Earnings per share		**Pence**	Pence
Basic	*15a*	**34.4**	30.2
Diluted	*15a*	**29.7**	27.9

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

The notes on pages 30 to 90 form part of these financial statements.

First Derivatives plc

Consolidated balance sheet

As at 28 February 2014

	Note	2014 £'000	2013 £'000
Assets			
Property, plant and equipment	*16*	**5,358**	9,094
Intangible assets and goodwill	*17*	**38,025**	37,545
Investment in associate	*18*	**5,233**	6,295
Trade and other receivables	*19*	**2,554**	1,673
Deferred tax asset	*30*	**5,855**	1,969
Non-current assets		**57,025**	56,576
Trade and other receivables	*19*	**20,571**	19,837
Cash and cash equivalents	*20*	**4,393**	1,902
Assets held for sale	*21*	**3,146**	3,364
Current assets		**28,110**	25,103
Total assets		**85,135**	81,679
Equity			
Share capital	*22*	**98**	87
Share premium	*23*	**22,251**	12,895
Share option reserve	*24*	**6,627**	3,341
Revaluation reserve	*26*	**167**	167
Currency translation adjustment reserve	*27*	**(3,040)**	981
Retained earnings		**25,959**	21,903
Equity attributable to shareholders		**52,062**	39,374
Liabilities			
Loans and borrowings	*28*	**9,706**	17,842
Trade and other payables	*29*	**2,087**	2,224
Deferred tax liabilities	*30*	**4,008**	2,622
Non-current liabilities		**15,801**	22,688
Loans and borrowings	*28*	**5,875**	6,213
Trade and other payables	*29*	**8,785**	8,505
Current tax payable	*31*	**430**	649
Employee benefits	*32*	**2,182**	3,038
Contingent deferred consideration	*33*	**-**	762
Deferred consideration	*34*	**-**	450
Current liabilities		**17,272**	19,617
Total liabilities		**33,073**	42,305
Total equity and liabilities		**85,135**	81,679

These financial statements were approved by the Board of Directors on 19 May 2014.

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

Registered Company number: NI 30731

The notes on pages 30 to 90 form part of these financial statements.

First Derivatives plc

Company balance sheet

As at 28 February 2014

	Note	**2014 £'000**	2013 £'000
Assets			
Property, plant and equipment	*16*	**2,048**	7,738
Intangible assets	*17*	**12,677**	9,383
Investment in subsidiaries	*18*	**24,464**	17,864
Investment in associate	*18*	**7,196**	7,196
Trade and other receivables	*19*	**4,183**	3,369
Deferred tax assets	*30*	**5,018**	1,379
Non-current assets		**55,586**	46,929
Trade and other receivables	*19*	**14,691**	17,514
Cash and cash equivalents	*20*	**3,607**	1,397
Assets held for sale	*21*	**3,146**	3,364
Current assets		**21,444**	22,275
Total assets		**77,030**	69,204
Equity			
Share capital	*22*	**98**	87
Share premium	*23*	**22,251**	12,895
Share option reserve	*24*	**6,627**	3,341
Fair value reserve	*25*	**138**	133
Retained earnings		**21,021**	17,615
Equity attributable to shareholders		**50,135**	34,071
Liabilities			
Loans and borrowings	*28*	**9,706**	16,812
Trade and other payables	*29*	**820**	1,010
Deferred tax liabilities	*30*	**2,694**	1,473
Non-current liabilities		**13,220**	19,295
Loans and borrowings	*28*	**4,649**	5,762
Trade and other payables	*29*	**6,696**	5,756
Current tax payable	*31*	**433**	336
Employee benefits	*32*	**1,897**	2,776
Contingent deferred consideration	*33*	**-**	758
Deferred consideration	*34*	**-**	450
Current liabilities		**13,675**	15,838
Total liabilities		**26,895**	35,133
Total equity and liabilities		**77,030**	69,204

These financial statements were approved by the Board of Directors on 19 May 2014.

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

Registered Company number: NI 30731

The notes on pages 30 to 90 form part of these financial statements.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2014

	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 2013	**87**	**12,895**	**3,341**	**167**	**981**	**21,903**	**39,374**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	6,401	**6,401**
Other comprehensive income							
Net exchange loss on net investment in foreign subsidiaries and associate	-	-	-	-	(3,794)	-	**(3,794)**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	-	(227)	-	**(227)**
Total other comprehensive income	-	-	-	-	(4,021)	-	**(4,021)**
Total comprehensive income for the year	-	-	-	-	(4,021)	6,401	**2,380**
Transactions with owners of the Company							
Contributions and distributions							
Income tax relating to share options	-	-	3,350	-	-	-	**3,350**
Exercise of share options	6	3,695	(752)	-	-	-	**2,949**
Buy-back and cancellation of share options	-	-	-	-	-	(314)	**(314)**
Issue of shares	4	4,562	-	-	-	-	**4,566**
Issue of shares for settlement of deferred consideration	1	1,099	-	-	-	-	**1,100**
Share based payment charge	-	-	757	-	-	-	**757**
Transfer on forfeit of share options	-	-	(69)	-	-	69	**-**
Dividends	-	-	-	-	-	(2,100)	**(2,100)**
Total contributions and distributions	11	9,356	3,286	-	-	(2,345)	**10,308**
Balance at 28 February 2014	**98**	**22,251**	**6,627**	**167**	**(3,040)**	**25,959**	**52,062**

The notes on pages 30 to 90 form part of these financial statements.

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							
Contributions and distributions							
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 and distributions	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 30 to 90 form part of these financial statements.

Company statement of changes in equity

Year ended 28 February 2014

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2013	**87**	**12,895**	**3,341**	**133**	**17,615**	**34,071**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	5,751	**5,751**
Other comprehensive income						
Change in effective rate of deferred tax	-	-	-	5	-	**5**
Total other comprehensive income	-	-	-	5	-	**5**
Total comprehensive income for the year	-	-	-	5	5,751	**5,756**
Transactions with owners of the Company						
Contributions and distributions						
Income tax relating to share options	-	-	3,350	-	-	**3,350**
Exercise of share options	6	3,695	(752)	-	-	**2,949**
Cancellation of share options	-	-	-	-	(314)	**(314)**
Issue of shares for settlement of deferred consideration	1	1,099	-	-	-	**1,100**
Issue of shares	4	4,562	-	-	-	**4,566**
Share based payment charge	-	-	757	-	-	**757**
Transfer on forfeit of share options	-	-	(69)	-	69	**-**
Dividends to equity holders	-	-	-	-	(2,100)	**(2,100)**
Total contributions and distributions	11	9,356	3,286	-	(2,345)	**10,308**
Balance at 28 February 2014	**98**	**22,251**	**6,627**	**138**	**21,021**	**50,135**

The notes on pages 30 to 90 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, Contributions and distributions						
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 and distributions	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 30 to 90 form part of these financial statements.

First Derivatives plc

Consolidated cash flow statement
Year ended 28 February 2014

	2014	2013
	£'000	£'000
Cashflows from operating activities		
Profit for the year	**6,401**	5,145
Adjustments for:		
Net finance costs	**609**	1,198
Share of profit of associate	**(268)**	(249)
Share of loss on dilution in associate	**-**	43
Depreciation of property, plant and equipment	**738**	699
Amortisation of intangible assets	**3,477**	2,527
Gain on sale of property, plant & equipment	**(988)**	(717)
Equity settled share-based payment transactions	**667**	576
Grant income	**(1,931)**	(1,589)
Tax expense	**1,546**	1,015
	10,251	8,648
Changes in:		
Trade and other receivables	**(453)**	(6,058)
Trade and other payables	**(793)**	1,372
Cash generated from operating activities	**9,005**	3,962
Taxes paid	**(915)**	(765)
Net cash from operating activities	**8,090**	3,197
Cash flows from investing activities		
Interest received	**4**	1
Dividend received from associate	**773**	1,267
Disposal of property, plant and equipment	**7,065**	5,046
Acquisition of subsidiaries, net of cash acquired	**(148)**	(811)
Acquisition of property, plant and equipment	**(2,907)**	(1,098)
Acquisition of intangible assets	**(6,105)**	(6,054)
Payment of deferred consideration	**(125)**	(471)
Net cash used in investing activities	**(1,443)**	(2,120)
Cash flows from financing activities		
Proceeds from issue of share capital	**7,515**	963
Payment to buy-back share options	**(314)**	-
Proceeds from new borrowings	**1,000**	3,131
Repayment of borrowings	**(9,829)**	(1,835)
Payment of finance lease liabilities	**(254)**	(126)
Interest paid	**(676)**	(565)
Dividends paid	**(2,204)**	(1,804)
Net cash used in financing activities	**(4,762)**	(236)
Net increase in cash and cash equivalents	**1,885**	841
Cash and cash equivalents at 1 March	**(322)**	(235)
Effects of exchange rate changes on cash held	**(19)**	(928)
Cash and cash equivalents at 28 February	**1,544**	(322)

The notes on pages 30 to 90 form part of these financial statements

First Derivatives plc

Company cash flow statement

Year ended 28 February 2014

	2014	2013
	£'000	£'000
Cashflows from operating activities		
Profit for the year	**5,751**	3,114
Adjustments for:		
Finance expense and foreign exchange loss	**1,105**	1,523
Depreciation of property, plant and equipment	**252**	324
Amortisation of intangible assets	**1,308**	733
Dividends from associate and subsidiary	**(2,573)**	(1,267)
Equity settled share-based payment transactions	**667**	494
Profit on disposal	**(988)**	(717)
Grant income	**(1,872)**	(1,053)
Tax expense	**1,184**	414
	4,834	3,565
Changes in:		
Trade and other receivables	**(2,029)**	(4,073)
Trade and other payables	**73**	1,160
Cash generated from operating activities	**2,878**	652
Taxes paid	**(877)**	(775)
Net cash from operating activities	**2,001**	(123)
Cash flows from investing activities		
Acquisition of subsidiaries	**(148)**	(958)
Acquisition of property, plant and equipment	**(268)**	(260)
Disposal of property, plant and equipment	**7,065**	5,046
Acquisition of intangible assets	**(4,512)**	(4,076)
Dividends received from associate and subsidiary	**2,573**	1,267
Payment of deferred consideration	**(107)**	(158)
Net cash used in investing activities	**4,603**	861
Cash flows from financing activities		
Proceeds from issue of share capital	**7,515**	963
Payment to buy-back share options	**(314)**	-
Proceeds from new borrowings	**1,000**	3,131
Repayment of borrowings	**(9,829)**	(1,835)
Interest paid	**(611)**	(501)
Dividends paid	**(2,204)**	(1,804)
Net cash used in financing activities	**(4,443)**	(46)
Net increase in cash and cash equivalents	**2,161**	692
Cash and cash equivalents at 1 March	**(827)**	(591)
Effects of exchange rate changes on cash held	**(576)**	(928)
Cash and cash equivalents at 28 February	**758**	(827)

The notes on pages 30 to 90 form part of these financial statements.

Notes
(forming part of the consolidated financial statements)

1 Significant accounting policies

First Derivatives plc ("FDP" or the "Company") is a public limited company incorporated and domiciled in Northern Ireland. The 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 banking 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 19 May 2014.

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

- Share based payment arrangements;
- Contingent deferred consideration; and
- Derivative financial instruments.

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

Functional and presentational currency

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

Changes in accounting policies

The Group has adopted the following new standards and amendment to standards, including any consequential amendments to other standards, with an initial application of 1 March 2013 unless otherwise stated:

- Amendments to IFRS 7 disclosures: Offsetting assets and liabilities
- Amendments to IAS 19 Employment Benefits (2011)
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of items of other comprehensive income
- Amendments to IAS 12 Deferred Tax: Recovery of underlying assets
- IFRS 13 Fair Value Measurement
- Annual Improvements to IFRS 2009 – 2011 cycle

1 Significant accounting policies *(continued)*

(a) Basis of preparation

Changes in accounting policies (continued)

- Amendments to IAS 36 – Recoverable amount disclosures of non-financial assets (early adopted - mandatory 1 January 2014).

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 2013 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements except for IFRS 9 *Financial Instruments*, which is likely to become mandatory (subject to EU endorsement) for the Group's and Company's 2018 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 IFRS10 Investment entities (mandatory for the year commencing on or after 1 January 2014).
- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in other Entities, IAS 27 Separate Financial Statements (2013) which supercedes IAS 27 (2008) and IAS 28 Investments in Associates and Joint Ventures (2013) which supercedes IAS 28 (2008) (mandatory for the year commencing on or after 1 January 2014).
- Amendments to IAS 32 Financial Instruments – Offsetting financial assets and financial liabilities (mandatory for the year commencing on or after 1 January 2014).
- Amendments to IAS 39 – Novation of Derivatives and Contribution of Hedge Accounting (mandatory for the year commencing on or after 1 January 2014).
  - IFRIC 21 Levies (Mandatory for the year commencing on or after 1 January 2014)*.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (Mandatory for the year commencing on or after 1 July 2014)*.
- Annual Improvements to IFRS's 2010 – 2012 Cycle and 2011-2013 Cycle (Mandatory for the year commencing on or after 1 July 2014)*.
- IFRS 9 Financial Instruments – 2009 and subsequent amendments in 2010 and 2013 – (likely to be mandatory for the year commencing on or after 1 January 2018)*.
- IFRS 14 Regulatory Deferral Accounts (Mandatory for the year commencing on or after 1 January 2016)*.
- Amendments to IFRS 11: Accounting for acquisition of interests in joint ventures (Mandatory for the year commencing on or after 1 January 2016)*.

*Not yet EU endorsed. The effective dates above refer to the IASB effective dates.

1 Significant accounting policies *(continued)*

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 9 to 11 and the Strategic Report on pages 12 to 14. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive's Statement on pages 4 to 7 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 which are due for renewal in 2015 and 2017. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its facilities.

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

Critical accounting estimates and judgements

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

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

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

- It is noted that management have assessed that all residences owned by the Group are held for use within the business (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 assessed the deferred tax asset as being recoverable based on forecast results.

1 Significant accounting policies *(continued)*

Critical accounting estimates and judgements (continued)

- 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 being amortised and tested for impairment if an indicator of impairment is identified.

Management have assessed that there are no other estimates or judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements other than those disclosed in note 38(b).

Measurement of fair values
IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Group has included additional disclosures in this regard (see Note 38).

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

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

1 Significant accounting policies *(continued)*

Measurement of fair values (continued)

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

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

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

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

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

- Note 38 – financial instruments; and
- Note 39 – share based payment arrangements.

(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.

1 Significant accounting policies *(continued)*

(b) Basis of consolidation *(continued)*

(i) Business combinations (continued)

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

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

Any deferred and contingent consideration payable is recognised at fair value at the acquisition date. If the deferred and 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.

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. This includes goodwill identified on acquisition and fair value of intangibles (these amounts are not recognised separately in the consolidated financial statements but included in the Group's net investment in the associate (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 net of any impairments on the investment. 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.

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

1 Significant accounting policies *(continued)*

(b) Basis of consolidation *(continued)*

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) (iii) 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 in the Group's financial statements.

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

ii) Foreign operations
The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated to GBP, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to GBP at the foreign exchange rates ruling at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the currency translation adjustment reserve in equity. 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 or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Notes *(continued)*

1 Significant accounting policies *(continued)*

(c) Foreign currency *(continued)*

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

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

(d) Property, plant and equipment

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

Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred directly to retained earnings.

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

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

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

1 Significant accounting policies *(continued)*

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

(iv) Depreciation

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

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

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

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

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

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

1 Significant accounting policies *(continued)*

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

ii) Research and development

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

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

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

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

iii) Other intangible assets

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

iv) Subsequent expenditure

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

v) Amortisation

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

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

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

1 Significant accounting policies *(continued)*

(g) Trade and other receivables

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

(h) Cash and cash equivalents

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

(i) Trade and other payables

Trade and other payables are initially measured at fair value less any directly attributable transaction costs. Trade and other payables are subsequently measured at amortised cost. Where the maturity is six months or less they are not discounted and are shown at cost if the effect of discounting is immaterial.

(j) Loans and borrowings

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

(k) 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 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.

1 Significant accounting policies (continued)

(k) Impairment (*continued)*

(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.

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.

1 Significant accounting policies *(continued)*

(l) 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.

(m) Employee benefits

(i) Defined contribution plans

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

(ii) Share-based payment transactions

The 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.

1 Significant accounting policies *(continued)*

(n) 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 as other operating income when the grant becomes receivable. Other government grant are initially recognised as deferred income at fair value 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 income statement as other income. Grants that compensate the Group for expenses incurred are recognised as other operating income through profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as other operating income on a systematic basis over the useful life of the asset.

1 Significant accounting policies *(continued)*

(o) 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.

(p) Finance income and expenses

Finance income comprises interest receivable on funds invested and dividend income. Interest income is recognised through profit or loss as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised through profit or loss using the effective interest rate method.

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

(q) Taxation

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

i) Current tax

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

1 Significant accounting policies *(continued)*

(q) Taxation *(continued)*

ii) Deferred tax

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.

(r) 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.

1 Significant accounting policies *(continued)*

(s) 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.

(t) 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.

(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. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Concentration of credit risk is disclosed in note 38 to the financial statements.

2 Financial risk management *(continued)*

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.

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

There were no acquisitions completed during the year ended 28 February 2014.

Prior year acquisitions

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 have assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 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 £000	Fair value adjustments £000	Recognised values on acquisition £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**

Notes *(continued)*

3 Acquisitions of subsidiaries *(continued)*

Effect of acquisitions (continued)
£148k of the cash consideration was outstanding at 28 February 2013. This was settled in full during the year ended 28 February 2014. The trade and other receivables comprised gross contractual amounts of £1,094k of which no amounts were expected to be uncollectible 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 2014 and 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 had agreed to pay the selling shareholders additional consideration of £650k if the acquirer's turnover exceeded £2,750k over the next 12 months. The turnover exceeded this amount and the £650k of contingent consideration was settled in full during the year. The Group has included £650k as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. As at 28 February 2013, the contingent consideration was recognised at £650k and was payable within 12 months. This deferred consideration was settled through the issue of ordinary shares to the value of £650k during the year ended 28 February 2014.

Deferred consideration
The Group has included £450k as deferred consideration which represents its fair value at the acquisition date. As at 28 February 2013, the contingent consideration was recognised at £450k and was payable within 12 months. This deferred consideration was settled through the issue of ordinary shares to the value of £450k during the year ended 28 February 2014.

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.

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

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

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

Revenue by division

	2014	2013
	£'000	£'000
Consulting	**50,593**	41,475
Software	**19,309**	14,994
Total	**69,902**	56,469

Geographical location analysis

	Revenues		**Non-current assets**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
UK	**26,857**	19,485	**17,915**	20,506
Rest of Europe	**9,607**	8,047	**11,274**	10,419
America	**26,230**	23,075	**20,225**	21,957
Australasia	**7,208**	5,862	**1,756**	1,725
Total	**69,902**	56,469	**51,170**	54,607

Notes *(continued)*

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 one (2013: one) key customer who individually generated more than 10% of Group revenue in 2014. Revenue from this customer represents approximately £9,088k (2013: £12,165k) of the Group's total revenue. The revenue from this customer has been derived from 34 different independent decision making business units across seven global locations with no individual unit accounting for more than 2%.

5 Revenue

	2014	2013
	£'000	£'000
Sale of goods	**11,537**	8,845
Rendering of services	**58,365**	47,604
Commissions	**-**	20
	69,902	56,469

6 Other operating income

	2014	2013
	£'000	£'000
Government grants	**1,931**	1,589
Other income	**19**	27
	1,950	1,616

During the year, employment grant income of £443k (2013: £435k) was claimed from Invest Northern Ireland.

7 Administrative expenses

	2014	2013
	£'000	£'000
Rent, rates and insurance	**1,841**	1,305
Telephone	**587**	522
Accountancy, audit and legal expenses	**841**	725
Advertising and marketing	**596**	565
Depreciation and amortisation	**4,215**	3,226
Payroll costs	**4,592**	4,105
Research and development credit	**(307)**	(364)
Listing expenses	**193**	242
Provision for impairment of trade receivables	**761**	1,334
Profit on disposal of property, plant and equipment	**(988)**	(717)
Other	**559**	1,039
	12,890	11,982

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:

	2014	2013
	Average no.	Average no.
Administration	**104**	94
Technical	**702**	629
	806	723

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£'000	£'000
Wages and salaries	**36,916**	30,310
Share based payments (see note 39)	**757**	683
Social security costs	**4,037**	2,940
Other pension costs	**1,219**	860
Less capitalised development costs	**(5,632)**	(5,466)
	37,297	29,327

Disclosed as:	**2014**	2013
	£'000	£'000
Cost of sales	**32,705**	25,222
Administrative expenses	**4,592**	4,105
	37,297	29,327

Notes *(continued)*

9 Finance income and expense

	2014 **£'000**	2013 £'000
Interest income on bank deposits	**4**	1
Finance income	**4**	1
Loss on foreign currency translation of monetary assets	**(19)**	(538)
Interest expense on bank loans	**(594)**	(595)
Other interest	**-**	(66)
Finance expense	**(594)**	(661)
Net finance expense recognised in profit or loss	**(609)**	(1,198)

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

	2014 **£'000**	2013 £'000
Depreciation on property, plant and equipment:		
Owned assets	**738**	699
Provision for impairment of trade receivables	**761**	1,334
Amortisation of intangibles	**3,477**	2,527
Rents payable in respect of operating leases	**535**	486
Research and development costs expensed	**1,497**	1,428
Auditor's remuneration:		
Audit of these financial statements	**61**	59
Audit of the subsidiary undertakings included in the consolidation	**15**	16
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**21**	16
- All other services	**3**	2
- Taxation compliance services	**40**	40
- Other tax advisory services	**76**	84
	216	217

Notes *(continued)*

11 Tax expense

Income tax recognised in the income statement	**2014 £'000**	2013 £'000
Current tax expense		
Current year	**1,084**	1,289
Adjustment for prior years	**(194)**	(223)
	890	1,066
Deferred tax expense		
Origination and reversal of temporary differences	**709**	81
Adjustment for prior years	**134**	(20)
Change in tax rate	**(187)**	(112)
	656	(51)
Total tax expense in income statement	**1,546**	1,015

Reconciliation of effective tax rate		
Profit excluding income tax	**7,947**	6,160
Income tax using the Company's domestic tax rate (23.1%) (2013: 24.2%)	**1,834**	1,489
Tax exempt income	**(164)**	(88)
Expenses not deductible for tax purposes	**(181)**	(173)
Over provision in prior year	**(60)**	(243)
Other differences	**63**	154
Profit of associate	**(62)**	(50)
Foreign tax rate differences	**(143)**	(129)
Reduction in tax rates	**(187)**	(112)
Unrelieved overseas taxes	**446**	167
	1,546	1,015

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 Group's future current tax charge.

12 Remuneration of Directors

The remuneration paid to the Directors was:

	2014 £'000	2013 £'000
Aggregate emoluments (including benefits in kind)	**659**	915
Company pension contributions	**33**	47
Share option payment charge	**112**	257
	804	1,219

During the period there were 3 Directors accruing benefits under a defined contribution pension scheme (28 February 2013: 4).

The aggregate emoluments and company pension contributions of the highest paid Director (excluding fees paid for provision of services) amounted to £327k and £15k respectively during the year (2013: 308k 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	**2014 Total excluding pension £'000**	2013 Total excluding pension £'000	**2014 Pension £'000**	2013 Pension £'000
R D Anderson	32	-	15	-	**47**	65	**-**	-
B G Conlon	160	-	-	100	**260**	261	**16**	16
R G Ferguson	150	-	117	60	**327**	308	**15**	15
A Toner*	20	-	18	-	**38**	296	**2**	12
K Cunningham*	25	-	3	-	**28**	157	**-**	4
M G O'Neill*	-	-	-	-	**-**	10	**-**	-
P Brazel	35	-	8	-	**43**	43	-	-
S Keating	42	-	-	-	**42**	6	-	-
K MacDonald	35	-	-	-	**35**	26	-	-
Total	499	-	161	160	**820**	1,172	**33**	47

*Details in the above table reflects emoluments paid up to resignation on 9 May 2013.

First Derivatives plc

Notes *(continued)*

12 Remuneration of Directors *(continued)*

Directors interests

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

	March 2013	Granted during the year	Exercised during the year	Resignation/ 28 February 2014	Exercise price £	Exercise period
Adrian Toner*	175,000	-	-	**175,000**	4.80	2014-2021
	175,000	-	-	**175,000**	4.15	2014-2020
	60,000	-	(60,000)	**-**	1.79	2011-2019
David Anderson	50,000	-	-	**50,000**	4.80	2014-2021
	10,000	-	(10,000)	**-**	1.79	2013-2019
Graham Ferguson	-	150,000	-	**150,000**	5.65	2016-2023
	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 £8.24 (2013: £5.04) and the closing price at year end was £12.65 (2013: £5.88).

*Details in the above table reflect the directors' interests up to resignation on 9 May 2013.

Notes *(continued)*

13 Dividends

The following dividends were:

	2014 **£'000**	2013 £'000
Final dividend relating to the prior year	**1,499**	1,370
Interim dividend paid	**601**	538
	2,100	1,908

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 8.40 (previous year: 8.15) pence per share and the interim dividend paid during the year amounted to 3.20 (previous year: 3.10) pence per share. The cumulative dividend paid during the year amounted to 11.60 (previous year: 11.25) 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.

	2014 **£'000**	2013 £'000
9.00 pence per ordinary share (2013: 8.40 pence)	**1,759**	1,499

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 £576k (2013: loss of £928k) for the financial year of the Company as approved by the Board was £5,751k (2013: £3,114k).

15 (a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 28 February 2014 was based on the profit attributable to ordinary shareholders of £6,401k (2013: £5,145k), and a weighted average number of ordinary shares ranking for dividend of 18,623k (2013: 17,048k).

	2014 **Pence per share**	2013 Pence per share
Basic earnings per share	**34.4**	30.2

15 (a) Earnings per ordinary share (continued)

Weighted average number of ordinary shares

	2014 Number '000	2013 Number '000
Issued ordinary shares at 1 March	**17,484**	16,633
Effect of share options exercised	**421**	317
Effect of shares issued as purchase consideration	**-**	98
Effect of shares issued to settle deferred consideration	**152**	-
Effect of shares issued for cash	**566**	-
Weighted average number of ordinary shares at 28 February	**18,623**	17,048

Diluted

The calculation of diluted earnings per share at 28 February 2014 was based on the profit attributable to ordinary shareholders of £6,401k (2013: £5,145k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 21,564k (2013: 18,432k).

	2014 Pence per share	2013 Pence per share
Diluted earnings per share	**29.7**	27.9

Weighted average number of ordinary shares (diluted)

	2014 Number '000	2013 Number '000
Weighted average number of ordinary shares (basic)	**18,623**	17,048
Effect of dilutive share options in issue	**2,941**	1,384
Weighted average number of ordinary shares (diluted) at 28 February	**21,564**	18,432

At 28 February 2014 552k options (2013: 1,183k) 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 £7,947k (2013: £6,160k). The number of shares used in this calculation is consistent with note 15(a) above.

	2014 Pence per share	2013 Pence per share
Basic earnings before tax per ordinary share	**42.7**	36.1
Diluted earnings before tax per ordinary share	**36.9**	33.4

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

	2014 Pence per share	2013 Pence per share
Basic earnings per share	**34.4**	30.2
Impact of taxation charge	**8.3**	5.9
Adjusted basic earnings before tax per share	**42.7**	36.1
Diluted earnings per share	**29.7**	27.9
Impact of taxation charge	**7.2**	5.5
Adjusted diluted earnings before tax per share	**36.9**	33.4

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

16 Property, plant and equipment

Group	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2013	8,494	2,696	165	11,355
Additions	598	2,237	72	2,907
Disposals	(3,811)	-	-	(3,811)
Reclassification to assets held for sale	(2,419)	-	-	(2,419)
Exchange adjustments	(70)	(246)	(2)	(318)
At 28 February 2014	**2,792**	**4,687**	**235**	**7,714**
Depreciation				
At 1 March 2013	762	1,388	111	2,261
Charge for the year	233	462	43	738
Disposals	(259)	-	-	(259)
Reclassification to assets held for sale	(265)	-	-	(265)
Exchange adjustments	(11)	(106)	(2)	(119)
At 28 February 2014	**460**	**1,744**	**152**	**2,356**

	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**
Carrying amounts				
At 1 March 2012	13,926	769	43	14,738
At 28 February 2013	7,732	1,308	54	9,094
At 28 February 2014	**2,332**	**2,943**	**83**	**5,358**

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

The Group leases equipment under a number of finance lease arrangements. At 28 February 2014 the carrying amount of leased assets included in plant and equipment was £313k (2013: £Nil) and related depreciation amounted to £78k (2013: £Nil).

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 £'000	Total £'000
Cost				
At 1 March 2013	8,284	600	75	8,959
Additions	-	200	68	268
Disposals	(3,811)	-	-	(3,811)
Reclassification to assets held for sale	(2,419)	-	-	(2,419)
At 28 February 2014	**2,054**	**800**	**143**	**2,997**
Depreciation				
At 1 March 2013	713	443	65	1,221
Charge for the year	146	93	13	252
Disposals	(259)	-	-	(259)
Reclassification to assets held for sale	(265)	-	-	(265)
At 28 February 2014	**335**	**536**	**78**	**949**

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'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**
Carrying amounts				
At 1 March 2012	13,750	91	8	13,849
At 28 February 2013	7,571	157	10	7,738
At 28 February 2014	**1,719**	**264**	**65**	**2,048**

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 2013	14,943	3,810	9,514	387	16,761	45,415
Development costs	-	-	-	-	5,987	5,987
Additions	-	-	208	-	-	208
Adjustment to deferred consideration	14	-	-	-	-	14
Exchange adjustments	(1,431)	(263)	(711)	(26)	(354)	(2,785)
At 28 February 2014	**13,526**	**3,547**	**9,011**	**361**	**22,394**	**48,839**
Amortisation and impairment losses						
Balance at 1 March 2013	-	1,356	3,653	156	2,705	7,870
Amortisation for the year	-	450	1,084	45	1,898	3,477
Exchange adjustment	-	(153)	(307)	(15)	(58)	(533)
At 28 February 2014	**-**	**1,653**	**4,430**	**186**	**4,545**	**10,814**

	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**
Carrying amounts						
At 1 March 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
At 28 February 2014	**13,526**	**1,894**	**4,581**	**175**	**17,849**	**38,025**

Leased intangible assets

The Group leases items of required software under a number of finance lease arrangements. At 28 February 2014 the carrying amount of leased assets included in acquired software was £914k (2013: £1,139k) and related amortisation amounted to £159k (2013: £166k).

17 Intangible assets and goodwill *(continued)*

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

Included within development costs capitalised in the year is £5,632k (2013: £5,466k) of capitalised employees costs, including £90k of capitalised share option costs (2013: £107k) together with £265k of capitalised consultancy costs (2013: £35k) for the year. Developed software includes £2,922k (2013: £2,235k) of software under development at 28 February 2014 not yet commissioned.

Impairment testing of goodwill

The Group tests goodwill for impairment at each reporting date, or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to 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 (which is equivalent to cash generating units) is presented below:

	2014	2013
	£'000	£'000
Subsidiaries		
Market Resource Partners LLC	**9,079**	10,045
Reference Data Factory LLC	**725**	788
First Derivatives Pty Limited	**1,194**	1,483
First Derivatives (Ireland) Limited	**161**	171
First Derivatives Canada Inc.	**468**	537
Cowrie Financial Limited	**821**	841
Redshift Horizons Limited	**1,078**	1,078
	13,526	14,943
Associate		
Kx Systems Inc. (included in note 18)	**3,801**	4,186

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% (2013: 10%) is applied for years 2 to 5, followed by a growth rate of 2% (2013: 2%) thereafter. The pre-tax discount rates applied to cash flow projections of the CGUs was 15% (2013: 15%).

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.

17 Intangible assets and goodwill (continued)

Sensitivity analysis

There was no impairment charge for the year ended 28 February 2014 (2013: Nil). For the purposes of performing sensitivity analysis, a change in the assumption to increase the discount rate by 1% or, separately, to reduce the terminal growth by 1% 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 2013	11,432
Development cost	4,602
Balance at 28 February 2014	**16,034**
Amortisation and impairment losses	
Balance at 1 March 2013	2,049
Amortisation for the year	1,308
Balance at 28 February 2014	**3,357**
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**
Carrying amounts	
At 1 March 2012	5,933
At 28 February 2013	9,383
At 28 February 2014	**12,677**

Included within development costs capitalised in the year is £4,512k (2013: £4,076k) of capitalised employees costs and £90k of capitalised share option costs (2013: £107k) for the year. Developed software includes £1,846k (2013: £1,490k) of software under development at 28 February 2014 not yet commissioned.

18 Investment in subsidiaries and associate

The Group and Company have the following investments in subsidiaries:

	Country of incorporation	Class of share held	Ownership 2014	2013
Market Resource Partners LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited	Australia	Ordinary	100%	100%
First Derivatives Pty Limited[1]	Australia	Ordinary	100%	100%
First Derivatives (Ireland) Limited	Ireland	Ordinary	100%	100%
First Derivatives Holdings Inc	United States	Ordinary	100%	100%
Reference Data Factory LLC[2]	United States	Ordinary	100%	100%
First Derivatives US Inc[2]	United States	Ordinary	100%	100%
First Derivatives No.1 Inc	United States	Ordinary	100%	100%
First Derivatives Canada Inc (formerly Lakefront Data Ventures Inc)	Canada	Ordinary	100%	100%
Market Resource Partners Limited	N. Ireland	Ordinary	100%	100%
Cowrie Financial Limited	UK	Ordinary	100%	100%
Redshift Horizons Limited	UK	Ordinary	100%	100%
Redshift Horizons LLP[3]	UK	Ordinary	100%	100%
First Derivatives Pte. Limited	Singapore	Ordinary	100%	-
First Derivatives (Hong Kong) Limited	Hong Kong	Ordinary	100%	-
First Derivatives Japan Co. Limited	Japan	Ordinary	100%	-

[1]First Derivatives Holdings Pty Limited holds 100% of the ordinary shares of First Derivatives Pty Limited.

[2]First Derivatives Holdings Inc. holds 100% of the ordinary shares of Reference Data Factory LLC and First Derivatives US Inc.

[3]First Derivatives Plc and Redshift Horizons Limited are the only members of the subsidiary Redshift Horizons LLP.

	Company 2014 £'000	2013 £'000
Unlisted investments in subsidiaries at cost		
At 1 March	**17,864**	14,549
Additions	**6,600**	3,306
Foreign exchange movement in contingent deferred consideration	**-**	9
At 28 February	**24,464**	17,864

During the year the company increased its investment in First Derivatives Ireland Limited by £6,600k following receipt of additional ordinary shares in exchange for settlement of a receivable from the subsidiary of £6,600k.

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 2014	2013
Group and Company				
Kx Systems Inc	United States	Ordinary	20.1%	20.1%

The Group's share of profit in associates for the year was £268k (2013: £249k). The associate is not publicly listed and consequently does not have a published share price. During the year, the Group received dividends of £773k (2013: £1,267k) from its associate. Summary financial information for the year to 28 February 2014 for the associate for total assets, total liabilities, revenue and net profit was £9,014k (2013: £9,984k), £6,309k (2013: £7,185k), £8,485k (2013: £8,367k) and £3,451k (2013: £3,221) respectively.

Group

	2014 £'000	2013 £'000
At 1 March	**6,295**	7,059
Dividends received	**(773)**	(1,267)
Share of associate profit	**268**	249
Loss on dilution in associate using the equity method	**-**	(43)
Exchange adjustment	**(557)**	297
At 28 February	**5,233**	6,295

Company

	£'000
At 28 February 2013 and 28 February 2014	**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 in the prior year arose 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*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Trade receivables	**14,774**	14,672	**8,906**	7,541
Receivables from associates	**32**	43	**32**	43
Receivables from subsidiaries	**-**	-	**1,600**	7,803
Sundry receivables	**1,710**	2,665	**376**	302
Prepayments	**2,196**	1,807	**1,869**	1,562
Grant income receivable	**1,808**	650	**1,632**	263
Corporation tax receivable	**51**	-	**276**	-
	20,571	19,837	**14,691**	17,514

Non-current assets

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Receivables from subsidiaries	**-**	-	**2,404**	2,632
Trade and other receivables	**1,779**	737	**1,779**	737
Grant income receivable	**775**	936	**-**	-
	2,554	1,673	**4,183**	3,369

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

At 28 February 2014 Group and Company trade receivables are shown net of an allowance for doubtful debts of £2,088k and £576k respectively (2013: Group £1,532k; Company £211k) arising from on-going invoice disputes and the risk of companies defaulting. The impairment charge in the year was £761k (2013: charge £1,334k) for Group and £365k (2013: charge £128k) 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 38.

20 Cash and cash equivalents

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Bank balances	**4,393**	1,902	**3,607**	1,397

See note 38 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).

21 Assets held for resale

Of the six properties presented as held for sale in the prior year, four were disposed off during the current year and two properties (carried at £992k) continue to be held for sale as at 28 February 2014. Seven properties are presented as held for sale following the commitment of management to a plan to dispose of the properties. No impairment loss has been recognised as management expect to dispose of the properties at a profit.

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Property, plant and Equipment	**3,146**	3,364	**3,146**	3,364

22 Share capital

	Ordinary shares	
	2014	2013
	Number	Number
In issue at 1 March	**17,484,069**	16,633,036
Exercise of share options (Note 39)	**1,076,530**	618,302
Issued in business combinations (Note 3)	**-**	232,731
Issued as payment of deferred consideration	**141,011**	-
Issued for cash	**840,000**	-
In issue at 28 February – fully paid	**19,541,610**	17,484,069

	2014	**2014**	2013	2013
	Number	**£'000**	Number	£'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**19,541,610**	**98**	17,484,069	87

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 issue of 840,000 ordinary shares (2013: nil) for cash consideration of £4,738k (2013: £nil), the exercise of 1,076,530 share options (2013: 618,302) for cash consideration of £2,949k (2013: £963k) together with an associated transfer from the share option reserve of £752k (2013: £334k), the issue of 141,011 shares (2013: nil) at £1,100k (2013: £nil) purchase consideration for outstanding deferred consideration on subsidiaries. Additionally in the prior year 232,731 ordinary shares were issued as purchase consideration of £1,100k in business combinations.

Transaction costs of £172k (2013: £nil) were accounted for as a deduction from equity during the period.

23 Share premium account

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Opening balance	**12,895**	10,502	**12,895**	10,502
Premium on shares issued	**9,356**	2,393	**9,356**	2,393
Closing balance	**22,251**	12,895	**22,251**	12,895

24 Share option reserve

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Opening balance	**3,341**	2,673	**3,341**	2,673
Fair value of share based payments cost (note 39)	**757**	686	**757**	686
Options exercised in the period	**(752)**	(334)	**(752)**	(334)
Effect of share option forfeits	**(69)**	(145)	**(69)**	(145)
Income tax on share based payments	**3,350**	461	**3,350**	461
Closing balance	**6,627**	3,341	**6,627**	3,341

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	
	2014	2013
	£'000	£'000
Opening balance	**133**	131
Effect of corporation tax rate reduction on deferred tax liability	**5**	2
Closing balance	**138**	133

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	
	2014	2013
	£'000	£'000
Opening balance	**167**	167
Transfer to retained earnings on loss of interest in associate	**-**	(2)
Effect of corporation tax rate reduction on deferred tax liability	**-**	2
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	
	2014	2013
	£'000	£'000
Opening balance	**981**	290
Net (loss) / gain on net investment in foreign subsidiaries	**(3,237)**	608
Net (loss) / gain on net investment in associate	**(557)**	297
Net loss on hedge of net investment in foreign subsidiaries	**(240)**	(97)
Net loss on hedge of investment in associate	**13**	(117)
Closing balance	**(3,040)**	981

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 and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings see note 38.

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Current liabilities				
Secured bank loans	**4,649**	5,762	**4,649**	5,762
Finance lease liabilities	**1,226**	451	**-**	-
	5,875	6,213	**4,649**	5,762
Non-current liabilities				
Secured bank loans	**9,747**	16,838	**9,747**	16,838
Less: Capital arrangement fee	**(41)**	(26)	**(41)**	(26)
Finance lease liabilities	**-**	1,030	-	-
	9,706	17,842	**9,706**	16,812

28 Loans and borrowings *(continued)*

Terms and 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)
£4,500,000 sterling overdraft (Bank Overdraft)

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	**28 February 2014** Face value £000	**28 February 2014** Carrying amount £000	28 February 2013 Face value £000	28 February 2013 Carrying amount £000
Facility A	Multi	3.00%+LIBOR	2015	**4,529**	**4,488**	11,376	11,350
Facility B	Multi	2.50%+LIBOR*	2017	**7,018**	**7,018**	9,000	9,000
Bank overdraft	GBP	2.00%+LIBOR	-	**-**	**-**	2,224	2,224
Bank overdraft	GBP	2.50%+LIBOR	-	**2,849**	**2,849**	-	-
Finance lease liabilities	EUR	4.375%	2015	**1,226**	**1,226**	1,481	1,481
Total interest-bearing				**15,622**	**15,581**	24,081	24,055

* 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 £5,478k (2013: £11,096k). All outstanding loans have interest charged at 2.5%, or 3% (2013: 2%, 2.50% or 3%) above LIBOR.

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Future minimum lease payments 2014	**Interest 2014**	**Principal 2014**	**Future minimum lease payments 2013**	**Interest 2013**	**Principal 2013**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than one year	**1,249**	**23**	**1,226**	511	60	451
Between one and five years	**-**	**-**	**-**	1,054	24	1,030
	1,249	**23**	**1,226**	1,565	84	1,481

The finance leases are secured over the leased equipment.

29 Trade and other payables

Current liabilities

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Trade payables	**2,362**	1,922	**1,108**	826
Other payables	**2,537**	1,990	**2,122**	1,614
Accruals	**695**	729	**537**	464
Deferred income including government grants	**3,191**	3,864	**1,524**	1,887
Payables to subsidiaries	**-**	-	**1,405**	965
	8,785	8,505	**6,696**	5,756

Non-current liabilities

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Deferred income in respect of government grants	**2,087**	2,224	**820**	1,010

The Group and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 38.

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

- Grant amounting to £7,110k (2013: £5,522k), 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 (2013: £468k), conditional on the provision of staff training. It is recognised as other income as training is provided.
- Grant amounting to £1,656k (2013: £1,656k), 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.

30 Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	2014 £000	**2013 £000**	**2014 £000**	**2013 £000**	**2014 £000**	**2013 £000**
Property, plant and equipment	**-**	-	**(2,942)**	(1,530)	**(2,942)**	(1,530)
Share based payments	**3,628**	1,211	**-**	-	**3,628**	1,211
Trading Losses	**1,713**	323	**-**	-	**1,713**	323
Net fair value movement on available for sale assets	**-**	-	**(40)**	(40)	**(40)**	(40)
Intangible assets	**-**	-	**(1,082)**	(1,052)	**(1,082)**	(1,052)
Other	**570**	435	**-**	-	**570**	435
Tax assets/(liabilities) before set-off	**5,911**	1,969	**(4,064)**	(2,622)	**1,847**	(653)
Set off of tax	**(56)**	-	**56**	-	**-**	-
Net tax assets/(liabilities)	**5,855**	1,969	**(4,008)**	(2,622)	**1,847**	(653)

Movement in deferred tax balances differences during the year:

	Balance at 1 March 2012 £000	**Recognised in income £000**	**Recognised in equity £000**	**Recognised on acquisition £000**	**Share options exercised £000**	**Balance at 28 Feb 2013 £000**	**Recognised in income £000**	**Recognised in equity £000**	**Share options exercised £000**	**Balance at 28 Feb 2014 £000**
Property, plant and equipment	(1,633)	103	-	-	-	(1,530)	(1,412)	-	-	**(2,942)**
Share based payments	1,048	28	461		(326)	1,211	21	3,324	(928)	**3,628**
Trading losses	302	21	-	-	-	323	719	671	-	**1,713**
Net fair value movement on available for sale assets	(42)	-	2	-	-	(40)	-	-	-	**(40)**
Intangible assets	(549)	(136)	(26)	(341)	-	(1,052)	(119)	89	-	**(1,082)**
Other	400	35	-	-	-	435	135	-	-	**570**
	(474)	51	437	(341)	(326)	(653)	(656)	4,084	(928)	**1,847**

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

30 Deferred taxation *(continued)*

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2014 £000	**2013 £000**	**2014 £000**	**2013 £000**	**2014 £000**	**2013 £000**
Property, plant and equipment	**-**	-	**(2,654)**	(1,433)	**(2,654)**	(1,433)
Share based payments	**3,628**	1,211	**-**	-	**3,628**	1,211
Net fair value movement on available for sale assets	**-**	-	**(40)**	(40)	**(40)**	(40)
Trading losses	**1,349**	131	**-**	-	**1,349**	131
Other	**41**	37	**-**	-	**41**	37
Tax assets/(liabilities) before set off	**5,018**	1,379	**(2,694)**	(1,473)	**2,324**	(94)
Set off of tax	**-**	-	**-**	-	**-**	-
Net tax assets/(liabilities)	**5,018**	1,379	**(2,694)**	(1,473)	**2,324**	(94)

Movement in deferred tax balances during the year:

	Balance at 1 March 2012 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 28 Feb 2013 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 28 Feb 2014 £000
Property, plant and equipment	(1,497)	64	-	-	(1,433)	(1,221)	-	-	**(2,654)**
Share based payments	1,048	28	461	`(326)	1,211	21	3,324	(928)	**3,628**
Net fair value movement on available for sale assets	(42)	-	2	-	(40)	-	-	-	**(40)**
Trading losses	-	131	-	-	131	547	671	-	**1,349**
Other	36	1	-	-	37	4	-	-	**41**
	(455)	224	463	(326)	(94)	(649)	3,995	(928)	**2,324**

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

31 Current tax payable

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Current tax payable	**430**	649	**433**	336

32 Employee benefits

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Accrued holiday pay	**824**	775	**690**	625
Employee taxes	**1,358**	2,263	**1,207**	2,151
	2,182	3,038	**1,897**	2,776

33 Contingent deferred consideration

Contingent deferred consideration liabilities are payable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
At 1 March	**762**	890	**758**	259
Additions	**-**	650	**-**	650
Increase/(decrease) in contingent deferred consideration	**14**	(317)	**-**	-
Foreign exchange movement in contingent deferred consideration	**(1)**	13	**(1)**	10
Settled in year – cash	**(125)**	(471)	**(107)**	(158)
Settled in year – shares issued	**(650)**	-	**(650)**	-
Settled in year – share option charge	**-**	(3)	**-**	(3)
At 28 February	**-**	762	**-**	758

33 Contingent deferred consideration *(continued)*

The payment of contingent deferred consideration was paid in cash and shares. As at 28 February 2014 the maximum total amount payable under the terms of the sale and purchase agreements is £Nil (2013: £762k) and the minimum total amount payable is £Nil (2013: £112k).

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Less than one year	**-**	762	**-**	758
	-	762	**-**	758

The amount of contingent deferred consideration was variable dependent on the future performance of the relevant subsidiary and was payable in either cash or shares.

34 Deferred consideration

Deferred consideration liabilities are payable as follows:

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
At 1 March	**450**	-	**450**	-
Additions in deferred consideration	**-**	450	**-**	450
Settled in the year – shares issued	**(450)**	-	**(450)**	-
	-	450	**-**	450

35 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*	
	2014	**2013**	**2014**	**2013**
	£'000	**£'000**	**£'000**	**£'000**
Less than one year	**453**	447	**140**	140
Between one and five years	**1,234**	1,376	**560**	560
More than five years	**884**	983	**560**	700
	2,571	2,806	**1,260**	1,400

The Group leases four premises under operating lease arrangements.

Group
During the year £535k was recognised as an expense in the income statement in respect of operating leases (2013: £486k).

Company
During the year £140k was recognised as an expense in the income statement in respect of operating leases (2013: £140k).

36 Pension contributions

The Group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £1,219k (2013: £860k). Contributions amounting to £153k (2013: £124k) were payable to the schemes at the year end and are included in creditors.

37 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 (2013: £53k). Rent deposits of £26k (2013: £26k) have been paid to the Brian Conlon in respect of these apartments. The balance owed to Brian Conlon at 28 February 2014 is £Nil (2013: £Nil).

37 Related parties transactions (*continued)*

A 15 year lease was entered into for the rental of office space for the head office in Newry. The lessor is Oncon Properties, a partnership in which B Conlon is a partner. £140k (2013: £140k) rental charge was incurred in the year. The balance owed to Oncon at 28 February 2014 is £Nil (2013: £Nil) and an amount of £143k (2013: £nil) had been prepaid.

During the year the company bought back 93,334 share options (2013: none) for cash consideration of £314k from two employees.

Other related party transactions

	Commission earned		**Administrative expenses incurred from**	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Associate	**-**	20	**-**	-
	-	20	**-**	-

	Receivables outstanding		**Payables outstanding**	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Associate	**316**	148	**-**	-
	316	148	**-**	-

Company

Other related party transactions

	Revenue		**Administrative expenses incurred from**	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Subsidiaries	**2,822**	1,741	**6,513**	6,153
Associate	**-**	98	**-**	-
	2,822	1,839	**6,513**	6,153

37 Related parties transactions (*continued)*

	Receivables outstanding		Payables outstanding	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Subsidiaries	**4,006**	10,435	**1,405**	965
Associates	**316**	148	**-**	-
	4,322	10,583	**1,405**	965

The above associate receivables balances outstanding for Group and Company includes a trade receivable balance of £32k (2013: £43k) and a prepayment of £284k (2013: £105k).

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 £710k (2013: £Nil) were recharged from a subsidiary to the Company.

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

During the year the company increased its investment in First Derivatives Ireland Limited by £6,600k following receipt of additional ordinary shares in exchange for settlement of a receivable from the subsidiary of £6,600k.

38 Financial instruments

Fair values

(a) Accounting classifications and fair values

Group

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

28 February 2014	**Carrying value**		
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Carrying amount £'000**
Financial assets not measured at fair value			
Trade and other receivables	20,878	-	20,878
Cash and cash equivalents	4,393	-	4,393
	25,271	-	25,271
Financial liabilities not measured at fair value			
Secured bank loans	-	(14,355)	(14,355)
Finance leases	-	(1,226)	(1,226)
Trade, accruals and other payables	-	(5,594)	(5,594)
Employee benefits	-	(2,182)	(2,182)
	-	(23,357)	(23,357)

28 February 2013	**Carrying value**		
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Carrying amount £'000**
Financial assets not measured at fair value			
Trade and other receivables	19,703	-	19,703
Cash and cash equivalents	1,902	-	1,902
	21,605	-	21,605
Financial liabilities measured at fair value (Level 2)			
Contingent deferred consideration*	-	(762)	(762)
	-	(762)	(762)
Financial liabilities not measured at fair value			
Secured bank loans	-	(22,574)	(22,574)
Finance leases	-	(1,481)	(1,481)
Trade, accruals and other payables	-	(4,641)	(4,641)
Employee benefits	-	(3,038)	(3,038)
	-	(31,284)	(31,284)

*Contingent deferred consideration are level 2 fair values (see above).

38 Financial instruments *(continued)*

Company

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

28 February 2014	**Carrying value**		
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Carrying amount £'000**
Financial assets not measured at fair value			
Trade and other receivables	16,729	-	16,729
Cash and cash equivalents	3,607	-	3,607
	20,336	-	20,336
Financial liabilities not measured at fair value			
Secured bank loans	-	(14,355)	(14,355)
Trade, accruals and other payables	-	(5,172)	(5,172)
Employee benefits	-	(1,897)	(1,897)
	-	(21,424)	(21,424)

28 February 2013	**Carrying value**		
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Carrying amount £'000**
Financial assets not measured at fair value			
Trade and other receivables	19,321	-	19,321
Cash and cash equivalents	1,397	-	1,397
	20,718	-	20,718
Financial liabilities measured at fair value (Level 2)			
Contingent deferred consideration*	-	(758)	(758)
	-	(1,208)	(1,208)
Financial liabilities not measured at fair value			
Secured bank loans	-	(22,574)	(22,574)
Trade, accruals and other payables	-	(3,869)	(3,869)
Employee benefits	-	(2,776)	(2,776)
	-	(28,769)	(28,769)

*Contingent deferred consideration are level 2 fair values (see above).

38 Financial instruments (*continued)*

(b) Measurement of fair values

Licence agreement

The Group continues to hold a licence agreement with a customer for the provision of software services. Upon termination or expiry of the licence, the Group has contractual right to 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. Should neither party exercise the option to terminate, the contract automatically extends for further two year periods. At 28 February 2014, the termination fee was fair valued at £Nil as although services had commenced, the early stage of the contract would indicate no value, due to subjectivity, volatility and the intention is to continue to extend the contract subsequent to the initial contract period. No fair value gain or loss has been recognised in the Consolidated Statement of Comprehensive Income during the period (2013: £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		***Company***	
	Carrying amount		**Carrying amount**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Trade and other receivables	**20,878**	19,703	**16,729**	19,321
Cash and cash equivalents	**4,393**	1,902	**3,607**	1,397
	25,271	21,605	**20,336**	20,718

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

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

	Group		***Company***	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Europe	**5,499**	4,585	**2,037**	8,054
America	**8,422**	7,621	**8,538**	6,630
United Kingdom	**6,048**	4,934	**5,514**	3,906
Australasia	**909**	2,563	**640**	731
	20,878	19,703	**16,729**	19,321

38 Financial instruments *(continued)*

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

	Group		*Company*	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
End-user customer	**12,648**	14,948	**8,906**	7,585
Other	**8,230**	4,755	**7,823**	11,736
	20,878	19,703	**16,729**	19,321

The Group's and Company's most significant customer is an investment bank which accounts for £1,707k of the trade and other receivables carrying amount at 28 February 2014 (2013: £2,103k). No other customers had receivable balances in excess of 10% of the Group's total balance at the year end. In addition £1,808k (2013: £650k) 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 2014 £'000**	**Impairment 2014 £'000**	**Gross 2013 £'000**	**Impairment 2013 £'000**
Not past due	**6,699**	**-**	7,628	-
Past due 0-30 days	**2,678**	**-**	1,769	-
Past due 31-120 days	**2,909**	**-**	1,023	-
Past due 120 days +	**4,576**	**2,088**	5,784	1,532
Total	**16,862**	**2,088**	16,204	1,532

Company	**Gross 2014 £'000**	**Impairment 2014 £'000**	**Gross 2013 £'000**	**Impairment 2013 £'000**
Not past due	**4,255**	**-**	4,784	-
Past due 0-30 days	**1,643**	**-**	1,256	-
Past due 31-120 days	**2,151**	**-**	563	-
Past due 120 days +	**1,433**	**576**	1,149	211
Total	**9,482**	**576**	7,752	211

38 Financial instruments *(continued)*

Impairment losses (continued)

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

	Group		***Company***	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Balance at 1 March	**1,532**	379	**211**	230
Impairment loss charged	**761**	1,334	**365**	128
Foreign exchange impact	**(205)**	-	**-**	-
Amounts written off	**-**	(181)	**-**	(147)
Balance at 28 February	**2,088**	1,532	**576**	211

A review of debt outstanding led to the increase of £761k 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 (2013: £nil). The allowance for impairment for the Company is entirely specific.

The Group and Company held cash and cash equivalents of £4,393k (2013: £1,902k) and £3,607k (2013: £1,397k) respectively at 28 February 2014 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.

38 Financial instruments *(continued)*

Liquidity risk

Group

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

28 February 2014

	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	(14,355)	(15,702)	(4,038)	(1,212)	(6,817)	(3,635)	-
Finance leases	(1,226)	(1,249)	(650)	(599)	-	-	-
Trade and other payables	(5,594)	(5,594)	(5,594)	-	-	-	-
	(21,175)	(22,545)	(10,282)	(1,811)	(6,817)	(3,635)	-

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)	-

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 2014

	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	(14,355)	(15,702)	(4,038)	(1,212)	(6,817)	(3,635)	-
Trade and other payables	(5,172)	(5,172)	(5,172)	-	-	-	-
	(19,527)	(20,874)	(9,210)	(1,212)	(6,817)	(3,635)	-

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)	-

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.

38 Financial instruments *(continued)*

Currency risk

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

	28 February 2014			28 February 2013		
	CAD £000's	**Euro £'000**	**USD £'000**	CAD £000's	Euro £'000	USD £'000
Trade receivables	**164**	**1,510**	**7,784**	697	938	7,527
Secured bank loans	**-**	**-**	**-**	-	-	-
Trade payables	**-**	**-**	**-**	-	-	-
Gross balance sheet exposure	**164**	**1,510**	**7,784**	697	938	7,527

The secured bank loan above excludes bank loans designated in a net investment hedge of £5,139k (2013: £9,356k).

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

	28 February 2014			28 February 2013		
	CAD £000's	**Euro £'000**	**USD £'000**	CAD £000's	Euro £'000	USD £'000
Trade receivables	**164**	**784**	**3,869**	697	886	3,209
Secured bank loans	**-**	**-**	**(5,139)**	-	-	(9,356)
Trade payables	**-**	**-**	**-**	-	-	-
Gross balance sheet exposure	**164**	**784**	**(1,270)**	697	886	(6,147)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2014	2013	**2014**	2013
USD 1	**1.57**	1.57	**1.67**	1.51
EUR 1	**1.18**	1.23	**1.22**	1.15
CAD 1	**1.64**	1.57	**1.86**	1.55

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 £1,427k (2013: £1,407k). 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 £1,427k (2013: £1,407k). 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.

38 Financial instruments *(continued)*

Sensitivity analysis (*continued)*

A 10% strengthening of Sterling against the above currencies at the end of the period would increase Company equity and profit or loss by approximately £80k (2013: £747k). A 10% weakening of Sterling against the above currencies at the end of the period would decrease Company equity and profit or loss by approximately £80k (2013: £747k). 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.

Interest rate risks

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

	Group		***Company***	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Variable rate instruments				
- Financial assets	**4,393**	1,902	**3,607**	1,397
- Financial liabilities	**(14,396)**	(22,600)	**(14,396)**	(22,600)
	(10,003)	(20,698)	**(10,789)**	(21,203)
Fixed rate instruments				
- Financial assets	**-**	-	**-**	-
- Financial liabilities	**(1,226)**	(1,481)	**-**	-
	(1,226)	(1,481)	**-**	-

A 10% reduction in interest rates at the end of the period would increase Group equity and profit and loss by approximately £81k (2013: £72k). A 10% increase in interest rates at the end of the period would decrease Group equity and profit or loss by approximately £81k (2013: £72k). This analysis assumes that all other variables remain constant.

39 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. 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.

39 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 2014	**Number of options 2014**	Weighted average exercise price 2013	Number of options 2013
Maximum options outstanding at beginning of period	**1.35**	**1,026,167**	1.32	1,482,667
Lapsed during the period	**1.69**	**(60,000)**	-	-
Exercised during the period	**1.25**	**(438,000)**	1.27	(456,500)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**1.37**	**528,167**	1.35	1,026,167
Exercisable at end of period	**1.37**	**528,167**	1.35	1,026,167

The options outstanding at 28 February 2014 above have an exercise price in the range of £0.62 to £1.785 (2013: £0.510 to £1.785) and a weighted average contractual life of 3.6 years (2013: 4.8 years).

	Weighted average exercise price 2014	**Number of options 2014**	Weighted average exercise price 2013	Number of options 2013
Maximum options outstanding at beginning of period	**2.46**	**544,830**	2.49	931,665
Lapsed during the period	**2.27**	**(48,300)**	2.67	(225,033)
Exercised during the period	**2.40**	**(174,362)**	2.36	(161,802)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**2.52**	**322,168**	2.46	544,830
Exercisable at end of period	**2.52**	**322,168**	2.51	445,387

The options outstanding at 28 February 2014 above have an exercise price in the range of £2.27 to £2.735 (2013: £2.270 to £2.735) and a weighted average contractual life of 4.8 years (2013: 6.0 years).

39 Share based payments (*continued)*

	Weighted average exercise price 2014	**Number of options 2014**	Weighted average exercise price 2013	Number of options 2013
Maximum options outstanding at beginning of period	**4.50**	**2,264,600**	4.33	1,361,600
Lapsed during the period	**4.61**	**(66,667)**	4.55	(80,000)
Exercised during the period	**4.30**	**(464,168)**	-	-
Granted during the period	**7.05**	**1,021,100**	4.74	983,000
Maximum options outstanding at end of period	**5.48**	**2,754,865**	4.50	2,264,600
Exercisable at end of period	**4.45**	**960,451**	4.30	560,533

The options outstanding at 28 February 2014 above have an exercise price in the range of £4.15 to £8.47 (2013: £4.150 to £5.05) and a weighted average contractual life of 7.8 years (2013: 7.7 years).

The weighted average share price at the date of exercise for share options exercised for the year ending 28 February 2014 was £8.99 per share (2013: £5.00).

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 2014			
Grant date	**17/04/13**	**01/07/13**	**06/11/13**
Fair value at grant date	**0.90**	**0.91**	**1.65**
Share price at grant date	**5.65**	**5.75**	**8.475**
Exercise price	**5.65**	**5.75**	**8.475**
Number of options	**245,100**	**280,000**	**496,000**
Expected volatility (weighted average volatility)	**20%**	**20%**	**20%**
Option life (expected weighted average life)	**2.5 years**	**2.5 years**	**3.5 years**
Expected dividends	**0.1%**	**0.1%**	**0.1%**
Risk-free interest rate (based on government bonds)	**3.0%**	**3.0%**	**3.0%**

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%

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

Notes *(continued)*

39 Share based payment *(continued)*

Employee expenses – equity settled

	2014 **£'000**	2013 £'000
Expense relating to:		
Share options granted in 2010/11 – equity settled	**138**	273
Share options granted in 2011/12 – equity settled	**107**	140
Share options granted in 2012/13 – equity settled	**239**	163
Share options granted in 2013/14 – equity settled	**183**	-
Total expense recognised as employee benefit expense	**667**	576
Capitalised expenses – equity settled		
Amounts relating to:		
Share options granted in 2011/12- equity settled	**42**	96
Share options granted in 2012/13- equity settled	**10**	11
Share options granted in 2013/14- equity settled	**38**	-
Total amount recognised as software development cost	**90**	107
Business combinations – equity settled		
Amount relating to:		
Share options granted in 2009/10 – equity settled	**-**	3
Total amount recognised in share based payment reserve	**757**	686

40 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.

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