First Derivatives plc

Annual report and accounts

Registered number: NI 30731

28 February 2015

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Chairman's statement

The financial year to 28 February 2015 was a very successful year for First Derivatives. We made significant progress in implementing our strategy with a number of key acquisitions and delivered strong financial performance. Revenue for the year increased by 19.0% to £83.2m, while adjusted EBITDA rose by 24.1% to £15.5m.

Net debt (loans and borrowings less cash and cash equivalents) at the period end was £15.7m (2014: £11.2m), the servicing of which is underpinned by the Group's cash generation and performance over recent years. The Board has recommended payment of a final dividend of 10.20p per share (2014: 9.00p per share) which, together with the interim dividend of 3.30p per share paid in December 2014, gives a total dividend for the year of 13.50p per share, an increase of 10.7% compared to the prior year. The final dividend, if approved at the AGM on 25 June 2015, will be paid on 17 July 2015 to those shareholders on the register on 19 June 2015.

Software

Software revenue increased by 28.9% to £24.9m (2014: £19.3m) with customer wins across our entire product portfolio. The size of the market opportunity in capital markets is significant and we continue to make progress positioning ourselves to capture a meaningful share of that opportunity. Our clients have challenges around balance sheet optimisation, regulation, transparency and risk management which can be met through real- time data analytics, which is the fundamental strength of our product suite.

Outside capital markets, we are engaged in discussions with a number of potential customers that are attracted by the capabilities of our flagship kdb+ and Delta products, reaffirming our view that our software is ideally suited to Big Fast Data opportunities across multiple sectors.

Consulting

Consulting revenues continued to grow strongly, rising by 15.3% to £58.3m (2014: £50.6m). This is the twelfth consecutive year of double-digit percentage growth in consultancy and reflects the strength of customer relationships, the skills of our consultancy staff and the recurring nature of our revenues.

During the year we were pleased to sign Master Service Agreements with a number of new high profile clients, adding to the strong relationships we have developed over the years. At a time when clients are typically reducing the number of vendors to enable them to manage these relationships more effectively, it represents a vote of confidence in the Group that the number of clients we engage with continues to increase. We see good potential to grow strongly within our existing client base, while continuing to target new clients.

We have continued our recruitment of both graduates and experienced consultants as we seek to provide our clients with the high quality service they expect and to allow us to widen our service offering. We are pleased with the continued support from Invest Northern Ireland, in the form of future grant assistance of up to £3.9m, announced in June 2014, to support the creation of 484 new high quality jobs within the Group over the next few years.

Chairman's statement *(continued)*

Corporate Development

The most significant acquisition activity was the increase in our stake in Kx Systems Inc. ("Kx") to 65.2% in October 2014 opening further opportunities within capital markets and the ability to penetrate other sectors with our software. Kx's principal product kdb+ is widely acknowledged as the world's pre-eminent time-series database.

The Group initiated a successful placing to raise £12.7m in February 2015 (an additional £2.6m was placed in March 2015 following shareholder approval) while also increasing our bank facilities to £36.5m in October 2014. This allowed us to complete three acquisitions in addition to the increase in our shareholding in Kx.

In February 2015 we acquired Prelytix LLC, a Massachusetts-based provider of predictive analytics software operating within the marketing technology sector for an initial consideration of £4.9m which by the achievement of performance targets could increase to £8.1m over a three year period.

Subsequent to the year end, in March 2015, we acquired Ontario based Affinity Systems Limited (a Kx Systems Inc. partner) for an initial consideration of £3.7m which, on the achievement of demanding future targets, could grow to £7.7m. Affinity is a software development consultancy specialising in utility, retail and healthcare data management. We also acquired ActivateClients Limited, a software business with important HTML5 capabilities targeting financial markets and based in Dublin, for an initial consideration of £3.3m, potentially increasing to £4.8m.

These acquisitions position us well to continue delivering strong growth in our software businesses within Capital Markets and the expertise to leverage our core software infrastructure assets across other important market sectors.

Board Changes

There were no changes to the Board during the financial year. On 3 March 2015, Virginia Gambale was appointed a Non-Executive Director of the Group. A U.S. citizen, Ms Gambale has extensive experience as an enterprise technology buyer in capital markets, a technology venture capital partner and an independent director across diverse industry sectors. On 24 March 2015, Pat Brazel resigned as a Non-Executive Director to join the Group in an executive role, as Global Head of Software Sales. On behalf of the Board I would like to thank Pat for his contribution to the Group and wish him success in his new role.

Chairman’s statement *(continued)*

Current Trading and Outlook

The current financial year has started positively, with good growth in consultancy and a number of contract wins in software. The investment in the Group’s sales capability in recent years is evident in the healthy pipeline of opportunities, while the high levels of visibility in both consultancy and software provides confidence that we will report another year of strong growth. This will be supplemented by a positive impact from the Group’s recent acquisitions. Overall, the Group expects performance to be moderately ahead of current market forecasts.

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

Seamus Keating 1 June 2015
Chairman

First Derivatives plc

Chief Executive's statement

Within the capital markets sector, market conditions improved over the past year with the drivers consistent with those of the prior year – firmer underlying economies providing opportunities for our clients to invest for growth; complex and widespread increases in and changes to regulation; and pressure to reduce costs, through the use of new technology or changes to the way that technology is delivered.

In addition to the solid market conditions, we have started to see the benefits of investment within our business in prior years. Our acquisition of Kx Systems ("Kx") in October 2014 has positioned the Group as a technology leader in the field of Big Fast Data and to maximise the commercial opportunities available to us we have invested both internally, in development, sales and marketing, as well as through acquisition as detailed in the Chairman's statement.

Review of activities

First Derivatives ("FD") provides software products that enable the world's largest finance, technology and energy institutions to meet the most demanding data management challenges they face. The Group also provides a range of associated consulting services within capital markets, where our customer base includes investment banks, brokers, exchanges, regulators and hedge funds.

The most significant development during the year was the increase in our investment in Kx Systems in October 2014. Kx is one of the world's leading Big Data vendors and its principal product, kdb+, is widely acknowledged as the pre-eminent time series database. FD and Kx have been partners for more than a decade - together we provide a market leading solution that allows organisations to capture, analyse and store large volumes of data, including streaming data.

In recent years we have made significant investments in sales and marketing across the business, which has assisted our growth rates and is reflected in the depth of our pipeline. Since we announced our acquisition of Kx, we have invested further to enable us to sell our software products to additional vertical markets and this is beginning to generate a number of interesting opportunities. I would caution that many of these opportunities are still at an early stage, but we are encouraged by our engagement with potential customers in respect of our ability to solve significant data challenges.

Software

Software sales during the period increased by 28.9% to £24.9m (2014: £19.3m). Our software provides a clear and, we believe, compelling client proposition. While the term Big Data has become associated with a number of software and services vendors analysing unstructured data, typically using Hadoop, our software addresses a related but more challenging problem, namely the rapid analysis of large datasets and/or streaming, structured data, increasingly termed Big Fast Data. We excel in this through the use of kdb+, which has been independently benchmarked as the world's leading time series database. Our software is therefore complementary to the unstructured Big Data companies, with whom we see opportunities to partner and collaborate.

Chief Executive's statement *(continued)*

Capital Markets Software

The technical capabilities of our software have helped us carve out a significant market share within capital markets, with kdb+ being the timeseries database of choice for 9 of the 10 top investment banks in the world as well as widespread usage of our Delta products – a suite of applications built on top of kdb+. Our products are used in areas such as market surveillance, trading, regulatory reporting, transaction cost analysis and algorithmic testing.

Our software addresses a market opportunity valued at billions of dollars or more per annum. It is offered as a hosted, multi-tenanted solution so the incremental cost of signing new customers can be minimal.

Our software applications share a common technology platform, which means that our software is easier to support, deploy and upgrade. Our approach fosters rapid prototyping and innovation and allows us to convert ideas to products very quickly. From its conception we made a conscious decision to deploy applications in the cloud and on mobile platforms - this decision has been validated by recent technology trends. Through the recent acquisition of ActivateClients we now have strengthened our HTML5 capabilities, and we are confident that we will not only have the fastest back end technology in the market but also slick front end visualisation.

Key wins over the past year have included:

- **kdb+:** Is now used by over 90 organisations and there were nearly 30 new deals signed this year across hedge funds, banks and technology suppliers.

- **Market Surveillance:** During the period, the Group won two contracts to implement Surveillance at IEX, a high-growth equity trading venue based in New York and Yieldbroker Pty Limited, an electronic marketplace designed for institutional investors and banking participants trading in Australian and New Zealand debt securities and derivatives. These contracts built on the momentum generated by the go live in November 2013 of the Group's flagship surveillance contract with the Australian Securities and Investment Commission. Our Surveillance product was also voted Market Surveillance Product of the Year at the Futures and Options World Awards in Singapore in September 2014.

- **Energy Markets:** After the period end, we secured our first customer within energy trading surveillance – a leading European oil and gas company is using our product to monitor trading activity in the futures market as regulators tighten controls within the industry.

- **Exchanges:** We signed the Shenzhen Stock Exchange earlier in the year as well as deploying an innovative algo trading testing platform at another large Asian Exchange.

- **Foreign Exchange:** Our Delta Flow platform had a positive year, with performance weighted to the second half, providing good momentum into the current year. We also signed a significant global player, EBS, ICAP's market leading electronic FX business, who are using our software for streaming analytics.

- **Operations:** During the year our Delta Operations Network has been successfully deployed at six banks in Europe and is offered as a managed service. These tools cover areas such as application monitoring, regulatory reporting, single customer views, reconciliations and testing.

Chief Executive’s statement *(continued)*

Additional vertical markets

We have outlined in previous statements that while our software platform’s heritage is within capital markets, we believe its competitive advantages in dealing with Big Fast Data are equally applicable to a number of additional vertical markets. In particular, given our nanosecond time stamping and geolocation capabilities, we see the structured data flowing from connected sensors, known as the Internet of Things, presenting an attractive opportunity.

During the year we secured significant deals with the Ontario Regulator (IESO), Purdue Pharma in the US and a leading oil and gas company in South America. This has confirmed our belief that we have a software product which is applicable across multiple industries globally. We are in discussions with a number of prospects in areas such as:

- **Telecoms:** customer profile monitoring/analysis; customer marketing; sensor data monitoring; network optimisation.

- **Utilities:** smart meter data retrieval and analysis; network monitoring; sensor data storage and analysis.

- **Pharma:** drug trial data capture, analysis and simulation; gene sequencing and analysis; regulatory reporting.

- **Others:** automotive plant monitoring; proximity marketing; preventative maintenance in manufacturing, web analytics.

We have accelerated our product roadmap and our entry to certain verticals by recent acquisitions; our acquisition of Prelytix, which specialises in predictive analytics generated by analysing real-time advertising data, website traffic and social media; and Affinity, which has developed a Sensor Data Management platform, which is currently applied to smart meter data but which can be adapted to handle data from any connected device. While these market opportunities are still evolving, we are encouraged by the initial interactions with potential customers.

Consulting

The Group has continued to build on its growing reputation as one of the leading niche capital markets consulting companies in the world. We have ongoing contracts with many of the leading global banks, providing implementation, support and development 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 nineteen years and our areas of expertise and delivery capability continue to broaden and deepen as we grow. This means we are able to bid for a wider range of assignments, many of which are larger than those FD has typically undertaken.

As a result of this increased activity, consulting recorded another solid period of growth, with revenues increasing by 15.3% to £58.3m (2014: £50.6m) in the year to 28 February 2015. We have continued to grow the number of chargeable consultants since the end of the period reflecting the continuing opportunity we see within our capital markets niche and we continue to enjoy excellent revenue visibility.

Consulting (continued)

Our growth is built on a number of differentiators, which include the strength of our internal training programme, which emphasises both capital markets and technology skills and capabilities; the ability to operate a hybrid on-site and near shore support model for our clients; and a flexible pricing model allied with a global footprint. These differentiators have ensured that, at a time when many customers are rationalising their supplier lists, FD is growing its client base, as evidenced by an increase in the number of Master Service Agreements (MSAs) under which we operate with larger clients. In the past year, we have added six new MSAs taking the total to 80, and we have a number of potential new MSAs under discussion.

Our underlying philosophy remains unchanged. We provide people who understand the Capital Markets and who understand technology, differentiating ourselves from our competitors. To meet our clients' demands, 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 hybrid Nearshore offering, which combines deploying a team of consultants in situ at the client, supported by a team with similar expertise at a lower cost in our headquarters in Newry. This approach addresses many of the concerns expressed around Nearshoring, such as cultural fit, time zone issues and consistency of service standards.

Our Multi-Vendor application support provides 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 at the client.

Management and Personnel

The Group now employs over 1,200 people, up from over 900 people at the same time last year. Our increased brand recognition and the opportunity to work on cutting edge technologies in locations around the world continue to help us secure new talent and achieve high retention rates. Once again I would like to pay tribute to all FD employees for their hard work, talent, flexibility and dedication.

Summary

We have had a great start to the year and our pipeline is very strong. We have invested heavily in our sales function and in buying new businesses to accelerate our product roadmap and to address new vertical markets. We believe that the growing strength of our brand, the quality of our consultants and the superiority of our products leaves us ideally placed to continue our historical growth trajectory in Capital Markets. Whilst challenges remain our initial entry into other verticals has been very encouraging and we believe that the solid foundation we have laid and the huge addressable size of these markets gives us a significant opportunity to deliver further growth for shareholders.

Brian Conlon 1 June 2015
Chief Executive Officer

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 finance, technology and energy organisations. During the year under review, the Company widened its scope of activities, principally as a result of increasing its stake in Palo-Alto based Kx Systems to 65.2%. This has enabled the Company to move beyond its capital markets customer base and target customers in a range of new sectors.

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.

Financial Review

The Group performed well in the year with sales increasing by £13.3 million (19.0%). Growth arose from further penetration in the two key business areas with consultancy sales increasing by £7.7 million (15.3%) and software sales by £5.6 million (28.9%). The profit before tax for the year of £17.5 million (2014: £7.9 million) represented a growth of 119.9%.

The Board considers that the key performance indicators (KPIs) for the Group are growth in revenue, adjusted EBITDA, together with adjusted EBITDA margins and profit before tax. KPI performance over the year to 28 February is provided below.

	2015	**2014**
	£'000	**£'000**
Revenue	83,216	69,902
Growth	19.0%	23.8%

Revenue from continuing operations increased by 19.0% over the prior year. Consulting revenues increased by 15.3% (2014: 22.0%) and software revenues increased by 28.9% (2014: 28.8%). Software revenue represented 29.9% of Group revenue for the year (2014: 27.6%) and on a pro forma basis, assuming Kx Systems had been consolidated for the entire year, software revenue would have been 34.9% of Group revenue.

Financial Review (continued)

The Board considers that adjusted EBITDA is an important KPI. Adjusted EBITDA grew by 24.1% to £15.5m from £12.4m reflecting continued profitable sales growth. EBITDA margins increased during the year due to a greater percentage of higher margin software revenue in the Group along with ongoing operational efficiencies in the consulting business.

The Group receives grants from Invest NI to incentivise the recruitment and training of staff. During the year £1.0m (2014: £1.9m) was recognised within other income. Grant income varies depending on the number of staff recruited and the point at which they are recruited within the life of the grant programme. In June 2014 we announced continued support from Invest Northern Ireland in the form of an additional £3.9m in grant assistance to support the creation of 484 high quality jobs within the Group over the next three years.

The Group increased its stake in Kx Systems to 65.2% at the end of October 2014. Since then its performance has been in line with management expectations and consolidated into the Group results. Kx Systems will continue to be fully consolidated going forward. The Company also issued a put for the remaining non-controlling interest (NCI) of 34.8% under which the holders can require the Company to purchase the remaining interest at a fixed price for a period of seven years for cash. Changes in the fair value of the NCI put is accounted for directly in equity. At year end, a long term liability of £27.1m was recognised for the put option. The increased investment within Kx Systems has resulted in a gain of £9.6m in the Income Statement relating to the revaluation of the Group's existing interest. This has been treated as an exceptional gain for adjusted EBITDA purposes along with the associated costs of the transaction.

To finance this increased investment the Group renewed and increased its debt facility. As a result, finance expense increased to £0.7m (2014: £0.6m) as a result of increased borrowings in the second half of the year.

The Group's reported effective tax rate was 8.9% (2014: 19.5%). The effective rate has reduced as there is no deferred tax recognised on the gain arising on the deemed disposal of associate. Excluding the deemed disposal results in an effective tax rate of 19.8% which is in line with prior periods.

The adjusted profit before and after tax is detailed below and excludes the amortisation of acquired intangibles, share based payments, gain on disposal of property, finance translation income/charges, net gain on disposal of investment in associate, acquisition costs along with associated taxation impact of these adjustments.

	2015	**2014**
	£'000	**£'000**
Reported profit for the year	**15,915**	**6,401**
Adjustments for:		
Amortisation of acquired intangibles	2,205	1,579
Share based payment and related costs	1,495	932
Gain on disposal of property	(1,669)	(988)
Acquisition related costs	984	-
(Gain)/loss on foreign currency translation	(138)	19
Effects of investment in associate	(9,582)	(268)
Tax effect of the above	(465)	(304)
Adjusted profit after tax	**8,745**	**7,371**
EPS (fully diluted)	38.8p	34.2p

Strategic report *(continued)*

Financial Review (continued)

Adjusted profit before tax rose by 18.2%, again reflecting profitable growth with adjusted earnings per share increasing by 13.4%. Fully diluted earnings per share growth was slightly lower due to the increase in the weighted average number of shares in issue to 22.6m (2014: 21.6m). The increase in shares was as a result of share options exercised, shares issued to increase our investment in Kx and a placing to institutional shareholders in February 2015.

The Group generated £11.2m of cash from operating activities (2014: £8.1m), representing 131.6% of result from operating activities (2014: 97.6%). At the year end, net debt was £15.7m. During the year the Group disposed of 7 properties which had been utilised in the business. This generated a gain on disposal of £1.7m (2014: £1.0m) and proceeds of £5.0m (2014: £7.1m). This disposal programme is now complete. Net assets at 28 February 2015 were £98.3m compared to £52.1m at 28 February 2014.

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 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 Inc and several key customers. Its relationship with Kx Systems Inc. changed in the year with it becoming a 65.2% owned subsidiary of First Derivatives. The trading contractual relationship between the two companies 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.

Principal risks and uncertainties (continued)

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.

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 4 and the Chief Executive's Statement on pages 5 to 8 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 1 June 2015
Secretary

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 2015.

Results and dividend

The Group's profit after taxation attributable to the shareholders for the year to 28 February 2015 was £15,915k (2014: £6,401k).

The Directors propose the payment of a final dividend of 10.20 pence per share (previous year: 9.00 pence) which, together with the interim dividend of 3.30 pence per share (2014: 3.20 pence), totals 13.50 pence per share (2014: 12.20 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 9.00 pence per share for the year ended 28 February 2014 and an interim dividend of 3.30 pence per share for the year ended 28 February 2015.

Directors

The Directors who held office during the year and subsequent to year end were as follows:

R D Anderson
B G Conlon
R G Ferguson
P Brazel (resigned 24 March 2015)
K MacDonald
S Keating
V Gambale (appointed 3 March 2015)

The interests of the Directors in shares during the year are set out on page 16 in the report of the Remuneration Committee.

Substantial shareholdings

At 1 June 2015, 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 (33.9%), Standard Life Investments Limited (8.4%), Legal & General Group plc (10.8%) and A Whitney (4.1%).

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 £6,594k (2014: £5,987k) were capitalised in respect of activities which were deemed to be development activities in accordance with the Group's accounting policies. Other research and development costs of £1,574k (2014: £1,497k) not meeting the criteria for capitalisation were expensed during the year.

Employees

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

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

Financial instruments

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

The Group does not use derivatives to manage its financial risk investment. The Group's main cash flow, credit and liquidity risks are those associated with selling on credit. This is managed through credit control procedures. The Group is also exposed to the impact of fluctuations in exchange rates as it generates income and incurs expenses in currencies other than Sterling (GBP). The Group 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 Kx Systems Inc. in US Dollars, the Group can achieve a net investment hedge against a significant portion of its translation exposure on the net assets of its foreign operations.

Political donations

The Group and Company made no political donations during the year (2014: £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.

Directors' report *(continued)*

Events after the reporting date

On 23 March 2015, the Company acquired the entire share capital of ActivateClients Limited, an Irish based software firm targeting financial markets and specialising in delivering applications and trading systems, for initial consideration £3.3m and contingent deferred consideration of up to £1.4m.

On 31 March 2015, the Company acquired the entire share capital of Affinity Systems Limited, a Canadian based provider of software development and consultancy services, for initial consideration of £3.7m and contingent deferred consideration of up to £4.0m.

Disclosure of information to auditors

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

Auditors

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

By order of the board

JJ Kearns
Secretary

1 June 2015

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 was chaired by Patrick Brazel until 24 March 2015 after which Seamus Keating became the Chairman.

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 through 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:

	Number of ordinary shares	
	28 February 2015	28 February 2014
R D Anderson	**130,000**	130,000
B G Conlon	**7,853,953**	7,853,953
R G Ferguson	**212,647**	117,467
P Brazel	**-**	-
K MacDonald	**10,000**	10,000
S Keating	**15,314**	8,643

Share options

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

Share options granted to the Directors over ordinary shares of the Company are set out in note 12.
The mid-market price of the Company's shares at close of business on 28 February 2015 was £13.10 and the high and low share prices during the year were £13.25 and £8.60 respectively.

The Company recognised total expenses of £721k (2014: £667k) related to equity-settled share-based payment transactions during the year. Expenses of £56k (2014: £161k) related to share options granted to the Directors. 350,000 share options were exercised by the Directors during the current year (2014: 70,000).

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 Group 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).

First Derivatives plc

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

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

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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the 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
Secretary

1 June 2015

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 2015 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 19, 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 Financial Reporting Council'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 28 February 2015 and of the Group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the 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.

John Poole (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor 1 June 2015
Chartered Accountants
Stokes House
17/25 College Square East
Belfast
BT1 6DH

First Derivatives plc

Consolidated statement of comprehensive income

Year ended 28 February 2015

	Note	2015 £'000	2014 £'000
Revenue	*5*	**83,216**	69,902
Cost of sales		**(59,497)**	(50,674)
Gross profit		**23,719**	19,228
Other operating income	*6*	**1,045**	1,950
Administrative expenses	*7*	**(16,288)**	(12,890)
Results from operating activities		**8,476**	8,288
Acquisition and associate disposal costs		**984**	-
Share-based payment and related costs		**1,495**	932
Gain on disposal of property, plant and equipment		**(1,669)**	(988)
Depreciation and amortisation		**3,959**	2,636
Amortisation of acquired intangible assets (IFRS3)		**2,205**	1,579
Adjusted EBITDA		**15,450**	12,447
Finance income	*9*	**3**	4
Finance expense	*9*	**(723)**	(594)
Gain/(loss) on foreign currency translation	*9*	**138**	(19)
Net financing expense		**(582)**	(609)
Share of profit of associate using the equity method, net of tax	*18*	**57**	268
Loss on dilution in associate using the equity method	*18*	**(60)**	-
Gain on disposal of investment in associate and settlement of pre-existing relationships	*3*	**9,585**	-
Profit before taxation		**17,476**	7,947
Taxation	*11*	**(1,561)**	(1,546)
Profit for the year		**15,915**	6,401

First Derivatives plc

Consolidated statement of comprehensive income (continued)

Year ended 28 February 2015

	Note	**2015** **£'000**	2014 £'000
Profit for the year		**15,915**	6,401
Other comprehensive income			
Items that will or may be reclassified subsequently to profit or loss			
Net exchange gain/(loss) on net investment in foreign subsidiaries and associate	*27*	**2,334**	(3,794)
Net loss on hedge of net investment in foreign subsidiaries and associate	*27*	**(1,099)**	(227)
Reclassification of loss on net investment in associate	*27*	**(59)**	-
Reclassification of gain on hedge of investment in associate	*27*	**174**	-
Reclassification of associate revaluation reserve	*26*	**(167)**	-
Other comprehensive income for the period, net of tax		**1,183**	(4,021)
Total comprehensive income for the period attributable to owners of the parent		**17,098**	2,380
Earnings per share		**Pence**	Pence
Basic	*15a*	**77.2**	34.4
Diluted	*15a*	**70.6**	29.7

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

The notes on pages 32 to 99 form part of these financial statements.

First Derivatives plc

Consolidated balance sheet
As at 28 February 2015

	Note	2015 £'000	2014 £'000
Assets			
Property, plant and equipment	*16*	**5,948**	5,358
Intangible assets and goodwill	*17*	**134,293**	38,025
Investment in associate	*18*	**-**	5,233
Trade and other receivables	*19*	**2,634**	2,554
Deferred tax asset	*30*	**6,450**	5,855
Non-current assets		**149,325**	57,025
Trade and other receivables	*19*	**29,952**	20,571
Cash and cash equivalents	*20*	**14,705**	4,393
Assets held for sale	*21*	**-**	3,146
Current assets		**44,657**	28,110
Total assets		**193,982**	85,135
Equity			
Share capital	*22*	**114**	98
Share premium	*23*	**55,286**	22,251
Share option reserve	*24*	**6,262**	6,627
Revaluation reserve	*26*	**-**	167
Currency translation adjustment reserve	*27*	**(1,690)**	(3,040)
Retained earnings		**38,352**	25,959
Equity attributable to owners of the Company		**98,324**	52,062
Liabilities			
Loans and borrowings	*28*	**27,025**	9,706
Trade and other payables	*29*	**29,490**	2,087
Deferred tax liabilities	*30*	**11,284**	4,008
Contingent deferred consideration	*33*	**1,132**	-
Non-current liabilities		**68,931**	15,801
Loans and borrowings	*28*	**3,429**	5,875
Trade and other payables	*29*	**18,936**	8,785
Current tax payable	*31*	**490**	430
Employee benefits	*32*	**3,872**	2,182
Current liabilities		**26,727**	17,272
Total liabilities		**95,658**	33,073
Total equity and liabilities		**193,982**	85,135

These financial statements were approved by the Board of Directors on 1 June 2015.

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

Registered Company number: NI 30731

The notes on pages 32 to 99 form part of these financial statements.

First Derivatives plc

Company balance sheet
As at 28 February 2015

	Note	2015 £'000	2014 £'000
Assets			
Property, plant and equipment	*16*	**2,600**	2,048
Intangible assets	*17*	**15,320**	12,677
Investment in subsidiaries	*18*	**71,942**	24,464
Investment in associate	*18*	**-**	7,196
Trade and other receivables	*19*	**4,522**	4,183
Deferred tax assets	*30*	**5,134**	5,018
Non-current assets		**99,518**	55,586
Trade and other receivables	*19*	**25,594**	14,691
Cash and cash equivalents	*20*	**7,858**	3,607
Assets held for sale	*21*	**-**	3,146
Current assets		**33,452**	21,444
Total assets		**132,970**	77,030
Equity			
Share capital	*22*	**114**	98
Share premium	*23*	**55,286**	22,251
Share option reserve	*24*	**6,262**	6,627
Fair value reserve	*25*	**140**	138
Retained earnings		**22,490**	21,021
Equity attributable to shareholders		**84,292**	50,135
Liabilities			
Loans and borrowings	*28*	**26,927**	9,706
Trade and other payables	*29*	**1,009**	820
Deferred tax liabilities	*30*	**3,101**	2,694
Non-current liabilities		**31,037**	13,220
Loans and borrowings	*28*	**3,339**	4,649
Trade and other payables	*29*	**10,784**	6,696
Current tax payable	*31*	**120**	433
Employee benefits	*32*	**3,398**	1,897
Current liabilities		**17,641**	13,675
Total liabilities		**48,678**	26,895
Total equity and liabilities		**132,970**	77,030

These financial statements were approved by the Board of Directors on 1 June 2015.

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

Registered Company number: NI 30731

The notes on pages 32 to 99 form part of these financial statements.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2015

	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 2014	**98**	**22,251**	**6,627**	**167**	**(3,040)**	**25,959**	**52,062**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	15,915	**15,915**
Other comprehensive income							
Net exchange gain on net investment in foreign subsidiaries and associate	-	-	-	-	2,334	-	**2,334**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	-	(1,099)	-	**(1,099)**
Reclassification of loss on net investment in associate	-	-	-	-	(59)	-	**(59)**
Reclassification of gain on hedge of investment in associate	-	-	-	-	174	-	**174**
Reclassification of associate revaluation reserve	-	-	-	(167)	-	-	**(167)**
Total comprehensive income for the year	-	-	-	(167)	1,350	15,915	**17,098**
Transactions with owners of the Company							
Income tax relating to share options	-	-	(199)	-	-	-	**(199)**
Exercise of share options	4	4,243	(867)	-	-	-	**3,380**
Change in fair value of NCI put	-	-	-	-	-	(1,017)	**(1,017)**
Issue of shares	5	12,102	-	-	-	-	**12,107**
Issue of shares as purchase consideration	7	16,690	-	-	-	-	**16,697**
Share based payment charge	-	-	721	-	-	-	**721**
Transfer on forfeit of share options	-	-	(20)	-	-	20	**-**
Dividends	-	-	-	-	-	(2,525)	**(2,525)**
Balance at 28 February 2015	**114**	**55,286**	**6,262**	**-**	**(1,690)**	**38,352**	**98,324**

The notes on pages 32 to 99 form part of these financial statements.

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 comprehensive income for the year	-	-	-	-	(4,021)	6,401	**2,380**
Transactions with owners of the Company							
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)**
Balance at 28 February 2014	**98**	**22,251**	**6,627**	**167**	**(3,040)**	**25,959**	**52,062**

The notes on pages 32 to 99 form part of these financial statements.

Company statement of changes in equity

Year ended 28 February 2015

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2014	**98**	**22,251**	**6,627**	**138**	**21,021**	**50,135**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	3,974	**3,974**
Other comprehensive income						
Change in effective rate of deferred tax	-	-	-	2	-	**2**
Total comprehensive income for the year	-	-	-	2	3,974	**3,976**
Transactions with owners of the Company						
Income tax relating to share options	-	-	(199)	-	-	**(199)**
Exercise of share options	4	4,243	(867)	-	-	**3,380**
Issue of shares as purchase consideration	7	16,690	-	-	-	**16,697**
Issue of shares	5	12,102	-	-	-	**12,107**
Share based payment charge	-	-	721	-	-	**721**
Transfer on forfeit of share options	-	-	(20)	-	20	**-**
Dividends to equity holders	-	-	-	-	(2,525)	**(2,525)**
Balance at 28 February 2015	**114**	**55,286**	**6,262**	**140**	**22,490**	**84,292**

The notes on pages 32 to 99 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 comprehensive income for the year	-	-	-	5	5,751	**5,756**
Transactions with owners of the Company,						
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)**
Balance at 28 February 2014	**98**	**22,251**	**6,627**	**138**	**21,021**	**50,135**

The notes on pages 32 to 99 form part of these financial statements.

First Derivatives plc

Consolidated cash flow statement

Year ended 28 February 2015

	2015	2014
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**15,915**	6,401
Adjustments for:		
Net finance costs	**582**	609
Share of profit of associate	**(57)**	(268)
Share of loss on dilution in associate	**60**	-
Depreciation of property, plant and equipment	**1,193**	738
Amortisation of intangible assets	**4,971**	3,477
Gain on sale of property, plant & equipment	**(1,669)**	(988)
Gain on sale of investment in associate	**(9,585)**	-
Equity settled share-based payment transactions	**721**	667
Grant income	**(1,045)**	(1,931)
Tax expense	**1,561**	1,546
	12,647	10,251
Changes in:		
Trade and other receivables	**(5,538)**	(453)
Trade and other payables	**4,430**	(793)
Cash generated from operating activities	**11,539**	9,005
Taxes paid	**(382)**	(915)
Net cash from operating activities	**11,157**	8,090
Cash flows from investing activities		
Interest received	**3**	4
Dividend received from associate	**896**	773
Disposal of property, plant and equipment	**5,035**	7,065
Acquisition of subsidiaries, net of cash acquired	**(23,302)**	(148)
Acquisition of property, plant and equipment	**(2,228)**	(2,907)
Acquisition of intangible assets	**(7,145)**	(6,105)
Payment of deferred consideration	**-**	(125)
Net cash used in investing activities	**(26,741)**	(1,443)
Cash flows from financing activities		
Proceeds from issue of share capital	**15,487**	7,515
Payment to buy-back share options	**-**	(314)
Proceeds from new borrowings	**29,152**	1,000
Repayment of borrowings	**(11,747)**	(9,829)
Payment of finance lease liabilities	**(1,038)**	(254)
Interest paid	**(722)**	(676)
Dividends paid	**(2,525)**	(2,204)
Net cash used in financing activities	**28,607**	(4,762)
Net increase in cash and cash equivalents	**13,023**	1,885
Cash and cash equivalents at 1 March	**1,544**	(322)
Effects of exchange rate changes on cash held	**138**	(19)
Cash and cash equivalents at 28 February	**14,705**	1,544

The notes on pages 32 to 99 form part of these financial statements

First Derivatives plc

Company cash flow statement

Year ended 28 February 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Profit for the year	**3,974**	5,751
Adjustments for:		
Finance expense and foreign exchange loss	**1,589**	1,105
Depreciation of property, plant and equipment	**243**	252
Amortisation of intangible assets	**1,941**	1,308
Dividends from associate and subsidiary	**(896)**	(2,573)
Equity settled share-based payment transactions	**721**	667
Profit on disposal	**(1,669)**	(988)
Grant income	**(972)**	(1,872)
Tax expense	**578**	1,184
	5,509	4,834
Changes in:		
Trade and other receivables	**(9,120)**	(2,029)
Trade and other payables	**5,285**	73
Cash generated from operating activities	**1,674**	2,878
Taxes paid	**(89)**	(877)
Net cash from operating activities	**1,585**	2,001
Cash flows from investing activities		
Acquisition of subsidiaries	**(24,553)**	(148)
Acquisition of property, plant and equipment	**(1,016)**	(268)
Disposal of property, plant and equipment	**5,035**	7,065
Acquisition of intangible assets	**(4,584)**	(4,512)
Dividends received from associate and subsidiary	**896**	2,573
Payment of deferred consideration	**-**	(107)
Net cash used in investing activities	**(24,222)**	4,603
Cash flows from financing activities		
Proceeds from issue of share capital	**15,487**	7,515
Payment to buy-back share options	**-**	(314)
Proceeds from new borrowings	**29,152**	1,000
Repayment of borrowings	**(11,747)**	(9,829)
Interest paid	**(688)**	(611)
Dividends paid	**(2,525)**	(2,204)
Net cash used in financing activities	**29,679**	(4,443)
Net increase in cash and cash equivalents	**7,042**	2,161
Cash and cash equivalents at 1 March	**758**	(827)
Effects of exchange rate changes on cash held	**58**	(576)
Cash and cash equivalents at 28 February	**7,858**	758

The notes on pages 32 to 99 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 1 June 2015.

(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") and with the Companies Act 2006. On publishing the Group financial statements together with the Company financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of those approved financial statements.

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

- Share based payment arrangements;
- Contingent deferred consideration; 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

There were no additional standards, amendments and interpretations that had a material impact of the Group and Company's financial statements during the year. The following standards, amendments and interpretations were effective for accounting periods beginning on or after 1 March 2014 and these have been adopted in the Group and Company financial statements:

- Amendments to IFRS10 Investment entities.

1 Significant accounting policies *(continued)*

(a) Basis of preparation

Changes in accounting policies (continued)

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in other Entities, IAS 27 Separate Financial Statements (2014) which supercedes IAS 27 (2008) and IAS 28 Investments in Associates and Joint Ventures (2014) which supercedes IAS 28 (2008).

- Amendments to IAS 32 Financial Instruments – Offsetting financial assets and financial liabilities.

- Amendments to IAS 39 – Novation of Derivatives and Contribution of Hedge Accounting.

- IFRIC 21 Levies.

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 2014 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 2019 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 IAS 19 Defined Benefit Plans: Employee Contributions (Mandatory for the year commencing on or after 1 February 2015)

- Annual Improvements to IFRS's 2010 – 2012 Cycle and 2011-2013 Cycle (Mandatory for the year commencing on or after 1 February 2015)

- 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)*

- Amendments to IAS 16 and IAS 38 clarification of acceptable methods of depreciation and amortisation (Mandatory for year commencing 1 January 2016)*

- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Bearer Plants* (Mandatory for year commencing 1 January 2016)*

1 Significant accounting policies *(continued)*

New standards and interpretations not adopted (continued)

- Amendments to IAS 27 Equity method in Separate Financial Statements (Mandatory for year commencing 1 January 2016)*

- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (Mandatory for year commencing 1 January 2016)*

- Amendments to IAS 1: Disclosure Initiative (Mandatory for year commencing 1 January 2016)*

- Amendments to IFRS 10, IFRS 11 and IAS 28: Investment Entities: Applying the consolidation exemption (Mandatory for year commencing 1 January 2016)*

- Annual Improvements to IFRSs 2012-2014 Cycle (Mandatory for year commencing 1 January 2016)*

- IFRS 15 Revenue from contracts with customers (Mandatory for year commencing 1 January 2018)*

- IFRS 9 Financial Instruments – 2009 and subsequent amendments in 2010 and 2013 – (likely to be mandatory for the year commencing on or after 1 January 2018)*

*Not yet EU endorsed. The effective dates above refer to the EU effective dates to the extent they have been amended and otherwise as IASB effective dates.

Going concern
The Group meets its day to day working capital requirements through generated cash flows and loan facilities which are due for renewal in 2019. 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.

1 Significant accounting policies *(continued)*

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 best estimates of the fair value of contingent deferred consideration payable based on the relevant share purchase agreements.

- Management have assessed the deferred tax asset as being recoverable based on forecast results.

- Management have estimated the fair value of 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).

1 Significant accounting policies *(continued)*

Measurement of fair values

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

Management have established a control framework with respect to the measurement of fair values and regularly review significant unobservable inputs and valuation adjustments. If third party information, 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.

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.

1 Significant accounting policies *(continued)*

(b) Basis of consolidation

i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

ii) Subsidiaries

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

1 Significant accounting policies *(continued)*

(b) Basis of consolidation (continued)

iii) Non-controlling interests (NCI)
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

The Group accounts for any put option on the shares of its subsidiary held by a NCI shareholder that obliges the Group to purchase the shares for cash or another financial instrument (NCI put) at fair value on initial recognition. Subsequent changes in the fair value of the NCI put are recognised directly in equity.

iv) Investments in associates (equity accounted investees)
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. This includes goodwill identified on acquisition and fair value of intangibles (these amounts are not recognised separately in the consolidated financial statements but included in the Group's net investment in the associate). The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases net of any impairment on the investment. 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.

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

1 Significant accounting policies *(continued)*

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

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.

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.

1 Significant accounting policies *(continued)*

(c) Foreign currency *(continued)*

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

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

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

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.

1 Significant accounting policies *(continued)*

(f) Intangible assets and goodwill

i) Goodwill

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

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

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

ii) Research and development

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

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

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

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

iii) Other intangible assets

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

iv) Subsequent expenditure

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

1 Significant accounting policies *(continued)*

(f) Intangible assets and goodwill (continued)

v) Amortisation

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

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

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

(g) Trade and other receivables

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

(h) Cash and cash equivalents

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

(i) Trade and other payables

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

1 Significant accounting policies (continued)

(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.

(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 reporting date. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets 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's. 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.

1 Significant accounting policies *(continued)*

(k) Impairment (continued)

(iii) Non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and (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.

(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.

1 Significant accounting policies *(continued)*

(m) Employee benefits (continued)

(iii) Short term benefits

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

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

(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 reporting date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. The Group does not have contracts involving a combination of products and services 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 when the collection of the resulting receivable is considered probable.

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

- Revenue from data management hosting, other hosting and transactional activities is recognised over the period to which the contract relates or the transaction occurs which gives rise to the receivable. In instances where a non-refundable fee is paid by the customer, the fair value of any significant obligations are deferred and recognised over the life of the contract; the remaining balance is recognised following delivery and when the resulting receivable is considered probable.

1 Significant accounting policies *(continued)*

(n) Revenue (continued)

(ii) Government grants

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

(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.

1 Significant accounting policies *(continued)*

(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.

ii) Deferred tax

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

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

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

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

1 Significant accounting policies *(continued)*

(r) Classification of financial instruments issued by the Group

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

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

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

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

(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.

(v) Adjusted EBITDA

Adjusted EBITDA is defined as results from operating activities before acquisition and associate disposal costs, share-based payments and related costs, gain on disposal of property, plant and equipment, depreciation and amortisation; and amortisation of acquired intangible assets (IFRS3).

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.

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

2 Financial risk management (continued)

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

The Group is not subject to external requirements in respect of its capital, with the exception of the need to comply with the level of ordinary shares available for trading on the Alternative Investment Market and Enterprise Securities Market, with which the Group has complied in the current year. Additional shares in the Group are made available to staff by the use of share option schemes as disclosed in note 39 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

During the year ended 28 February 2015, the Group and Company completed the following two acquisitions. On 31 October 2014, the Group and Company acquired a further 46.5% interest in the issued share capital of Kx Systems Inc. to increase its total interest to 65.2%. On 25 February 2015, the Group acquired the entire share capital of Prelytix LLC, specialist in predictive analytics, based in Massachusetts, USA.

Kx Systems Inc.
On 31 October 2014 the Company obtained control of Kx Systems Inc. Acquiring the controlling interest has enabled the Group to expand its managed services and real-time infrastructure services. The Company also issued a put for the remaining non-controlling interest (NCI) of 34.8% under which the holders can require the Company to purchase the remaining interest at a fixed price for a period of seven years for cash. The acquisition and the put are accounted for under the anticipated acquisition method.

In the four months to 28 February 2015, the subsidiary contributed revenue of £2,632k and net profit of £753k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2014, management estimates that revenue for the Group would have been £89,540k and net profit for the year would have been an estimated £17,109k. 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 2014.

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

Notes *(continued)*

3 Acquisitions of subsidiaries (continued)

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	-	17,233	17,233
Property, plant and equipment	25	-	25
Deferred tax asset	74		74
Trade and other receivables	3,183	-	3,183
Cash and cash equivalents	4,470	-	4,470
Trade and other payables	(6,099)	-	(6,099)
Deferred tax liability	(8)	(6,634)	(6,642)
Net identifiable assets and liabilities	1,645	10,599	12,244
Goodwill on acquisition			68,719
			80,963
Consideration paid, satisfied as follows:			
Cash			23,936
Shares issued (1,247,308 shares)			15,729
NCI put			26,101
Fair value of existing investment			15,197
			80,963
Consideration paid, satisfied as follows (continued):			
Cash consideration paid			
Cash (acquired)			23,936
			(4,470)
Net cash outflow			19,466

The trade and other receivables includes gross contractual amounts of £1,684k of which no amounts were expected to be uncollectable at the acquisition date.

Shares issued

The fair value of the ordinary shares issued was based on the listed share price on 31 October 2014, the effective date of control (1,261.00 pence per share).

Notes *(continued)*

3 Acquisitions of subsidiaries *(continued)*

Effect of acquisitions (continued)

Goodwill
Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combination. The Group has carried out an impairment review of goodwill as at 28 February 2015 and has not identified any impairment (see note 17). None of the goodwill is expected to be deductible for tax purposes.

Acquisition related costs
The Group incurred acquisition-related costs of £840k related to external legal fees, due diligence costs and other acquisition costs which have been included in the Group's consolidated statement of comprehensive income. £618k of these costs have been capitalised by the Company as part of the cost of the investment.

Gain on disposal of investment in associate
On obtaining control of Kx Systems Inc, the Group is deemed to have disposed of its investment in the associate and subsequently repurchased same at the acquisition date with the effect that the carrying value of the interest before obtaining control is remeasured to fair value at the acquisition date. The following gain arises which is recognised in profit and loss:

	£000
Fair value of existing equity interest	15,197
Carrying value of existing investment in associate (note 18)	(4,532)
Transfer from foreign exchange reserve (note 27)	
- Net loss on net investment in associate	59
- Net gain on hedge of investment in associate	(174)
Transfer from revaluation reserve (note 26)	167
Settlement of pre-existing relationship	(669)
Other related costs	(463)
Gain on disposal of investment in associate and settlement of pre-existing relationship	**9,585**

3 Acquisitions of subsidiaries *(continued)*

Effect of acquisitions (continued)

Prelytix

On 25 February 2015 the Group obtained control of Prelytix LLC. Acquiring the controlling interest will enable the Group to penetrate additional sectors, beyond its core capital markets, using the capabilities of the Delta platform and kdb+. In the three days to 28 February 2015 the subsidiary contributed revenue of £Nil and net profit of £Nil to the consolidated net profit for the year.

If the acquisition had occurred on 1 March 2014, management estimates that revenue for the Group would have been £84,452k and net profit for the year would have been an estimated £15,994k. 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 2014.

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	**-**	**952**	**952**
Trade and other receivables	**197**	**-**	**197**
Cash and cash equivalents	**52**	**-**	**52**
Trade and other payables	**(230)**	**-**	**(230)**
Net identifiable assets and liabilities	**19**	**952**	**971**
Goodwill on acquisition			**5,017**
			5,988
Consideration paid, satisfied as follows:			
Cash			**3,888**
Shares issued (74,572 shares)			**968**
Contingent deferred consideration			**1,132**
			5,988
Cash consideration paid			**3,888**
Cash (acquired)			**(52)**
Net cash outflow			**3,836**

3 Acquisitions of subsidiaries *(continued)*

Effect of acquisitions (continued)
The trade and other receivables includes gross contractual amounts of £197k of which no amounts were expected to be uncollectible at the acquisition date.

Shares issued
The number of ordinary shares issued (74,572 shares) was derived based on the average price of shares on the 10 days prior to 25 February 2015 (1,297.80 pence per share). The fair value of the ordinary shares issued based on the listed share price on 25 February 2015, the effective date of control (1,287.50 pence per share), was not materially different. The impact would be to decrease goodwill by £7k.

Goodwill
Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combination. The Group has carried out an impairment review of goodwill as at 28 February 2015 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 £8,117k if the acquirer's turnover exceeds £33,768k over the next 36 months. The Group has included £1,132k as contingent deferred consideration related to the additional consideration, which represents its fair value at the date of acquisition. The balance of £6,985k is additional consideration in respect of vendors which is also conditional on future service conditions and has been assessed as being post-acquisition remuneration.

Acquisition related costs
The Group incurred acquisition-related costs of £144k 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.

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

Notes *(continued)*

4 Operating segments

Business segments

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

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

Business segments

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

	2015	2014
	£'000	£'000
Consulting	**58,320**	50,593
Software	**24,896**	19,309
Total	**83,216**	69,902

Geographical location analysis

	Revenues		**Non-current assets**	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
UK	**35,182**	26,857	**20,983**	17,915
Rest of Europe	**13,231**	9,607	**10,160**	11,274
America	**28,531**	26,230	**110,091**	20,225
Australasia	**6,272**	7,208	**1,641**	1,756
Total	**83,216**	69,902	**142,875**	51,170

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 two key customers (2014: one) who individually generated more than 10% of Group revenue in 2015. Revenue from these customers represents approximately 15% (2014: 13%) and 11% (2014: 7%) of the Group's total revenue. The revenue from these customers has been derived from 39 different independent decision making business units across seven global locations with no individual unit accounting for more than 6%.

5 Revenue

	2015	2014
	£'000	£'000
Sale of goods	**12,835**	11,537
Rendering of services	**70,381**	58,365
	83,216	69,902

6 Other operating income

	2015	2014
	£'000	£'000
Government grants	**1,045**	1,931
Other income	**-**	19
	1,045	1,950

7 Administrative expenses

	2015	2014
	£'000	£'000
Rent, rates and insurance	**2,071**	1,841
Telephone	**567**	587
Accountancy, audit and legal expenses	**681**	841
Advertising and marketing	**606**	596
Depreciation and amortisation	**6,164**	4,215
Payroll costs	**4,673**	4,592
Research and development credit	**(328)**	(307)
Listing expenses	**176**	193
Provision for impairment of trade receivables	**1,723**	761
Profit on disposal of property, plant and equipment	**(1,669)**	(988)
Acquisition related costs	**984**	-
Other	**640**	559
	16,288	12,890

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:

	2015 Average no.	2014 Average no.
Administration	**128**	104
Technical	**871**	702
	999	806

The aggregate payroll costs of these persons were as follows:

	2015 £'000	2014 £'000
Wages and salaries	**43,701**	36,916
Social security costs	**6,737**	4,037
Other pension costs	**1,548**	1,219
Share based payments (see note 39)	**721**	757
Less capitalised development costs	**(6,268)**	(5,632)
	46,439	37,297

Disclosed as:	**2015 £'000**	2014 £'000
Cost of sales	**41,766**	32,705
Administrative expenses	**4,673**	4,592
	46,439	37,297

9 Finance income and expense

	2015 £'000	2014 £'000
Interest income on bank deposits	**3**	4
Finance income	**3**	4
Gain/(loss) on foreign currency translation of monetary assets	**138**	(19)
Interest expense on bank loans	**(723)**	(594)
Finance expense	**(723)**	(594)
Net finance expense recognised in profit or loss	**(582)**	(609)

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

	2015 £'000	2014 £'000
Depreciation on property, plant and equipment:		
Owned assets	**1,088**	660
Leased assets	**105**	78
Provision for impairment of trade receivables	**1,723**	761
Amortisation of intangibles	**4,971**	3,477
Rents payable in respect of operating leases	**920**	535
Research and development costs expensed	**1,574**	1,497
Auditor's remuneration:		
Audit of these financial statements	**68**	61
Audit of the subsidiary undertakings included in the consolidation	**21**	15
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**22**	21
- All other services	**8**	3
- Taxation compliance services	**55**	40
- Other tax advisory services	**70**	76
- Corporate finance services	**58**	-
	302	216

First Derivatives plc

Notes *(continued)*

11 Tax expense

Income tax recognised in the income statement	**2015 £'000**	2014 £'000
Current tax expense		
Current year	**1,828**	1,084
Adjustment for prior years	**(10)**	(194)
	1,818	890
Deferred tax expense		
Origination and reversal of temporary differences	**44**	709
Adjustment for prior years	**(319)**	134
Change in tax rate	**18**	(187)
	(257)	656
Total tax expense in income statement	**1,561**	1,546

Reconciliation of effective tax rate		
Profit excluding income tax	**17,476**	7,947
Income tax using the Company's domestic tax rate (21.2%) (2014: 23.1%)	**3,700**	1,834
Tax exempt income	**(64)**	(164)
Expenses not deductible for tax purposes	**(453)**	(181)
Adjustments for prior years	**(329)**	(60)
Other differences	**(106)**	63
Profit of associate	**(12)**	(62)
Gain on disposal of investment in associate	**(1,820)**	-
Foreign tax rate differences	**504**	(143)
Reduction in tax rates	**18**	(187)
Unrelieved overseas taxes	**123**	446
	1,561	1,546

Following the 2014 budget statement, the main rate of UK corporation tax was reduced from 23% directly to 21% with effect from the 1 April 2014. Thereafter the main rate of UK corporation tax will reduce to 21% 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:

	2015 £'000	2014 £'000
Aggregate emoluments (including benefits in kind)	**515**	659
Company pension contributions	**30**	33
Share option payment charge	**56**	161
	601	853

During the period there were 2 Directors accruing benefits under a defined contribution pension scheme (28 February 2014: 3).

The aggregate emoluments and company pension contributions of the highest paid Director (excluding fees paid for provision of services) amounted to £245k and £15k respectively during the year (2014: £327k and £15k respectively).

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

Directors' emoluments

	Salary and fees £'000	Benefits £'000	Bonus £'000	Share based payment £'000	**2015 Total excluding pension £'000**	2014 Total excluding pension £'000	**2015 Pension £'000**	2014 Pension £'000
R D Anderson	35	-	-	14	**49**	47	**-**	-
B G Conlon	150	-	-	-	**150**	260	**15**	16
R G Ferguson	150	-	60	35	**245**	327	**15**	15
A Toner*	-	-	-	-	**-**	38	**-**	2
K Cunningham*	-	-	-	-	**-**	28	**-**	-
P Brazel	35	-	-	7	**42**	43	-	-
S Keating	50	-	-	-	**50**	42	-	-
K MacDonald	35	-	-	-	**35**	35	-	-
Total	455	-	60	56	**571**	820	**30**	33

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

Notes *(continued)*

12 Remuneration of Directors *(continued)*

Directors interests

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

	March 2014	**Granted during the year**	**Exercised during the year**	**28 February 2015**	**Exercise price £**	**Exercise period**
David Anderson	50,000	-	-	**50,000**	4.80	2014-2021
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 £11.08 (2014: £8.24) and the closing price at year end was £13.10 (2014: £12.65).

13 Dividends

The following dividends were:

	2015 £'000	2014 £'000
Final dividend relating to the prior year	**1,813**	1,499
Interim dividend paid	**712**	601
	2,525	2,100

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 9.0 (previous year: 8.4) pence per share and the interim dividend paid during the year amounted to 3.3 (previous year: 3.2) pence per share. The cumulative dividend paid during the year amounted to 12.30 (previous year: 11.60) 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.

	2015 £'000	2014 £'000
10.20 pence per ordinary share (2014: 9.0 pence)	**2,323**	1,813

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 £900k (2014: loss of £576k) for the financial year of the Company as approved by the Board was £3,974k (2014: £5,751k).

15 (a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 28 February 2015 was based on the profit attributable to ordinary shareholders of £15,915k (2014: £6,401k), and a weighted average number of ordinary shares ranking for dividend of 20,605k (2014: 18,623k).

	2015 Pence per share	2014 Pence per Share
Basic earnings per share	**77.2**	34.4

Weighted average number of ordinary shares

	2015 Number '000	2014 Number '000
Issued ordinary shares at 1 March	**19,542**	17,484
Effect of share options exercised	**604**	421
Effect of shares issued as purchase consideration	**414**	-
Effect of shares issued to settle deferred consideration	**-**	152
Effect of shares issued for cash	**45**	566
Weighted average number of ordinary shares at 28 February	**20,605**	18,623

Diluted

The calculation of diluted earnings per share at 28 February 2015 was based on the profit attributable to ordinary shareholders of £15,915k (2014: £6,401k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 22,554k (2014: 21,564k).

	2015 Pence per share	2014 Pence per share
Diluted earnings per share	**70.6**	29.7

Weighted average number of ordinary shares (diluted)

	2015 Number '000	2014 Number '000
Weighted average number of ordinary shares (basic)	**20,605**	18,623
Effect of dilutive share options in issue	**1,949**	2,941
Weighted average number of ordinary shares (diluted) at 28 February	**22,554**	21,564

At 28 February 2015 nil options (2014: 552k) 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 the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

15 (b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £17,476k (2014: £7,947k). The number of shares used in this calculation is consistent with note 15(a) above.

	2015 Pence per share	2014 Pence per share
Basic earnings before tax per ordinary share	**84.8**	42.7
Diluted earnings before tax per ordinary share	**77.5**	36.9

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

	2015 Pence per share	2014 Pence per share
Basic earnings per share	**77.2**	34.4
Impact of taxation charge	**7.6**	8.3
Adjusted basic earnings before tax per share	**84.8**	42.7
Diluted earnings per share	**70.6**	29.7
Impact of taxation charge	**6.9**	7.2
Adjusted diluted earnings before tax per share	**77.5**	36.9

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

(c) Normalised earnings after tax per ordinary share

Normalised earnings after tax per share are based on profit after taxation of £8,745k (2014: £7,371k). The adjusted profit after tax has been calculated by adjusting for the amortisation of acquired intangibles after tax effect £1,764k (2014: £1,247k), share based payment and related charges after tax effect £1,196k (2014: £736k), profit on disposal of property, plant and equipment after tax effect £1,316k (2014: £760k), acquisition and associate disposal costs after tax effect £787k (2014: £Nil), gain on foreign currency translation after tax effect £109k (2014: loss of £15k) and for the gain on disposal of investment £9,492k (2014: £268k). The number of shares used in this calculation is consistent with note 15(a) above.

	2015 Pence per share	2014 Pence per share
Basic earnings after tax per ordinary share	**42.4**	39.6
Diluted earnings after tax per ordinary share	**38.8**	34.2

16 Property, plant and equipment

Group	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2014	2,792	4,687	235	7,714
Additions	32	1,960	236	2,228
Acquisition through business combinations	-	25	-	25
Disposals	(241)	-	-	(241)
Exchange adjustments	(3)	(350)	(4)	(357)
At 28 February 2015	**2,580**	**6,322**	**467**	**9,369**
Depreciation				
At 1 March 2014	460	1,744	152	2,356
Charge for the year	221	936	36	1,193
Disposals	(20)	-	-	(20)
Exchange adjustments	(5)	(97)	(6)	(108)
At 28 February 2015	**656**	**2,583**	**182**	**3,421**

	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**
Carrying amounts				
At 1 March 2013	7,732	1,308	54	9,094
At 28 February 2014	2,332	2,943	83	5,358
At 28 February 2015	**1,924**	**3,739**	**285**	**5,948**

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 2015 the carrying amount of leased assets included in plant and equipment was £155k (2014: £313k) and related depreciation amounted to £183k (2014: £78k).

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 2014	2,054	800	143	2,997
Additions	32	888	96	1,016
Disposals	(241)	-	-	(241)
At 28 February 2015	**1,845**	**1,688**	**239**	**3,772**
Depreciation				
At 1 March 2014	335	536	78	949
Charge for the year	86	134	23	243
Disposals	(20)	-	-	(20)
At 28 February 2015	**401**	**670**	**101**	**1,172**

	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**
Carrying amounts				
At 1 March 2013	7,571	157	10	7,738
At 28 February 2014	1,719	264	65	2,048
At 28 February 2015	**1,444**	**1,018**	**138**	**2,600**

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 2014	13,526	3,547	9,011	361	22,394	48,839
Development costs	-	-	-	-	6,594	6,594
Acquisitions	73,736	5,659	12,332	194	-	91,921
Additions	-	-	551	-	-	551
Disposals	-	-	(785)	-	-	(785)
Exchange adjustments	3,161	319	73	5	(809)	2,749
At 28 February 2015	**90,423**	**9,525**	**21,182**	**560**	**28,179**	**149,869**
Amortisation and impairment losses						
Balance at 1 March 2014	-	1,653	4,430	186	4,545	10,814
Amortisation for the year	-	644	1,509	52	2,766	4,971
Exchange adjustment	-	124	(136)	1	(198)	(209)
At 28 February 2015	**-**	**2,421**	**5,803**	**239**	**7,113**	**15,576**

	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**
Carrying amounts						
At 1 March 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
At 28 February 2015	**90,423**	**7,104**	**15,379**	**321**	**21,066**	**134,293**

Leased intangible assets

No assets are held under finance leases. In the prior year, the Group leased 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 and related amortisation amounted to £159k.

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

17 Intangible assets and goodwill *(continued)*

Leased intangible assets (continued)

Included within development costs capitalised in the year is £6,268k (2014: £5,632k) of capitalised employees costs, including £Nil of capitalised share option costs (2014: £90k) together with £326k of capitalised consultancy costs (2014: £265k) for the year. Developed software includes £2,914k (2014: £2,922k) of software under development at 28 February 2015 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 ('CGU's')) is presented as follows:

	2015	2014
	£'000	£'000
Subsidiaries		
Market Resource Partners LLC	**9,848**	9,079
Reference Data Factory LLC	**787**	725
First Derivatives Pty Limited	**1,129**	1,194
First Derivatives (Ireland) Limited	**143**	161
First Derivatives Canada Inc.	**455**	468
Cowrie Financial Limited	**821**	821
Redshift Horizons Limited	**1,078**	1,078
Prelytix LLC	**5,023**	-
Kx Systems Inc.	**71,139**	-
	90,423	13,526
Associate		
Kx Systems Inc. (included in note 18)	**-**	3,801

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 7-10% (2014: 10%) is applied for years 2 to 5, followed by a growth rate of 2% (2014: 2%) thereafter. The pre-tax discount rates applied to cash flow projections of the CGUs was 15% (2014: 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)

Impairment testing of goodwill (continued)

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

	Value in use		**Excess over carrying amount**	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Subsidiaries				
Market Resource Partners LLC	**12,657**	11,729	**2,265**	1,806
Reference Data Factory LLC	**1,691**	1,880	**298**	386
First Derivatives Pty Limited	**3,842**	3,581	**2,643**	2,274
First Derivatives (Ireland) Limited	**18,992**	17,972	**11,557**	9,557
First Derivatives Canada Inc.	**1,456**	1,282	**848**	609
Cowrie Financial Limited	**3,461**	3,601	**1,807**	1,796
Redshift Horizons Limited	**3,325**	2,789	**2,090**	1,527
Prelytix LLC	**6,255**	-	**277**	-
Kx Systems Inc.	**88,617**	-	**1,165**	-
	140,296	42,834	**22,950**	17,955

Sensitivity analysis

There was no impairment charge for the year ended 28 February 2015 (2014: £Nil). For the purposes of performing sensitivity analysis, a change in the assumption to increase the discount rate by 1% or, separately, to reduce the terminal growth by 2% would not result in any indication of impairment. Applying these assumptions did not indicate any impairment.

17 Intangible assets and goodwill (continued)

Company	**Internally developed software £'000**
Cost	
Balance at 1 March 2014	16,034
Development cost	4,584
Balance at 28 February 2015	**20,618**
Amortisation and impairment losses	
Balance at 1 March 2014	3,357
Amortisation for the year	1,941
Balance at 28 February 2015	**5,298**
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**
Carrying amounts	
At 1 March 2013	9,383
At 28 February 2014	12,677
At 28 February 2015	**15,320**

Included within development costs capitalised in the year is £4,584k (2014: £4,512k) of capitalised employees costs and £Nil of capitalised share option costs (2014: £90k) for the year. Developed software includes £1,895k (2014: £1,846k) of software under development at 28 February 2015 not yet commissioned.

18 Investment in subsidiaries and associate

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

	Country of incorporation	Class of share held	Ownership 2015	2014
Market Resource Partners LLC*	United States	Ordinary	100%	100%
First Derivatives Pty Limited	Australia	Ordinary	100%	100%
First Derivatives (Ireland) Limited*	Ireland	Ordinary	100%	100%
Reference Data Factory LLC	United States	Ordinary	100%	100%
First Derivatives Canada 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%
Kx Systems Inc.*	United States	Ordinary	65.2%	-
Prelytix LLC	United States	Ordinary	100%	100%

*Owned directly by First Derivatives plc.

	Company 2015 £'000	2014 £'000
Unlisted investments in subsidiaries at cost		
At 1 March	**24,464**	17,864
Additions	**40,282**	6,600
Transfer from investment in associate	**7,196**	-
At 28 February	**71,942**	24,464

Additions comprises cash consideration (£23,936k), shares issued (£15,729k) and acquisition related expenses (£618k).

During the prior 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 2015	Ownership 2014
Group and Company				
Kx Systems Inc.	United States	Ordinary	-	20.1%

Group

	2015 £'000	2014 £'000
At 1 March	**5,233**	6,295
Dividends received	**(896)**	(773)
Share of associate profit	**57**	268
Loss on dilution in associate using the equity method	**(60)**	-
Exchange adjustment	**198**	(557)
Disposal (see note 3)	**(4,532)**	-
At 28 February	**-**	5,233

Company

	2015 £'000	2014 £'000
At 1 March	**7,196**	7,196
Transfer to investment in subsidiary	**(7,196)**	-
At 28 February	**-**	7,196

On 31 October 2014, the Group and Company increased their interest in Kx Systems Inc. from 20.1% to 65.2% and Kx Systems Inc. became a subsidiary. The results of Kx Systems Inc. have been consolidated from that date.

The Group's share of profit in associates for the period to 31 October 2014 was £57k (year ended 28 February 2014: £268k). The associate is not publicly listed and consequently does not have a published share price. During the period to 31 October 2014, the Group received dividends of £896k (year ended 28 February 2014: £773k) from its associate.

18 Investment in subsidiaries and associate *(continued)*

Associate (continued)

The following table summarises the financial information of Kx Systems as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Kx Systems. The information for the current period presented in the table includes the results of Kx Systems only for the period from 1 March 2014 to 31 October 2014, because Kx Systems became a subsidiary on 31 October 2014.

Percentage ownership interest

	2015	2014
	20.1%	20.1%
Non-current assets	-	23,378
Current assets	-	8,966
Non-current liabilities	-	-
Current liabilities	-	(6,309)
Net assets (100%)	-	26,035
Group's share of net assets (20.1%)	-	5,233
Elimination of unrealised profit on downstream sales	-	-
Carrying amount of interest in associate	-	5,233
Revenue	6,324	8,485
Profit from continuing operations (100%)	284	1,333
Other comprehensive income (100%)	-	-
Total comprehensive income (100%)	284	1,333
Total comprehensive income (20.1%)	57	268
Group's share of profit and total comprehensive income	57	268

19 Trade and other receivables

Current assets

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Trade receivables	**22,258**	14,774	**11,790**	8,906
Receivables from associates	**-**	32	**-**	32
Receivables from subsidiaries	**-**	-	**10,056**	1,600
Sundry receivables	**2,743**	1,710	**632**	376
Prepayments	**2,723**	2,196	**2,272**	1,869
Grant income receivable	**1,131**	1,808	**844**	1,632
Corporation tax receivable	**1,097**	51	**-**	276
	29,952	20,571	**25,594**	14,691

Non-current assets

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Receivables from subsidiaries	**-**	-	**2,600**	2,404
Trade and other receivables	**1,922**	1,779	**1,922**	1,779
Grant income receivable	**712**	775	**-**	-
	2,634	2,554	**4,522**	4,183

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

At 28 February 2015 Group and Company trade receivables are shown net of an allowance for doubtful debts of £2,681k and £1,163k respectively (2014: Group £2,088k; Company £576k) arising from on-going invoice disputes and the risk of companies defaulting. The impairment charge in the year was £1,723k (2014: £761k) for Group and £587k (2014: charge £365k) 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	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Bank balances	**14,705**	4,393	**7,858**	3,607

See note 38 for discussion of interest rate risk and sensitivity analysis.

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

21 Assets held for resale

All seven properties held for sale in the prior year were disposed of during the current year and no properties are held for sale as at 28 February 2015.

	Group		Company	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Property, plant and equipment	**-**	3,146	**-**	3,146

22 Share capital

	Ordinary shares	
	2015	2014
	Number	Number
In issue at 1 March	**19,541,610**	17,484,069
Exercise of share options (Note 39)	**936,283**	1,076,530
Issued in business combinations (Note 3)	**1,321,880**	-
Issued as payment of deferred consideration	**-**	141,011
Issued for cash	**977,000**	840,000
In issue at 28 February – fully paid	**22,776,773**	19,541,610

Prelytix LLC was acquired on 25 February 2015. As part of the purchase consideration 74,572 shares were issued, allotted and fully paid. These were admitted to trading on AIM and ESM on 4 March 2015.

22 Share capital (continued)

	2015 Number	2015 £'000	2014 Number	2014 £'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**22,776,773**	**114**	19,541,610	98

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 977,000 ordinary shares (2014: 840,000) for cash consideration of £12,701k (2014: £4,738k), the exercise of 936,283 share options (2014: 1,076,530) for cash consideration of £3,380k (2014: £2,949k) together with an associated transfer from the share option reserve of £867k (2014: £752k), the issue of 1,321,880 shares (2014: Nil) at £16,697k (2014: £Nil) as purchase consideration and nil shares (2014: 141,011) at £Nil (2014: £1,100k) as purchase consideration for outstanding deferred consideration on subsidiaries.

Transaction costs of £594k (2014: £172k) were accounted for as a deduction from equity during the period.

23 Share premium account

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Opening balance	**22,251**	12,895	**22,251**	12,895
Premium on shares issued	**33,035**	9,356	**33,035**	9,356
Closing balance	**55,286**	22,251	**55,286**	22,251

24 Share option reserve

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Opening balance	**6,627**	3,341	**6,627**	3,341
Fair value of share based payments cost (note 39)	**721**	757	**721**	757
Options exercised in the period	**(867)**	(752)	**(867)**	(752)
Effect of share option forfeits	**(20)**	(69)	**(20)**	(69)
Income tax on share based payments	**(199)**	3,350	**(199)**	3,350
Closing balance	**6,262**	6,627	**6,262**	6,627

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	
	2015	2014
	£'000	£'000
Opening balance	**138**	133
Effect of corporation tax rate reduction on deferred tax liability	**2**	5
Closing balance	**140**	138

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	
	2015	2014
	£'000	£'000
Opening balance	**167**	167
Transfer to profit and loss	**(167)**	-
Closing balance	**-**	167

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

27 Currency translation adjustment reserve

	Group	
	2015	2014
	£'000	£'000
Opening balance	**(3,040)**	981
Net gain / (loss) on net investment in foreign subsidiaries	**2,136**	(3,237)
Net gain / (loss) on net investment in associate	**198**	(557)
Net loss on hedge of net investment in foreign subsidiaries	**(1,041)**	(240)
Net (loss) / gain on hedge of investment in associate	**(58)**	13
Transfer to profit and loss on disposal of associate		
Accumulated loss on net investment in associate	**(59)**	-
Accumulated gain on hedge of investment in associate	**174**	-
Closing balance	**(1,690)**	(3,040)

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*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Current liabilities				
Secured bank loans	**3,339**	4,649	**3,339**	4,649
Finance lease liabilities	**90**	1,226	**-**	-
	3,429	5,875	**3,339**	4,649
Non-current liabilities				
Secured bank loans	**26,950**	9,747	**26,950**	9,747
Less: Capital arrangement fee	**(23)**	(41)	**(23)**	(41)
Finance lease liabilities	**98**	-	**-**	-
	27,025	9,706	**26,927**	9,706

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:

£2,375k loan (Facility 1)
£29,625k multi-currency loan (Facility 2)
£4,500k sterling overdraft (Bank Overdraft)

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	**28 February 2015** Face value £000	**28 February 2015** Carrying amount £000	28 February 2014 Face value £000	28 February 2014 Carrying amount £000
Facility 1	GBP	3.50%+LIBOR	2015	**339**	**339**	-	-
Facility 2	Multi	3.50%+LIBOR*	2019	**29,950**	**29,927**	-	-
Facility A	Multi	3.00%+LIBOR	2015	**-**	**-**	4,529	4,488
Facility B	Multi	2.50%+LIBOR*	2017	**-**	**-**	7,018	7,018
Bank overdraft	GBP	2.50%+LIBOR	-	**-**	**-**	2,849	2,849
Finance lease liabilities	EUR	4.375%	2015	**188**	**188**	1,226	1,226
Total interest-bearing				**30,477**	**30,454**	15,622	15,581

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

The facility 1 loan is secured over property, plant and equipment including assets held for sale with a carrying amount of £1,924k (2014: £5,478k). The facility 2 loan is secured by a fixed charge over the Group's property and a debenture over the trading assets in Group companies. All outstanding loans have interest charged at 3.5% (2014: 2.50% or 3%) above LIBOR.

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Future minimum lease payments 2015	**Interest 2015**	**Principal 2015**	**Future minimum lease payments 2014**	**Interest 2014**	**Principal 2014**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than one year	**108**	**18**	**90**	1,249	23	1,226
Between one and five years	**127**	**29**	**98**	-	-	-
	235	**47**	**188**	1,249	23	1,226

The finance leases are secured over the leased equipment.

29 Trade and other payables

Current liabilities

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Trade payables	**2,785**	2,362	**1,691**	1,108
Other payables	**4,171**	2,537	**2,882**	2,122
Accruals	**1,225**	695	**395**	537
Deferred income including government grants	**10,755**	3,191	**2,126**	1,524
Payables to subsidiaries	**-**	-	**3,690**	1,405
	18,936	8,785	**10,784**	6,696

Non-current liabilities

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
NCI put	**27,118**	-	**-**	-
Deferred income in respect of government grants	**2,372**	2,087	**1,009**	820
	29,490	2,087	**1,009**	820

The NCI put is the exercise price of the put for the remaining NCI of 34.8% of Kx Systems Inc. under which the holders can require the Company to purchase the remaining interest at a fixed price.

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 been awarded government grants as follows:

- Grant amounting to £4,308k awarded in December 2010, conditional on recruitment of additional staff for the period to October 2013. The grant is recognised as deferred income as additional staff are recruited and is being amortised as the performance conditions are satisfied.
- Grant amounting to £848k awarded in October 2010, conditional on recruitment of additional staff for the period to February 2013. The grant is recognised as deferred income as additional staff are recruited and is being amortised as the performance conditions are satisfied.
- Grant amounting to £468k awarded in January 2009, conditional on the provision of staff training. It is recognised as other income as training is provided.
- Grant amounting to £1,656k, awarded in February 2010 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.
- Grant amounting to £3,880k, awarded in June 2014, conditional on recruitment of additional staff for the period to 31st August 2017. The grant is recognised as deferred income as additional staff are recruited and are being amortised as the performance conditions are satisfied.
- During the year, employment grant income of £2,348k (2014: £443k) was claimed from Invest Northern Ireland.

30 Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**-**	-	**(3,411)**	(2,942)	**(3,411)**	(2,942)
Share based payments	**2,683**	3,628	**-**	-	**2,683**	3,628
Trading Losses	**3,260**	1,713	**-**	-	**3,260**	1,713
Net fair value movement on	**-**		**-**		**-**	
available for sale assets	**-**	-	**(38)**	(40)	**(38)**	(40)
Intangible assets	**-**	-	**(7,850)**	(1,082)	**(7,850)**	(1,082)
Other	**522**	570	**-**	-	**522**	570
Tax assets/(liabilities) before set-off	**6,465**	5,911	**(11,299)**	(4,064)	**(4,834)**	1,847
Set off of tax	**(15)**	(56)	**15**	56	**-**	-
Net tax assets/(liabilities)	**6,450**	5,855	**(11,284)**	(4,008)	**(4,834)**	1,847

Movement in deferred tax balances differences during the year:

	Balance at 1 March 2013 £000	**Recognised in income £000**	**Recognised in equity £000**	**Share options exercised £000**	**Balance at 28 Feb 2014 £000**	**Recognised in income £000**	**Recognised in equity £000**	**Recognised on Acquisition £'000**	**Share options exercised £000**	**Balance at 28 Feb 2015 £000**
Property, plant and equipment	(1,530)	(1,412)	-	-	(2,942)	(492)	31	(8)	-	(3,411)
Share based payments	1,211	21	3,324	(928)	3,628	(66)	251	-	(1,130)	2,683
Trading losses	323	719	671	-	1,713	821	726	-	-	3,260
Net fair value movement on available for sale assets	(40)	-	-	-	(40)	-	2	-	-	(38)
Intangible assets	(1,052)	(119)	89	-	(1,082)	174	(308)	(6,634)	-	(7,850)
Other	435	135	-	-	570	(180)	58	74	-	522
	(653)	(656)	4,084	(928)	1,847	257	760	(6,568)	(1,130)	(4,834)

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	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**-**	-	**(3,063)**	(2,654)	**(3,063)**	(2,654)
Share based payments	**2,683**	3,628	**-**	-	**2,683**	3,628
Net fair value movement on available for sale assets	**-**	-	**(38)**	(40)	**(38)**	(40)
Trading losses	**2,416**	1,349	**-**	-	**2,416**	1,349
Other	**35**	41	**-**	-	**35**	41
Tax assets/(liabilities) before set off	**5,134**	5,018	**(3,101)**	(2,694)	**2,033**	2,324
Set off of tax	**-**	-	**-**	-	**-**	-
Net tax assets/(liabilities)	**5,134**	5,018	**(3,101)**	(2,694)	**2,033**	2,324

Movement in deferred tax balances during the year:

	Balance at 1 March 2013 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 28 Feb 2014 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 28 Feb 2015 £000
Property, plant and equipment	(1,433)	(1,221)	-	-	(2,654)	(409)	-	-	**(3,063)**
Share based payments	1,211	21	3,324	(928)	3,628	(66)	251	(1,130)	**2,683**
Net fair value movement on available for sale assets	(40)	-	-	-	(40)	-	2	-	**(38)**
Trading losses	131	547	671	-	1,349	387	680	-	**2,416**
Other	37	4	-	-	41	(6)	-	-	**35**
	(94)	(649)	3,995	(928)	2,324	(94)	933	(1,130)	**2,033**

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*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Current tax payable	**490**	430	**120**	433

32 Employee benefits

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Accrued holiday pay	**1,064**	824	**816**	690
Employee taxes	**2,808**	1,358	**2,582**	1,207
	3,872	2,182	**3,398**	1,897

33 Contingent deferred consideration

Contingent deferred consideration liabilities are payable as follows:

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
At 1 March	**-**	762	**-**	758
Additions	**1,132**	-	**-**	-
Increase in contingent deferred consideration	**-**	14	**-**	-
Foreign exchange movement in contingent deferred consideration	**-**	(1)	**-**	(1)
Settled in year – cash	**-**	(125)	**-**	(107)
Settled in year – shares issued	**-**	(650)	**-**	(650)
At 28 February	**1,132**	-	**-**	-

33 Contingent deferred consideration *(continued)*

The payment of contingent deferred consideration is payable in cash and shares. As at 28 February 2015 the maximum total amount payable under the terms of the sale and purchase agreements is £1,132k (2014: £Nil) and the minimum total amount payable is £Nil (2014: £Nil).

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
More than one year	**1,132**	-	**-**	-
	1,132	-	**-**	-

The amount of contingent deferred consideration was variable dependent on the future performance of the relevant subsidiary meeting specified turnover targets which are expected to be fully achieved and is payable in cash (48%) and shares (52%).

34 Deferred consideration

Deferred consideration liabilities are payable as follows:

	Group		*Company*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
At 1 March	**-**	450	**-**	450
Settled in the year – shares issued	**-**	(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*	
	2015	**2014**	**2015**	**2014**
	£'000	**£'000**	**£'000**	**£'000**
Less than one year	**800**	453	**275**	140
Between one and five years	**2,582**	1,234	**1,008**	560
More than five years	**852**	884	**420**	560
	4,234	2,571	**1,703**	1,260

The Group leases four premises under operating lease arrangements.

Group
During the year £920k was recognised as an expense in the income statement in respect of operating leases (2014: £535k).

Company
During the year £275k was recognised as an expense in the income statement in respect of operating leases (2014: £140k).

36 Pension contributions

The Group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £1,548k (2014: £1,219k). Contributions amounting to £184k (2014: £153k) 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 (2014: £53k). Rent deposits of £26k (2014: £26k) have been paid to Brian Conlon in respect of these apartments. The balance owed to Brian Conlon at 28 February 2015 is £Nil (2014: £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 (2014: £140k) rental charge was incurred in the year. The balance owed to Oncon at 28 February 2015 is £Nil (2014: £Nil) and an amount of £126k (2014: £143k) had been prepaid.

In the prior year the company bought back 93,334 share options for cash consideration of £314k from two employees. There was no buy back in the current financial year.

Other related party transactions

	Receivables outstanding		**Payables outstanding**	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Associate	**-**	316	**-**	-
	-	316	**-**	-

Company

Other related party transactions

	Revenue		**Administrative expenses incurred from**	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Subsidiaries	**5,369**	2,822	**9,230**	6,513
	5,369	2,822	**9,230**	6,513

37 Related parties transactions (*continued)*

	Receivables outstanding		Payables outstanding	
	2015	2014	**2015**	2014
	£000	£000	**£000**	£000
Subsidiaries	**12,656**	4,006	**3,690**	1,405
Associates	**-**	316	**-**	-
	12,656	4,322	**3,690**	1,405

In the prior year, the receivable balance outstanding from the associate comprised of a trade receivable balance of £32k and a prepayment of £284k.

During the year development costs of £837k (2014: £710k) were recharged from a subsidiary to the Company.

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

During the prior 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.

On 23 March 2015 First Derivatives acquired ActivateClients Limited, of which Pat Brazel and Keith MacDonald were Executive Directors. As purchase consideration Pat Brazel received 97,417 £0.005 ordinary shares of the Company and Keith MacDonald received 35,877 £0.005 ordinary shares of the Company. The consideration shares were admitted to trading on AIM and ESM on 27 March 2015.

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

	2015	2014
	£000	£000
R D Anderson	**12**	12
B G Conlon	**966**	911
R G Ferguson	**26**	14
P Brazel	**-**	-
K MacDonald	**1**	1
S Keating	**2**	1
	1,007	939

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 2015	**Carrying value**			
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Fair value £'000**	**Carrying amount £'000**
Financial assets not measured at fair value				
Trade and other receivables	28,874	-	28,766	28,766
Cash and cash equivalents	14,705	-	14,705	14,705
	43,579	-	43,471	43,471
Financial liabilities measured at fair value				
Contingent deferred consideration*	-	-	(1,132)	(1,132)
	-	-	(1,132)	(1,132)
Financial liabilities not measured at fair value				
Secured bank loans	-	(30,266)	(30,266)	(30,266)
Finance leases	-	(188)	(188)	(188)
Trade, accruals and other payables	-	(35,407)	(35,299)	(35,299)
Employee benefits	-	(3,872)	(3,872)	(3,872)
	-	(69,733)	(69,625)	(69,625)

28 February 2014	**Carrying value**			
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Fair value £'000**	**Carrying amount £'000**
Financial assets not measured at fair value				
Trade and other receivables	21,025	-	20,878	20,878
Cash and cash equivalents	4,393	-	4,393	4,393
	25,418	-	25,271	25,271
Financial liabilities not measured at fair value				
Secured bank loans	-	(14,355)	(14,355)	(14,355)
Finance leases	-	(1,226)	(1,226)	(1,226)
Trade, accruals and other payables	-	(5,741)	(5,594)	(5,594)
Employee benefits	-	(2,182)	(2,182)	(2,182)
	-	(23,504)	(23,357)	(23,357)

*Contingent deferred consideration is a level 3 fair value (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 2015	Carrying value			
	Loans and receivables £'000	Liabilities at amortised cost £'000	Fair value £'000	Carrying amount £'000
Financial assets not measured at fair value				
Trade and other receivables	27,859	-	27,844	27,844
Cash and cash equivalents	7,858	-	7,858	7,858
	35,717	-	35,702	35,702
Financial liabilities measured at fair value				
Derivatives*	-	-	-	-
	-	-	-	-
Financial liabilities not measured at fair value				
Secured bank loans	-	(30,266)	(30,266)	(30,266)
Trade, accruals and other payables	-	(8,665)	(8,658)	(8,658)
Employee benefits	-	(3,398)	(3,398)	(3,398)
	-	(42,329)	(42,322)	(42,322)

28 February 2014	Carrying value			
	Loans and receivables £'000	Liabilities at amortised cost £'000	Fair value £'000	Carrying amount £'000
Financial assets not measured at fair value				
Trade and other receivables	16,744	-	16,729	16,729
Cash and cash equivalents	3,607	-	3,607	3,607
	20,351	-	20,336	20,336
Financial liabilities not measured at fair value				
Secured bank loans	-	(14,355)	(14,355)	(14,355)
Trade, accruals and other payables	-	(5,178)	(5,172)	(5,172)
Employee benefits	-	(1,897)	(1,897)	(1,897)
	-	(21,430)	(21,424)	(21,424)

* Balance relates to NCI put over the Group's subsidiary which is currently recognised at immaterial value.

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 a contractual right to receive a termination fee based on 30% of the 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 a further two year period. At 28 February 2015, 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 (2014: £Nil).

Exposure to credit risk

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

	Group Carrying amount		*Company* Carrying amount	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Trade and other receivables	**28,766**	20,878	**27,844**	16,729
Cash and cash equivalents	**14,705**	4,393	**7,858**	3,607
	43,471	25,271	**35,702**	20,336

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*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Europe	**6,375**	5,499	**4,766**	2,037
America	**14,126**	8,422	**15,444**	8,538
United Kingdom	**6,521**	6,048	**6,484**	5,514
Australasia	**1,744**	909	**1,150**	640
	28,766	20,878	**27,844**	16,729

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*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
End-user customer	**21,789**	12,648	**11,618**	8,906
Other	**6,977**	8,230	**16,226**	7,823
	28,766	20,878	**27,844**	16,729

The Group's and Company's most significant customer is an investment bank which for £3,288k of the trade and other receivables carrying amount at 28 February 2015 (2014: £1,707k). No other customers had receivable balances in excess of 10% of the Group's total balance at the year end. In addition £1,131k (2014: £1,808k) 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 2015 £'000**	**Impairment 2015 £'000**	**Gross 2014 £'000**	**Impairment 2014 £'000**
Not past due	**12,183**	**-**	6,699	-
Past due 0-30 days	**3,317**	**-**	2,678	-
Past due 31-120 days	**2,583**	**-**	2,909	-
Past due 120 days +	**6,856**	**2,681**	4,576	2,088
Total	**24,939**	**2,681**	16,862	2,088

Company	**Gross 2015 £'000**	**Impairment 2015 £'000**	**Gross 2014 £'000**	**Impairment 2014 £'000**
Not past due	**5,197**	**-**	4,255	-
Past due 0-30 days	**2,395**	**-**	1,643	-
Past due 31-120 days	**1,808**	**-**	2,151	-
Past due 120 days +	**3,553**	**1,163**	1,433	576
Total	**12,953**	**1,163**	9,482	576

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*	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Balance at 1 March	**2,088**	1,532	**576**	211
Impairment loss charged	**1,723**	761	**587**	365
Foreign exchange impact	**(414)**	(205)	**-**	-
Amounts written off	**(716)**	-	**-**	-
Balance at 28 February	**2,681**	2,088	**1,163**	576

A review of debt outstanding led to the increase of £593k in the Group impairment provision. A specific impairment loss was incurred during the prior year with regard to concerns over the recoverability of debt from various customers mainly due to the economic circumstances of 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 allowance for impairment for the Group and Company is entirely specific.

The Group and Company held cash and cash equivalents of £14,705k (2014: £4,393k) and £7,858k (2014: £3,607k) respectively at 28 February 2015 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 2015

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(30,266)	(34,207)	(2,325)	(2,389)	(4,010)	(25,483)	-
Finance leases	(188)	(235)	(54)	(54)	(127)	-	-
Trade and other payables	(35,299)	(35,299)	(8,181)	-	(27,118)	-	-
Contingent deferred consideration	(1,132)	(1,132)	-	-	(1,132)	-	-
	(66,885)	(70,873)	(10,560)	(2,443)	(32,387)	(25,483)	-

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)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 28. The contractual maturity of the £27,118k included in trade and other payables is up to seven years, but has an exercise notice period of 366 days.

Company

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

28 February 2015

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(30,266)	(34,207)	(2,325)	(2,389)	(4,010)	(25,483)	-
Trade and other payables	(8,658)	(8,658)	(8,658)	-	-	-	-
	(38,924)	(42,865)	(10,983)	(2,389)	(4,010)	(25,483)	-

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)	-

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 2015			28 February 2014		
	CAD £000's	**EUR £'000**	**USD £'000**	CAD £000's	EUR £'000	USD £'000
Trade receivables	**33**	**1,813**	**8,773**	164	1,510	7,784
Secured bank loans	**-**	**-**	**-**	-	-	-
Trade and other payables	**-**	**(449)**	**(27,666)**	-	-	-
Gross balance sheet exposure	**33**	**1,364**	**(18,893)**	164	1,510	7,784

The secured bank loan above excludes bank loans designated in a net investment hedge of £29,396k (2014: £5,139k).

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

	28 February 2015			28 February 2014		
	CAD £000's	**EUR £'000**	**USD £'000**	CAD £000's	EUR £'000	USD £'000
Trade receivables	**33**	**1,746**	**4,940**	164	784	3,869
Secured bank loans	**-**	**-**	**(29,396)**	-	-	(5,139)
Trade and other payables	**-**	**(189)**	**(131)**	-	-	-
Gross balance sheet exposure	**33**	**1,557**	**(24,587)**	164	784	(1,270)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2015	2014	**2015**	2014
USD 1	**1.63**	1.57	**1.54**	1.67
EUR 1	**1.26**	1.18	**1.38**	1.22
CAD 1	**1.83**	1.64	**1.93**	1.86

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 £4,461k (2014: £1,427k) and £1,750k (2014: £1,427k) respectively. 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 £4,015k (2014: £1,427k) and £1,575k (2014: £1,427k) respectively. 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 £2,300k (2014: £80k). 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 £2,070k (2014: £80k). 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***	
	2015	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000
Variable rate instruments				
- Financial assets	**14,705**	4,393	**7,858**	3,607
- Financial liabilities	**(30,289)**	(14,396)	**(30,289)**	(14,396)
	(15,584)	(10,003)	**(22,431)**	(10,789)
Fixed rate instruments				
- Financial assets	**-**	-	**-**	-
- Financial liabilities	**(188)**	(1,226)	**-**	-
	(188)	(1,226)	**-**	-

A 10% reduction in interest rates at the end of the period would increase Group equity and profit and loss by approximately £135k (2014: £81k). A 10% increase in interest rates at the end of the period would decrease Group equity and profit or loss by approximately £125k (2014: £81k). 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 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 to four years of service as set by the Group prior to the grant of the option. As the options vest at annual intervals over a three or four year period, they are deemed to consist of three separate options for valuation purposes. Vested options are exercisable following the satisfaction of the service criteria for a period not exceeding 10 years from the date of grant. It is noted that share options which pre-date the scope of IFRS 2 (*Share Based Payment*), are not accounted for under this standard.

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 2015	**Number of options 2015**	Weighted average exercise price 2014	Number of options 2014
Maximum options outstanding at beginning of period	**1.37**	**528,167**	1.35	1,026,167
Lapsed during the period	**-**	**-**	1.69	(60,000)
Exercised during the period	**1.51**	**(258,917)**	1.25	(438,000)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**1.24**	**269,250**	1.37	528,167
Exercisable at end of period	**1.24**	**269,250**	1.37	528,167

The options outstanding at 28 February 2015 above have an exercise price in the range of £1.02 to £1.21 (2014: £0.62 to £1.785) and a weighted average contractual life of 2.3 years (2014: 3.6 years).

	Weighted average exercise price 2015	**Number of options 2015**	Weighted average exercise price 2014	Number of options 2014
Maximum options outstanding at beginning of period	**2.52**	**327,168**	2.46	544,830
Lapsed during the period	**2.27**	**(1,667)**	2.27	(43,300)
Exercised during the period	**2.53**	**(57,000)**	2.40	(174,362)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**2.52**	**268,501**	2.52	327,168
Exercisable at end of period	**2.52**	**268,501**	2.52	327,168

The options outstanding at 28 February 2015 above have an exercise price in the range of £2.27 to £2.735 (2014: £2.27 to £2.735) and a weighted average contractual life of 3.8 years (2014: 4.8 years).

39 Share based payments (*continued)*

	Weighted average exercise price 2015	**Number of options 2015**	Weighted average exercise price 2014	Number of options 2014
Maximum options outstanding at beginning of period	**5.48**	**2,754,865**	4.50	2,264,600
Lapsed during the period	**4.45**	**(41,000)**	4.61	(66,667)
Exercised during the period	**4.59**	**(620,366)**	4.30	(464,168)
Granted during the period	**9.00**	**500,000**	7.05	1,021,100
Maximum options outstanding at end of period	**4.65**	**2,593,499**	5.48	2,754,865
Exercisable at end of period	**4.64**	**528,819**	4.45	960,451

The options outstanding at 28 February 2015 above have an exercise price in the range of £4.15 to £9.00 (2014: £4.15 to £8.47) and a weighted average contractual life of 7.6 years (2014: 7.8 years).

The weighted average share price at the date of exercise for share options exercised for the year ending 28 February 2015 was £11.15 per share (2014: £8.99).

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 2015	
Grant date	**01/09/14**
Fair value at grant date	**1.76**
Share price at grant date	**9.00**
Exercise price	**9.00**
Number of options	**500,000**
Expected volatility (weighted average volatility)	**20%**
Option life (expected weighted average life)	**3.5 years**
Expected dividends	**0.1%**
Risk-free interest rate (based on government bonds)	**3.0%**

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%

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

39 Share based payment *(continued)*

Employee expenses – equity settled

	2015	2014
	£'000	£'000
Expense relating to:		
Share options granted in 2010/11 – equity settled	**3**	138
Share options granted in 2011/12 – equity settled	**229**	107
Share options granted in 2012/13 – equity settled	**121**	239
Share options granted in 2013/14 – equity settled	**254**	183
Share options granted in 2014/15 – equity settled	**114**	-
Total expense recognised as employee benefit expense	**721**	667
Capitalised expenses – equity settled		
Amounts relating to:		
Share options granted in 2011/12- equity settled	**-**	42
Share options granted in 2012/13- equity settled	**-**	10
Share options granted in 2013/14- equity settled	**-**	38
Total amount recognised as software development cost	**-**	90
Total amount recognised in share based payment reserve	**721**	757

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 October 2018 and September 2022 in relation to the respective grants.

41 Subsequent events

A General Meeting was held on 3 March 2015 for approval of the placing of 200,003 ordinary shares to raise £2,600k in cash. Approval was granted and the shares were allotted on 4 March 2015.

Since the financial year end, the Group has made two acquisitions. At the time of signing of the financial statements the pre-acquisition carrying amounts for both acquisitions were in the process of being finalised. As a result the Group is unable to provide fair value amounts or goodwill recognised on acquisition. The available information of the acquisitions is outlined below.

ActivateClients Limited

On 23 March 2015 the Company gained control of ActivateClients Limited. Acquiring the controlling interest will enable the Group to accelerate its product development roadmap by utilising acquired agile software development methods and to through wider use of their HTML5 capability.

Consideration paid, satisfied as follows:	
Cash	**1,078**
Shares issued (183,185 shares)	**2,209**
	3,287

Affinity Systems Limited

On 31 March 2015 the Company gained control of Affinity Systems Limited. Acquiring the controlling interest will enable the Group to expands the Company's software and consulting services within the Internet of Things, particularly in industries such as utilities, healthcare and finance and supports the Group’s strategy to penetrate additional vertical sectors using the capabilities of its Delta platform and kdb+ to capture and analyse large volumes of data, including streaming data

Consideration paid, satisfied as follows:	
Cash	**2,794**
Shares issued (78,190 shares)	**878**
	3,672

First Derivatives plc

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Directors	S Keating	–	Non-executive Chairman+
	B G Conlon	–	Chief Executive Officer
	R G Ferguson	–	Chief Financial Officer
	K MacDonald	–	Non-executive Director*
	R D Anderson	–	Non-executive Director*+
	V Gambale	–	Non-executive Director*

Secretary JJ Kearns

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\+ Members of the remuneration committee

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