First Derivatives plc

Annual report and accounts

Registered number: NI 30731

29 February 2016

First Derivatives plc

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Chairman’s statement

We are pleased to report another year of strong progress against our objective of delivering sustainable, long term growth across our activities. Our increasing scale as a technology and consulting provider enables us to play an important role supporting the major changes underway in global capital markets.

Our software applications enable the real-time capture and analysis of market data and our clients include the top 10 global investment banks, financial regulators and stock exchanges, demonstrating the market-leading performance capabilities of our technology. Our range and depth of consulting services has expanded significantly in recent years, helping us assume the role of trusted adviser to our clients.

While significant potential remains to expand within financial services across all our activities, the Group is also capitalising on its software capabilities by expanding into other markets which face similar data management and analysis challenges in a manner consistent with our drive to deliver sustainable growth.

Revenue for the year increased by 40.6% to £117.0m (2015: £83.2m), while adjusted EBITDA rose by 50.5% to £23.3m (2015: £15.5m) and adjusted earnings per share increased by 33.2% to 51.7p (2015: 38.8p).

Net debt (loans and borrowings less cash and cash equivalents) at the period end was £15.1m (2015: £15.7m). The Board has recommended payment of a final dividend of 12.00p per share (2015: 10.20p per share) which, together with the interim dividend of 5.00p per share paid in December 2015, gives a total dividend for the year of 17.00p per share, an increase of 25.9% compared to the prior year. The final dividend, if approved at the AGM on 23 June 2016, will be paid on 15 July 2016 to those shareholders on the register on 17 June 2016.

Software

We experienced an acceleration of contract wins through the year within Capital Markets, driven by demand from clients. Our capability to service that demand increased following investment both during the year and in prior years in software development, pre-sales support, sales and marketing, implementation and support.

Despite our success during the year, we still remain at the early stages of commercial exploitation of our software products within financial services and believe we have significant room for growth. FD’s core competitive advantage is our capability to address client challenges around the management of large volumes of data in real time for the purposes of risk management, balance sheet optimisation and for regulatory and compliance purposes, all of which resonate strongly with existing and potential clients. The success of deployments of our software to date is driving further growth in our pipeline as satisfied customers report the benefits it is delivering to their business.

Outside financial services, we are making strong progress in digital marketing and utilities, where the acquisitions of Prelytix LLC and Affinity Systems Limited respectively have accelerated our growth. We continue to work to position ourselves in additional markets and have developed a pipeline of direct sales opportunities across them. We are also exploring opportunities to partner with companies with domain expertise in these areas to accelerate our growth.

Chairman's Statement (continued)

Consulting

Consulting performed strongly, driven by a combination of the formation of deeper and more strategic relationships with clients as the Group's scale of operations and mix of skills grows together with increased demand for the Group's consulting expertise, particularly in compliance and regulation. During the year the Group won a number of client engagements on strategic change management projects with large investment banks that are expected to be multi-year in nature. These types of project wins are testimony to the growing scale and reputation of the Group.

Corporate Development

Following the transformational acquisition of Kx Systems in 2014, the Group continues to make selective strategic acquisitions to enhance its competitive position and accelerate its growth in new target markets. In March 2015 the Group acquired Ontario-based Affinity Systems Limited ('Affinity'), a software development consultancy specialising in utility, retail and healthcare data management. Since acquisition, Affinity has boosted our market presence in utilities and sensor data management and driven partnership discussions with Utilismart for the provision of analytics using FD's Kx technology platform combined with Utilismart's suite of smart grid applications.

Additionally we acquired Dublin-based ActivateClients Limited in March 2015, a software business with important HTML5 capabilities targeting financial markets. This has significantly enhanced our capabilities to visualise real-time data and has increased the competitiveness of our solutions across the product range.

These acquisitions enable the Group to continue to meet the growing demand in our software businesses within capital markets as well as providing the expertise to leverage our core software infrastructure assets across other important market sectors. The Group will continue to evaluate opportunities that meet its strict acquisition criteria.

Board Changes

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 both as a Non-Executive Director and in the growth of our software business over the past year. After the year end, Non-Executive Director David Anderson stepped down from his position after 14 years, including 11 years as Chairman of the Group, from the time of its IPO on AIM in 2002. His contribution to the success of the business has been invaluable and on behalf of my Board colleagues I thank him and wish him a happy retirement.

Virginia Gambale was appointed a Non-Executive Director of the Group on 3 March 2015. 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 3 August 2015, Jon Robson joined the Board as a Non-Executive Director. Jon has significant experience in global capital markets, as former CEO of NYSE Technologies Inc, and previously as a senior executive in Thompson Reuters. I welcome both Virginia and Jon to the Board and thank them for the contribution they are making.

Current Trading and Outlook

The current financial year has started positively, with continuing high levels of growth in consulting and further progress in software. We are confident that our high level of repeat and recurring revenue provides the foundation for another year of strong, profitable growth. In software, the full-year impact of deals signed during the past year, coupled with a strong pipeline, provides confidence that we can again generate good growth at high margins. We also expect to make further progress in positioning our software in sectors beyond financial services. In summary, we expect another year of strong growth, at least in line with market forecasts and to continue to invest for growth in later years.

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

Seamus Keating 16 May 2016
Chairman

First Derivatives plc

Chief Executive's Statement

Market conditions within the Capital Markets sector remained positive over the past year with the most consistent themes being complex and widespread increases in and changes to regulation and pressure within investment banks to reduce costs, through the use of new technology or changes to the way that technology is delivered. Both of these trends play to FD's strengths and consequently the Group enjoyed another successful year.

In addition to the further progress made within financial services, we have started to see the benefits of investment within our business in prior years as we seek to extend our Kx technology products and services into other markets. We made three acquisitions during the year to accelerate this process and made significant progress, particularly within digital marketing and utilities, as we seek to exploit our leadership position in the field of Big Fast Data. We have continued to invest internally to exploit the wide range of opportunities available to the Group in these markets and others such as pharma, telecoms and sensor analytics.

It is important to note that we are delivering solutions to different markets using a common technology platform, a common technical infrastructure, a single sales team, a pooled 24/7 global support team and a single R&D team. This produces significant economies of scale, reduces time to market for new products and the operational leverage and the low incremental cost of acquiring and supporting new customers should continue to deliver increased margins.

Review of activities

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. In particular, this includes enabling decisions to be taken in real-time based on the analysis of events as they happen – in Capital Markets this may trigger the removal of a "fat-finger" trade before it can impact on trading on an Exchange, while in other markets it could alter the steering of a driverless vehicle or change the routing on a telephone call. Our software also enables very large quantities of data to be sifted to provide insights, for example in drug discovery for pharmaceutical companies and lead generation in digital marketing, opening up ways for organisations to turn data into better informed decisions.

The Group also provides consulting services within Capital Markets, where our customer base includes investment banks, brokers, exchanges, regulators and hedge funds. The year under review has seen further strong growth - as the Group increases the scale and depth of its offerings it is seeing growing client demand, particularly for larger, more strategic assignments. This augurs well for growth in future years.

Software

Software sales during the period increased by 68.7% to £42.0m (2015: £24.9m). Our software products are based on Kx technology, an enterprise platform that incorporates the world's highest performing time series database. Our software has a number of features that mark it out as ideal for the increasing number of applications that require streaming analytics – it provides high-performance in-memory capabilities, time stamps data to the nanosecond for true real-time applications and incorporates geolocation to allow analytics to be performed on devices in motion. It also has a small footprint, lowering the total cost of ownership and increasing the competitiveness of our software.

We have also developed a number of software applications which sit on top of our Kx 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. Our HTML5-based visualisation solution, launched during the year, has been well received by potential clients and is helping us demonstrate the power of our Kx platform to potential clients.

A key driver of our market opportunity is the growth in data, particularly from connected sensors, also known as the Internet of Things ('IoT'). Industry analysts Gartner estimate that by 2018 the addressable market for IoT analytics will be $15 billion per annum, with nine billion connected devices requiring support. Gartner further believes that real-time latency in processing is key, again playing to our technology's strength. Finally, Gartner believes that technology providers delivering the entire solution for streaming analytics will flourish, as businesses reject the experimental approach of combining various open source components in favour of proven and supported technologies such as Kx.

To ensure we retain our technology lead and build on its capabilities, we formed Kx Labs during the year. Its remit includes monitoring industry developments and ensuring our technology reacts quickly, as well as ensuring it can be deployed wherever it is required, whether that is on the device, across the enterprise or in the Cloud.

With this combination of existing clients and growing demand within Capital Markets and investment in other markets, delivered on an annually recurring license basis, we believe we have the potential to deliver many years of growth in our software business.

Capital Markets Software

Our software was designed from inception to tackle the most demanding data management challenges in Capital Markets and its leading capabilities are evidenced by the fact that all of the top 10 global investment banks use our Kx technology. In recent years we have extended the addressable market for our software by building applications, targeting areas such as liquidity management, surveillance and algorithmic testing. The combined addressable market for these products is valued at billions of dollars per annum and our products are offered as a hosted, multi-tenanted solution so the incremental cost of signing new customers can be minimal.

In the year under review we accelerated the commercialisation of our software. In prior years our focus has been on winning reference clients and ensuring our products are robust, scalable and functionally rich. Having achieved those goals, our emphasis has progressed to growing our customer base, backed by investment in recent years in sales and pre-sales capability. We have enjoyed significant success in this regard over the past twelve months.

Our key wins in the past year have been with some of the world's largest financial institutions and across our product sets. As a result, we can now reference the Securities and Exchanges Commission, Deutsche Borse, the National Stock Exchange of India, IEX (a high-growth equity trading venue based in New York), Thomson Reuters, the Singapore Exchange and EBS as clients. A number of large buy and sell side clients have signed significant multi-year deals with us in the last year.

Chief Executive's Statement (continued)

Our product range continues to evolve with significant investment in our offerings. These innovative and strategically important solutions address an increasing number of market regulations, including MiFID II that comes into effect in 2017. For example, we have developed an Algo Testing facility that allows market participants to test their algorithms before they go live. In April 2016 we signed a significant deal with a large bank in Singapore to address their obligations under MiFID II and MAR across all asset classes.

Digital Marketing

Our Kx for Digital Marketing platform uses predictive analytics to provide commercial organisations with unique sales intelligence. The platform analyses various internet data sources to identify leads based on key word searches. These leads are nurtured, using voice and electronic content, until they are fully qualified, at which point they are passed on to the client's sales operation for action. We are also able to monitor the subsequent performance of sales against the leads generated to prove the return on investment to our clients.

Kx technology provides a differentiator in this situation by virtue of the amount of data that needs to be analysed to generate this market intelligence. Our business model is subscription based, adding to the Group's recurring revenues and clients won during the year include Cisco, Netsuite and Citrix. This business generated strong growth over the course of the past year and we believe it has considerable potential in its market.

Utilities

In addition to our developing relationship with a major North American Independent System Operator (ISO), as it evaluates the use of our sensor data platform, we are working in partnership with Utilismart Corporation for the use of Kx technology for sensor analytics. As a result, FD will provide its Kx technology and related infrastructure to complement Utilismart's suite of smart grid software applications. This will be targeted at more than 3,000 utilities in the U.S. alone for the purposes of data collection, processing and analytic services for meter and sensor data. Utilismart already has more than 100 clients and FD will be remunerated on a monthly recurring revenue share basis for additional meters installed.

Additional vertical markets

Since taking a controlling stake in Kx Systems in October 2014, we have been convinced of the opportunity for our technology beyond Capital Markets. This has been proven by our progress in digital marketing and utilities and we are excited by the potential for growth in a number of other markets.

During the year we have advanced on a number of fronts in markets such as pharmaceutical, telecoms and sensor analytics. We are building a pipeline of opportunities and in certain of these, we are in the process of arranging proofs of concept to demonstrate our technology's capabilities. The typical feedback from our discussions is that Kx technology is considerably higher performing than competing solutions and that potential clients appreciate the robustness of the solution and the competitive total cost of ownership. We are also in discussions with a number of organisations that have domain expertise in these markets to act as potential partners to further accelerate our route to market.

Chief Executive's Statement (continued)

Consulting

Consulting recorded another solid period of growth, with revenues increasing by 28.6% to £75.0m (2015: £58.3m) in the year to 29 February 2016.

Over the twenty years since its inception, the Group's consulting business has built a reputation as one of the leading niche Capital Markets consulting companies in the world. Throughout this period, our underlying philosophy of providing highly trained consultants who understand both Capital Markets and the technology it employs, has remained unchanged. We have added to this foundation by developing a number of offerings, including multi-vendor application and support, regulation and compliance, which allow us to bid for larger projects, to lock-in recurring revenue and to cross-sell software products.

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.

In addition, our regulatory and compliance practice is growing strongly, helping our clients meet the requirements of legislation around the world. We are currently tracking 65 different policy and regulation initiatives impacting our global client base and FD provides practical solutions that accelerates our clients' own compliance initiatives. This also frequently includes use of our internally developed software tools such as DART, which automates much of the work around know your client regulations.

Our differentiators, which include the strength of our internal training programme, the ability to operate on a hybrid on-site and near shore model and a relentless focus on client satisfaction, have enhanced our reputation and enabled us to grow our areas of expertise. We are committed to helping our clients reduce the total cost of their mission critical systems by providing lower cost, high quality solutions that meet our clients' key requirements.

As a result, 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.

In recent years we have added scale to our activities, which has enabled us to win larger and more strategic assignments. Some examples of those won during the past year include:

- A contract with a major investment bank to lead a strategic transformation programme, using our global experience to advise across the bank's operations.

- A multi-year agreement for the support of mission critical applications with a major investment bank. The contract includes near shore support across the bank's applications.

Since the year end we have continued to grow the number of chargeable consultants in response to continued strong demand. We continue to enjoy excellent revenue visibility and look forward to another year of strong growth.

Chief Executive's Statement (continued)

Management and Personnel

The Group now employs over 1,600 people, up from over 1,200 people at the same time last year. The increasing competitiveness of our products and services together with 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.

This year the Company celebrates 20 years since it was founded. It is a tribute to the hard work, talent, flexibility and dedication of all FD employees that the Company not only continues to grow, but that its growth rate has accelerated. It is also fitting that the quality of the training and opportunities we provide to staff has been recognised through our inclusion, for the first time, in the Times Top 100 Graduate Employers. This is an influential publication that will assist our ongoing mission to recruit leading talent from around the world.

Summary

Our commercial success over the past year provides a strong platform for continued profitable growth. In Capital Markets our focus on growing our customer base has led to a substantial increase in our recurring revenues and provided significant returns for shareholders. Our success in Capital Markets is a great calling card as we seek to penetrate new markets. Our investments in building a position in additional markets is progressing to plan and we remain excited by the potential of our Kx technology to disrupt a number of markets. Our building success in digital marketing and utilities reinforces that confidence and the Group will continue to accelerate the expansion of its addressable market while maintaining its financial discipline.

Brian Conlon 16 May 2016
Chief Executive Officer

First Derivatives plc

Financial Review

The Group performed well in the year with revenue increasing by £33.8 million (40.6%) to £117.0m, with organic growth of 27% and the remainder attributable to the strategic acquisitions made during the year. Consulting revenue increased by £16.7m (28.6%) and software revenue by £17.1m (68.7%). Software revenue represented 35.9% of Group revenue for the year (2015: 29.9%). Within our software revenue, £21.4m (51% of the total) was recurring, up from £12.0m (48%) in 2015. The remainder was split between perpetual license sales (£3.4m, compared with £0.9m in 2015) and the implementation and support of our software (£17.2m, compared with £12.0m in 2015).

The Group's EBITDA margin increased to 19.9% for the period (2015: 18.6%) the principal driver being the greater proportion of higher margin software sales achieved in the period against consulting sales. The Group continued to invest for future growth but kept tight control of costs, with administrative expenses (before depreciation, amortisation and profit on disposal of property) up just 13.4% to £13.4m. The adjusted profit after tax for the year of £12.9m (2015: £8.7m) represented growth of 48.0%.

The Group continued to invest in R&D to maintain its technology lead, with £6.8m (2015: £6.6m) of R&D spend capitalised during the year. The amortisation of our capitalised software for the year was £3.7m, up from £2.8m a year ago making net capitalisation of £3.2m (2015: £3.8m), excluding foreign exchange adjustments.

The calculation of adjusted profit after tax is detailed below.

Year ending end February	**2016**	**2015**
	£'000	**£'000**
Reported profit for the year	**7,831**	**15,915**
Adjustments for:		
Amortisation of acquired intangibles	4,198	2,205
Share based payment and related costs	1,405	1,495
Gain on disposal of property	-	(1,669)
Acquisition costs, associate disposal costs and contingent purchase consideration	1,547	984
Gain on foreign currency translation	(779)	(138)
Effects of investment in associate	-	(9,582)
Tax effect of the above	(1,256)	(465)
Adjusted profit after tax	**12,946**	**8,745**
Adjusted EPS (fully diluted)	51.7p	38.8p

The Group's effective tax rate was 22.7% (2015: 18.8%), while the fully diluted average number of shares in issue increased to 25.1m (2015: 22.6m). This resulted in fully diluted earnings per share of 51.7p, representing growth of 33.2% for the year (2015: 38.8p).

Financial Review (continued)

The Group generated £15.0m of cash from operating activities (2015: £11.2m), representing 138.2% of result from operating activities (2015: 131.6%). At the year end, net debt was £15.1m (2015: £15.7m). Net debt was negatively impacted by £2.9m of foreign exchange differences on the Group's debt, which is principally dollar-denominated. Net assets at 29 February 2016 were £113.3m compared to £98.3m at 28 February 2015.

First Derivatives plc

Strategic Report

Business strategy and objectives

The principal business of First Derivatives plc (‘FD’) is the provision of a range of software and consulting services, particularly to finance, technology and energy organisations. Historically the Group focused on Capital Markets but, following the acquisition of a controlling interest in Palo-Alto based Kx Systems in October 2014, has widened its scope of activities to target all markets where its Kx technology has a competitive advantage.

This has enabled the Group to move beyond its Capital Markets customer base and target customers in a range of new sectors, with a consequent increase in the size of its addressable market. During the year under review the Group has entered the digital marketing and utilities sectors and is seeking to enter additional vertical markets such as pharmaceutical and telecoms.

FD’s objective is to increase shareholder value by increasing the Group’s revenue and adjusted profit before tax. The strategy to achieve this is focused upon organic growth supported by investment in the Group’s infrastructure combined with selective acquisitions, providing these can be demonstrated to enhance shareholder value.

Organic growth is driven by providing innovative services or products to the client base which are focused on driving additional revenue or overcoming challenges within the clients’ business. The capability of our software products to deliver these benefits has resulted in growing demand for our software and consulting services as clients look to improve business efficiencies, increase the competitiveness of their own products and meet increasing regulatory demands.

Business Model

The Group provides a range of consultancy services to its clients in the Capital Markets sector across the world, focused on supporting mission critical systems as well as helping our clients achieve and maintain regulatory compliance. It also provides software solutions that address data challenges, particularly those involving large data volumes and streaming data, across a range of sectors. These products are built on kdb+, a world leading time series database developed by the Group. Independent analysis by Securities Technology Analysis Center (‘STAC’) and other organisations confirms that kdb+ is the most performant database for dealing with time series data.

The Group’s consultancy activities are well established, with 20 years of expertise, and FD has established itself as one of the leading Capital Markets consultancies in the world. Our customers include many of the leading global investment banks and we support their activities across a range of asset classes including credit, interest rate, foreign exchange, equity, cash and derivatives markets.

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

Business Model (continued)

We further differentiate ourselves through the use of proprietary tools, for monitoring, reconciliation and testing of system performance as well as particular niche opportunities within Capital Markets. The Group operates a direct sales model across its consulting activities, although from time to time it bids for larger consultancy projects with more general IT services vendors such as IBM and Fujitsu.

The Group's principal software products are branded as Kx technology and are designed to handle large volumes of data, particularly streaming data. While historically they have addressed challenges and opportunities within the Capital Markets sector, the Group is also looking at additional sectors which face similar data challenges for its future growth. Details of the progress the Group has made in this regard during the period under review are contained within the Chief Executive Officer's report.

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

Since inception, the Company has made a number of investments in subsidiary entities. During the period under review, the Group completed the acquisitions of ActivateClients Ltd, which accelerated the development of real time data visualisation, in March 2015; Affinity Systems Ltd, a software development company, in March 2015; and QuantumKDB, a Kx consulting provider, in January 2016.

The acquisition of Affinity Systems accelerated the Group's entry into the utilities market and provided sensor data management capabilities. This market opportunity, also known as the Internet of Things, is predicted to experience rapid growth and the Group believes that its Kx technology is well placed to benefit.

The aggregate initial consideration of the transactions detailed above was £8.7m, of which £4.5m was paid in cash and £4.2m in new FD ordinary shares.

FD will seek to continue to identify acquisitions or investments to expand its range of services and offerings. The focus of these acquisitions or investments remains to be that the new services or offerings strengthen the Group's competitive position within its chosen markets.

Business Environment

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

Big Data

Big Data solutions have evolved to meet the challenges of dealing with large and complex data sets, in situations where prior technologies have been unable to handle the velocity, variety and volume associated with the data. FD's software products are well positioned to deal with the subset of these issues surrounding volume and velocity, known as Big Fast Data, as evidenced by their performance within Capital Markets where they form the basis of solutions that capture and analyse high volumes of streaming market data on behalf of the world's leading investment banks.

Big Data (continued)

Spending on Big Data software and services is estimated to have grown by 26% per annum to reach $41 billion in 2015, according to industry analysts IDC. FD expects to benefit from this growth, which will be driven by clients across a number of key vertical markets developing use cases that rely on capturing and analysing large volumes of data.

The performance of kdb+, a key component of our Kx technology platform, has been independently audited by STAC as the highest performing time series database it has tested. Crucially, kdb+ is data agnostic, meaning it is able to deal with all forms of structured data and can therefore be applied across vertical markets. Since FD acquired a controlling stake in Kx Systems in October 2014 it has accelerated its entry into these additional markets.

Outside of Capital Markets, our initial target markets are utilities and digital marketing, oil and gas, telecoms, digital marketing and pharmaceuticals. In addition, a key area of focus will be collecting and analysing data from connected sensors, also known as the Internet of Things ('IoT'), a market which industry analysts BI Intelligence estimate is currently valued at $44 billion per annum.

Initial success has centred on those markets in which we have acquired to accelerate our growth, namely digital marketing and utilities. In digital marketing we have signed a number of new customers for our Software as a Service product, the Delta Marketing Cloud, which applies predictive analytics to internet data to generate buying intent signals.

Within utilities, we continue to work with a flagship North American Independent System Operator to provide real time supply and demand data across their electricity grid. We are working in partnership with Utilismart, a meter data management and analytics company with more than 100 clients in the utility industry. It is expected that the combination of Utilismart's software products that provide utilities with actionable insights from their installed base of smart meters, powered by the ability of Kx technology to handle large volumes of streaming data, will drive significant demand from new clients, from which FD will receive a monthly recurring revenue share.

Regulation

Regulatory changes are a key driver of both our software and consulting revenues. In consulting we have been engaged by a number of existing and new clients to assist in their preparations for MiFID II and the European Market Infrastructure Regulation, among other new and forthcoming regulatory requirements. We expect regulatory change to continue to be a driver for growth within our consulting business for the foreseeable future.

A key driver of software sales within Capital Markets are requirements from regulatory bodies to monitor markets and trading to ensure integrity and fairness. For example, our surveillance product provides the ability for regulators and compliance authorities to match the speed and sophistication of traders and thereby ensure they are able to monitor markets effectively.

In recent years FD has won a number of surveillance contracts, including a flagship deal with the Australian Securities and Investment Commission; Yieldbroker, an electronic platform for trading in Australian and New Zealand debt and derivatives; and IEX, a high-growth trading venue based in New York. FD has also won contracts from major investment banks for surveillance solutions, providing a reference client for an important global market. There is a pipeline of further opportunities for surveillance of markets across a number of asset classes.

Regulation (continued)

Additional regulatory-driven opportunities are emerging for the Company's software products. For example, algorithmic trading and particularly High Frequency Trading are attracting the attention of regulators with a growing acceptance that testing algorithms prior to their use within markets should be a requirement. A key contract was secured during the period with the National Stock Exchange of India to enable its market participants to have their algorithms independently tested, using a test facility developed by FD.

Key Performance Indicators

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

Year ending end February	**2016**	**2015**
Revenue	£117.0m	£83.2m
Growth	+41%	+19%
Adjusted Profit before tax	£16.8m	£10.8m

Revenue from continuing operations increased by 27% over the prior year. Consulting revenues increased by 29% (2015: 15%) and Software revenues increased by 69% (2015: 29%). Organically, software revenue grew by 27% to £28.3m and Group revenue by 27%. Software revenue represented 36% of Group revenue for the year (2015: 30%).

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

Year ending end February	**2016**	**2015**
	£'000	**£'000**
Results from operating activities	**10,829**	**8,476**
Adjustments for:		
Amortisation of acquired intangibles	4,198	2,205
Share based payment and related costs	1,405	1,495
Gain on disposal of property	-	(1,669)
Acquisition costs, associate disposal costs and contingent purchase consideration	1,547	984
Depreciation and amortisation	5,277	3,959
Adjusted EBITDA	**23,256**	**15,450**

Adjusted profit before tax margins increased during the year to 14.3% (2015: 12.9%) due to a greater percentage of higher margin software revenue in the Group.

The Group generated £15.0m of cash from operating activities (2015: £11.2m), representing 138.2% of result from operating activities (2015: 131.6%). At the year end, net debt was £15.1m (2015: £15.7m).

Principal risks and uncertainties

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

Personnel

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

Market risk

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

Technological changes

Technology in the software industry can change rapidly. It is important that the Group's products remain up to date and that its development plans are flexible. Significant ongoing investment is made in research and development to allow the identification of, and adaptation to, any technological changes that do occur, thereby ensuring that its products continue to meet the demands of its customers. The formation in 2015 of FD Labs, which is tasked with identifying technology trends and developing new software product opportunities, further seeks to mitigate this risk.

Key relationships with customers

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

Growth management

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

Strategic Report (continued)

Principal risks and uncertainties *(continued)*

Other information

The other information required to be disclosed in respect of the review of the Group's business as required under Section 417 of the Companies Act 2006 is given in the Chairman's Statement on pages 2 to 4 and the Financial Report on page 10 to 11 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 36.

On behalf of the board.

JJ Kearns
Secretary

First Derivatives plc

Board of Directors

Seamus Keating, Chairman

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

Brian Conlon, Chief Executive Officer

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

Graham Ferguson, Chief Financial Officer

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

Virginia Gambale, Non-Executive Director

Virginia joined the Board of First Derivatives plc in March 2015. A U.S. citizen, she is managing partner of Azimuth Partners LLC, which assists in the development of strategies for growth, innovation and international expansion. Prior to forming Azimuth, Virginia was a partner at Deutsche Bank Capital Partners and has also held senior management positions at Merrill Lynch, Bankers Trust, Deutsche Bank and Marsh & McLennan Companies, Inc. Virginia is currently a Director of JetBlue Airways Corporation and Dundee Global Corporation.

Keith MacDonald, Non-Executive Director

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

Jon Robson, Non-Executive Director

Jon joined the Board of First Derivatives plc in August 2015. A U.S. citizen, Jon has extensive experience within the Capital Markets industry. He is currently Chief Executive of Relationship Science Inc, an early-stage data-driven corporate relationship development organisation. Previously, he was CEO of NYSE Technologies, a business incorporating all the technology divisions of NYSE Euronext prior to its sale to Intercontinental Exchange. Between 2003 and 2012 he was an executive at Thomson Reuters Inc. where he served as President of the Enterprise Division and CEO of Reuters Americas.

Board of Directors (Continued)

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

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

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 29 February 2016.

Results and dividend

The Group's profit after taxation attributable to the shareholders for the year to 29 February 2016 was £7,831k (2015: £15,915k).

The Directors propose the payment of a final dividend of 12.00 pence per share (2015: 10.20 pence) which, together with the interim dividend of 5.00 pence per share (2015: 3.30 pence), totals 17.00 pence per share (2015: 13.50 pence). The final dividend has not been included in payables as it was not approved before the year end.

Dividends paid during the year comprised a final dividend of 10.20 pence per share for the year ended 28 February 2015 and an interim dividend of 5.00 pence per share for the year ended 29 February 2016.

Directors

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

R D Anderson (resigned 13 May 2016)
P Brazel (resigned 24 March 2015)
B G Conlon
R G Ferguson
V Gambale (appointed 3 March 2015)
K MacDonald
J Robson (appointed 3 August 2015)
S Keating

Directors and their interests

The interests of the Directors in shares during the year are set out in the report of the Remuneration Committee on pages 23 to 25 and the information is incorporated into the Directors' Report by reference.

Substantial shareholdings

At 16 May 2016, 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 (32.4%), Standard Life Investments Limited (9.5%) Legal & General Group plc (7.3%), Slater Investments (5.1%) and A Whitney (3.9%).

Research and development

The Group's policy is to invest in product innovation and engage in research and development activities geared toward the enhancement of its software products. During the year costs of £6,840k (2015: £6,594k) were capitalised in respect of activities which were deemed to be development activities in accordance with the Group's accounting policies. Research and development costs of £1,645k (2015: £1,574k) were expensed during the year.

Directors' Report (Continued)

Employees

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

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

Financial instruments

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

The Group does not use derivatives to manage its financial risk investment. The Group's main cash flow, credit and liquidity risks are those associated with selling on credit. This is managed through credit control procedures. The Group is also exposed to the impact of fluctuations in exchange rates as it generates income and incurs expenses in currencies other than Sterling (GBP). The Group's main exposure is 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 debt financing for asset purchases, trade receivables and activities carried on by subsidiary undertakings. The Group's financial position is structured to take advantage of a natural foreign currency hedge using excess cash generated from operations to repay the associated capital and interest on US Dollar borrowings. In addition, by funding the acquisitions of Market Resource Partners LLC, Reference Data Factory Inc, Prelytix Inc. 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 (2015: £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. It remains the key strategy of the Group to increase its share in its target market segments.

Disclosure of information to auditors

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

Directors' Report (Continued)

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

16 May 2016

Report of the Remuneration Committee

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

Remuneration policy

The policy of the Group is to set levels of remuneration to attract, retain and motivate Executive Directors and key staff. The packages are designed to be competitive in value to those offered to the Directors of similar sized public companies in related sectors. It is the Board's policy to align the interests of managers with those of our shareholders in the grant of options and 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.

Basic Salary

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

Pension

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

Cash bonus

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

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

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

Non-Executive Directors

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

Report of the Remuneration Committee *(continued)*

Details of each Director's remuneration is set out in the table below. Non-Executive Directors Virginia Gambale and Jon Robson, both U.S citizens, are remunerated in U.S. dollars and the salary and fees detailed in the table reflect the Sterling translation of payments made during the period. Ms Gambale and Mr Robson are additionally entitled to receive payment of approximately £20,000 in FD shares, issued and allotted on the business day following publication of the Company's annual report. The number of shares to be issued will be based on the average closing mid-market share price over the 90 business days prior to the release of the Company's preliminary results.

	Salary and fees £'000	Benefits £'000	Bonus £'000	Share based payment £'000	**2016 Total excluding pension £'000**	2015 Total excluding pension £'000	**2016 Pension £'000**	2015 Pension £'000
R D Anderson	35	-	-	3	**38**	49	**-**	-
B G Conlon	150	-	146	-	**296**	150	**15**	15
R G Ferguson	150	-	60	18	**228**	245	**15**	15
P Brazel*	2	-	-	-	**2**	42	-	-
S Keating	50	-	-	-	**50**	50	-	-
K MacDonald	35	-	-	-	**35**	35	-	-
V Gambale	45	-	-	-	**45**	-	-	-
J Robson	26	-	-	-	**26**	-	-	-
Total	493	-	206	21	**720**	571	**30**	30

*Details in the above table reflect the director's remuneration up to the date of resignation on 24 March 2015

Service contracts

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

Directors' interests in shares

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

	Number of ordinary shares	
	29 February 2016	28 February 2015
R D Anderson	120,000	130,000
B G Conlon	7,853,953	7,853,953
R G Ferguson	172,647	212,647
P Brazel*	97,417	-
K MacDonald	45,877	10,000
S Keating	25,314	15,314
V Gambale	4,400	-

*Details in the above table reflect the director's interests at the date of resignation on 24 March 2015

Share options

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

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

The mid-market price of the Company's shares at close of business on 29 February 2016 was £15.08 and the high and low share prices during the year were £15.78 and £10.94 respectively.

	1 March 2015	Granted during the year	Exercised during the year	29 February 2016	Exercise price £	Exercise period
David Anderson	50,000	-	-	50,000	4.80	2014-2021
Graham Ferguson	150,000	-	-	150,000	5.65	2016-2023
Pat Brazel*	25,000	-	-	25,000	4.80	2014-2021

*Details in the above table reflect the directors' interests up to resignation on 24 March 2015

The Remuneration Committee has set earnings per share (EPS) performance conditions for the share options granted to Graham Ferguson with these vesting on the achievement of an EPS target of 37 pence, 41 pence and 45 pence.

The average share price during the year was £13.95 (2015: £11.08) and the closing price at year end was £15.08 (2015: £13.10).

The Company recognised total expenses of £815k (2015: £721k) related to equity-settled share-based payment transactions during the year. Expenses of £21k (2015: £56k) related to share options granted to the Directors. There were no share options exercised by the Directors during the year (2015: 350,000).

Transactions with Directors

The Directors interests in contracts with the Company are disclosed in note 35.

First Derivatives plc

Corporate governance

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

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

The Board

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

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

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

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

Responsibilities of the Chairman and Chief Executive Officer

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

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

Composition of the Board

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

At the period end, the Board comprised a Non-Executive Chairman, Chief Executive Officer, Chief Financial Officer and four Non-Executive Directors. Biographical details of the directors are provided on pages 18 to 19.

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

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

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

Board Information and Development

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

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

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

Re-election

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

During the period under review, there were two new appointments to the Board and one resignation.

- Virginia Gambale was appointed as a Non-Executive Director on 3 March 2015. 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.
- Jon Robson was appointed as a Non-Executive Director on 3 August 2015. Mr Robson has extensive experience as an executive and an independent director in the Capital Markets industry. Mr Robson was an executive at Thomson Reuters Inc. between 2003 and 2012 where he served as President of the Enterprise Division which generated annual revenues of $1.4bn. During his time at Thomson Reuters, he also served as CEO of Reuters Americas.
- Pat Brazel resigned as a Non-Executive Director on 24 March 2015. Mr Brazel accepted an executive position within the Group as Global Head of Software Sales.

Corporate governance *(continued)*

Board Committees

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

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

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

Internal Control

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

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

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

Relations with Shareholders

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

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

AIM Rule Compliance Report

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

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

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

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

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

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

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

Employees

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

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

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

Business Ethics

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

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

Customers

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

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 16 May 2016
Secretary

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

We have audited the financial statements of First Derivatives plc for the year ended 29 February 2016 which comprise the consolidated statements of comprehensive income, the consolidated and Company balance sheets, the consolidated and Company statement of changes in equity, the consolidated and Company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 29 February 2016 and of the Group's profit for the year then ended;
- the Group 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.

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

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

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

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

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

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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

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

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 30, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2006. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

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

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

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

Our report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

16 May 2016

First Derivatives plc

Consolidated statement of comprehensive income

Year ended 29 February 2016

	Note	2016 £'000	2015 £'000
Revenue	*5*	**117,033**	83,216
Cost of sales		**(84,397)**	(59,497)
Gross profit		**32,636**	23,719
Other operating income	*6*	**1,042**	1,045
Administrative expenses	*7*	**(22,849)**	(16,288)
Results from operating activities		**10,829**	8,476
Acquisition costs, associate disposal costs and contingent purchase consideration		**1,547**	984
Share-based payment and related costs		**1,405**	1,495
Gain on disposal of property, plant and equipment		**-**	(1,669)
Depreciation and amortisation		**5,277**	3,959
Amortisation of acquired intangible assets (IFRS 3)		**4,198**	2,205
Adjusted EBITDA		**23,256**	15,450
Finance income	*9*	**1**	3
Finance expense	*9*	**(1,225)**	(723)
Gain on foreign currency translation	*9*	**779**	138
Net financing expense		**(445)**	(582)
Share of profit of associate using the equity method, net of tax	*18*	**-**	57
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		**10,384**	17,476
Taxation	*11*	**(2,553)**	(1,561)
Profit for the year		**7,831**	15,915

First Derivatives plc

Consolidated statement of comprehensive income (continued)

Year ended 29 February 2016

	Note	2016 £'000	2015 £'000
Profit for the year		**7,831**	15,915
Other comprehensive income			
Items that will or may be reclassified subsequently to profit or loss			
Net exchange gain on net investment in foreign subsidiaries and associate	*26*	**4,764**	2,334
Net loss on hedge of net investment in foreign subsidiaries and associate	*26*	**(2,704)**	(1,099)
Reclassification of loss on net investment in associate	*26*	**-**	(59)
Reclassification of gain on hedge of investment in associate	*26*	**-**	174
Reclassification of associate revaluation reserve	*25*	**-**	(167)
Other comprehensive income for the period, net of tax		**2,060**	1,183
Total comprehensive income for the period attributable to owners of the parent		**9,891**	17,098
Earnings per share		**Pence**	Pence
Basic	*15a*	**33.3**	77.2
Diluted	*15a*	**31.3**	70.6

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

The notes on pages 43 to 112 form part of these financial statements.

First Derivatives plc

Consolidated balance sheet
As at 29 February 2016

	Note	2016 £'000	2015 Restated* £'000
Assets			
Property, plant and equipment	*16*	**6,301**	5,948
Intangible assets and goodwill	*17*	**151,338**	130,604
Trade and other receivables	*19*	**2,504**	2,634
Asset held for sale	*18*	**-**	6,234
Deferred tax asset	*29*	**9,030**	6,450
Non-current assets		**169,173**	151,870
Trade and other receivables	*19*	**38,665**	29,952
Cash and cash equivalents	*20*	**15,100**	14,705
Current assets		**53,765**	44,657
Total assets		**222,938**	196,527
Equity			
Share capital	*21*	**120**	114
Share premium	*22*	**65,903**	55,286
Share option reserve	*23*	**7,217**	6,262
Currency translation adjustment reserve	*26*	**370**	(1,690)
Retained earnings		**39,654**	38,352
Equity attributable to owners of the Company		**113,264**	98,324
Liabilities			
Loans and borrowings	*27*	**26,795**	27,025
Trade and other payables	*28*	**31,963**	29,490
Deferred tax liabilities	*29*	**12,289**	13,829
Contingent deferred consideration	*32*	**1,176**	1,132
Non-current liabilities		**72,223**	71,476
Loans and borrowings	*27*	**3,428**	3,429
Trade and other payables	*28*	**27,262**	18,936
Current tax payable	*30*	**1,488**	490
Employee benefits	*31*	**2,554**	3,872
Contingent deferred consideration	*32*	**2,719**	-
Current liabilities		**37,451**	26,727
Total liabilities		**109,674**	98,203
Total equity and liabilities		**222,938**	196,527

These financial statements were approved by the Board of Directors on 16 May 2016.

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

Registered Company number: NI 30731

The notes on pages 43 to 112 form part of these financial statements.

*Restatement relating to measurement period adjustment – refer to page 70 for further details.

First Derivatives plc

Company balance sheet
As at 29 February 2016

	Note	2016 £'000	2015 £'000
Assets			
Property, plant and equipment	*16*	**2,866**	2,600
Intangible assets	*17*	**18,554**	15,320
Investment in subsidiaries	*18*	**83,023**	71,942
Trade and other receivables	*19*	**4,143**	4,522
Deferred tax assets	*29*	**6,034**	5,134
Non-current assets		**114,620**	99,518
Trade and other receivables	*19*	**38,004**	25,594
Cash and cash equivalents	*20*	**10,568**	7,858
Current assets		**48,572**	33,452
Total assets		**163,192**	132,970
Equity			
Share capital	*21*	**120**	114
Share premium	*22*	**65,903**	55,286
Share option reserve	*23*	**7,217**	6,262
Fair value reserve	*24*	**144**	140
Retained earnings		**24,825**	22,490
Equity attributable to shareholders		**98,209**	84,292
Liabilities			
Loans and borrowings	*27*	**26,757**	26,927
Trade and other payables	*28*	**444**	1,009
Deferred tax liabilities	*29*	**3,341**	3,101
Contingent deferred consideration	*32*	**1,951**	-
Non-current liabilities		**32,493**	31,037
Loans and borrowings	*27*	**3,339**	3,339
Trade and other payables	*28*	**26,307**	10,784
Current tax payable	*30*	**744**	120
Employee benefits	*31*	**2,100**	3,398
Current liabilities		**32,490**	17,641
Total liabilities		**64,983**	48,678
Total equity and liabilities		**163,192**	132,970

These financial statements were approved by the Board of Directors on 16 May 2016.

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

Registered Company number: NI 30731

The notes on pages 43 to 112 form part of these financial statements.

Consolidated statement of changes in equity

Year ended 29 February 2016

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

The notes on pages 43 to 112 form part of these financial statements.

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 loss 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 43 to 112 form part of these financial statements.

Company statement of changes in equity

Year ended 29 February 2016

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

The notes on pages 43 to 112 form part of these financial statements.

First Derivatives plc

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	-	-	-	-	(2,525)	**(2,525)**
Balance at 28 February 2015	**114**	**55,286**	**6,262**	**140**	**22,490**	**84,292**

The notes on pages 43 to 112 form part of these financial statements.

First Derivatives plc

Consolidated cash flow statement

Year ended 29 February 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Profit for the year	**7,831**	15,915
Adjustments for:		
Net finance costs	**445**	582
Share of profit of associate	**-**	(57)
Share of loss on dilution in associate	**-**	60
Depreciation of property, plant and equipment	**1,596**	1,193
Amortisation of intangible assets	**7,879**	4,971
Gain on sale of property, plant & equipment	**-**	(1,669)
Gain on sale of investment in associate	**-**	(9,585)
Equity settled share-based payment transactions	**815**	721
Grant income	**(1,042)**	(1,045)
Tax expense	**2,553**	1,561
	20,077	12,647
Changes in:		
Trade and other receivables	**(6,540)**	(5,538)
Trade and other payables	**3,476**	4,430
Cash generated from operating activities	**17,013**	11,539
Taxes paid	**(2,044)**	(382)
Net cash from operating activities	**14,969**	11,157
Cash flows from investing activities		
Interest received	**1**	3
Dividend received from associate	**-**	896
Disposal of property, plant and equipment	**-**	5,035
Disposal of investment net of tax	**3,973**	-
Acquisition of subsidiaries, net of cash acquired	**(4,934)**	(23,302)
Acquisition of property, plant and equipment	**(1,594)**	(2,228)
Acquisition of intangible assets	**(6,952)**	(7,145)
Net cash used in investing activities	**(9,506)**	(26,741)
Cash flows from financing activities		
Proceeds from issue of share capital	**5,717**	15,487
Proceeds from new borrowings	**-**	29,152
Repayment of borrowings	**(3,157)**	(11,747)
Payment of finance lease liabilities	**(61)**	(1,038)
Interest paid	**(1,214)**	(722)
Dividends paid	**(6,244)**	(2,525)
Net cash used in financing activities	**(4,959)**	28,607
Net increase in cash and cash equivalents	**504**	13,023
Cash and cash equivalents at 1 March	**14,705**	1,544
Effects of exchange rate changes on cash held	**(109)**	138
Cash and cash equivalents at 29/28 February	**15,100**	14,705

The notes on pages 43 to 112 form part of these financial statements.

First Derivatives plc

Company cash flow statement

Year ended 29 February 2016

	2016	2015
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**5,893**	3,974
Adjustments for:		
Finance expense and foreign exchange loss	**3,526**	1,589
Depreciation of property, plant and equipment	**489**	243
Amortisation of intangible assets	**2,764**	1,941
Dividends from associate and subsidiary	**(5,096)**	(896)
Equity settled share-based payment transactions	**815**	721
Profit on disposal	**-**	(1,669)
Grant income	**(939)**	(972)
Tax expense	**362**	578
	7,814	5,509
Changes in:		
Trade and other receivables	**(9,663)**	(9,120)
Trade and other payables	**12,739**	5,285
Cash generated from operating activities	**10,890**	1,674
Taxes paid	**428**	(89)
Net cash from operating activities	**11,318**	1,585
Cash flows from investing activities		
Acquisition of subsidiaries	**(4,833)**	(24,553)
Acquisition of property, plant and equipment	**(755)**	(1,016)
Disposal of property, plant and equipment	**-**	5,035
Acquisition of intangible assets	**(5,998)**	(4,584)
Dividends received from associate and subsidiary	**5,096**	896
Net cash used in investing activities	**(6,490)**	(24,222)
Cash flows from financing activities		
Proceeds from issue of share capital	**5,717**	15,487
Proceeds from new borrowings	**-**	29,152
Repayment of borrowings	**(3,157)**	(11,747)
Interest paid	**(1,214)**	(688)
Dividends paid	**(3,547)**	(2,525)
Net cash used in financing activities	**(2,201)**	29,679
Net increase in cash and cash equivalents	**2,627**	7,042
Cash and cash equivalents at 1 March	**7,858**	758
Effects of exchange rate changes on cash held	**83**	58
Cash and cash equivalents at 29/28 February	**10,568**	7,858

The notes on pages 43 to 112 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 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.

The financial statements were authorised by the Board of Directors for issuance on 16 May 2016.

(a) Basis of preparation

The consolidated financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("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 2015 and these have been adopted in the Group and Company financial statements:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

- Annual Improvements to IFRS's 2010 – 2012 Cycle and 2011-2013 Cycle

1 Significant accounting policies *(continued)*

(a) Basis of preparation

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 2015 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 and Company's 2019 financial statements and could change the classification and measurement of financial assets and IFRS 16 Leases, which is likely to become mandatory (subject to EU endorsement) for the Group and Company's 2020 financial statements. The Group does not plan to adopt these standards early and the extent of this impact has not yet been determined. The standards and interpretations not adopted are outlined below:

- Amendments to 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)
- Amendments to IAS 27 *Equity method in Separate Financial Statements* (Mandatory for year commencing 1 January 2016)
- Amendments to IAS 1: *Disclosure Initiative* (Mandatory for year commencing 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle (Mandatory for year commencing 1 January 2016)
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the consolidation exemption* (Mandatory for year commencing 1 January 2016)*
- IFRS 14 *Regulatory Deferral Accounts* (Mandatory for the year commencing on or after 1 January 2016)*
- Amendments to IAS 7: *Disclosure Initiative* (Mandatory for year commencing on or after 1 January 2017)*
- Amendments to IAS 12: *Recognition of deferred tax assets for unrealised losses* (Mandatory for year commencing on or after 1 January 2017)*
- IFRS 15 *Revenue from contracts with customers* (Mandatory for year commencing 1 January 2018)*
- IFRS 9 *Financial Instruments* – 2009 and subsequent amendments in 2010 and 2013 – (Mandatory for the year commencing on or after 1 January 2018)*
- IFRS 16: Leases (Mandatory for the year commencing on or after 1 January 2019)*

1 Significant accounting policies *(continued)*

New standards and interpretations not adopted (continued)

- Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (Deferred indefinitely)*

*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.

Critical accounting estimates and judgements

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

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

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

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

1 Significant accounting policies *(continued)*

Critical accounting estimates and judgements (continued)

- Goodwill on acquisitions is not amortised, but is tested for impairment on an annual basis. Management have assessed goodwill for impairment based on the projected profitability of the individual cash generating unit to which the goodwill relates. No impairments have been identified. Other intangibles are being amortised and tested for impairment if an indicator of impairment is identified.

Management have assessed that 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 36(b).

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 observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability 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.

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 36 – financial instruments; and
- Note 37 – share based payment arrangements.

1 Significant accounting policies *(continued)*

(b) Basis of consolidation

i) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

ii) Subsidiaries

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

iii) Non-controlling interests (NCI)

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

1 Significant accounting policies *(continued)*

(b) Basis of consolidation (continued)

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

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

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

(c) Foreign currency

i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currency of the Group entities at the exchange rate ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Monetary liabilities designated as a hedge of net investments are treated as set out in note 1(c) (iii) 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.

1 Significant accounting policies *(continued)*

(c) Foreign currency *(continued)*

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

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

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

(d) Property, plant and equipment

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

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

1 Significant accounting policies *(continued)*

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

(ii) Leased assets

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

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

(iii) Subsequent costs

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

(iv) Depreciation

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

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

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

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

(e) Available for sale financial assets

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

1 Significant accounting policies *(continued)*

(f) Intangible assets and goodwill

i) Goodwill

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

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

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

ii) Research and development

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

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

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

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

iii) Other intangible assets

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

iv) Subsequent expenditure

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

1 Significant accounting policies *(continued)*

(f) Intangible assets and goodwill

v) Amortisation

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

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

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

(g) Trade and other receivables

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

(h) Cash and cash equivalents

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

(i) Trade and other payables

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

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.

(ii) Government grants

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

1 Significant accounting policies *(continued)*

(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, contingent deferred consideration assessed as remuneration, share-based payments and related costs, gain on disposal of property, plant and equipment, depreciation and amortisation; and amortisation of acquired intangible assets (IFRS3).

2 Financial risk management

Overview

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

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligation and principally arises from the Group's receivables from customers through selling on credit. This is managed through credit control procedures. Regular contact is made with customers when debts are overdue with follow up procedures carried out as required. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Concentration of credit risk is disclosed in note 36 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 27 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.

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 37 to the financial statements and as purchase consideration in business combinations.

The Board seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

3 Acquisitions of subsidiaries

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

First Derivatives plc

Notes *(continued)*

3 Acquisitions of subsidiaries *(continued)*

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

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

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

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	**899**
Property, plant and equipment	**7**
Trade and other receivables	**177**
Cash and cash equivalents	**88**
Trade and other payables	**(483)**
Deferred tax liability	**(112)**
Net identifiable assets and liabilities	**576**
Goodwill on acquisition	**4,536**
	5,112
Consideration paid, satisfied as follows:	
Cash	**1,452**
Shares issued (183,185 shares)	**2,209**
Contingent deferred purchase consideration	**1,451**
	5,112
Consideration paid, satisfied as follows (continued):	
Cash consideration paid	**1,452**
Cash (acquired)	**(88)**
Net cash outflow	**1,364**

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

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

3 Acquisitions of subsidiaries *(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 29 February 2016 and has not identified any impairment (see note 17). None of the goodwill is expected to be deductible for tax purposes.

Contingent deferred purchase consideration

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

Acquisition related costs

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

3 Acquisitions of subsidiaries *(continued)*

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

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

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

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

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

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

3 Acquisitions of subsidiaries *(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 29 February 2016 and has not identified any impairment (see note 17). None of the goodwill is expected to be deductible for tax purposes.

Contingent deferred purchase consideration
The Group and Company has agreed to pay an additional consideration of up to £3,989k based on software revenue growth metrics over the next 36 months. This consideration is conditional on future service conditions and has been assessed as being post-acquisition remuneration.

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

3 Acquisitions of subsidiaries *(continued)*

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

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

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

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

3 Acquisitions of subsidiaries *(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 29 February 2016 and has not identified any impairment (see note 17). None of the goodwill is expected to be deductible for tax purposes.

Contingent deferred purchase consideration

The Group and Company has agreed to pay an additional consideration of up to £894k based on software revenue growth metrics over the next 36 months. This consideration is conditional on future service conditions and has been assessed as being post-acquisition remuneration.

Acquisition related costs

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

3 Acquisitions of subsidiaries *(continued)*

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

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

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

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

3 Acquisitions of subsidiaries *(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 29 February 2016 and has not identified any impairment (see note 17). None of the goodwill is expected to be deductible for tax purposes.

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

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

Year ended 28 February 2015

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 up to 31 October 2021 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.

3 Acquisitions of subsidiaries (continued)

Effect of acquisition

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

	Recognised values on initial acquisition £000	Measurement period adjustment £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Intangible assets	**17,233**	**-**	**17,233**
Investments	**-**	**6,000**	**6,000**
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	**(6,642)**	**(2,545)**	**(9,187)**
Net identifiable assets and liabilities	**12,244**	**3,455**	**15,699**
Goodwill on acquisition			**65,264**
			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).

3 Acquisitions of subsidiaries *(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 was 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 arose which was recognised in profit and loss in the prior year:

	£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 26)	
- Net loss on net investment in associate	59
- Net gain on hedge of investment in associate	(174)
Transfer from revaluation reserve (note 25)	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**

Measurement period adjustment
During the current year, the Group obtained further information in respect of the identifiable assets and liabilities during the measurement period relating to the value of an investment held by Kx Systems in an unquoted entity.

The adjustment results in a decrease of goodwill recognised of £3,455k, following receipt of additional information of the fair value of an investment held by Kx Systems. The measurement period adjustment was made to reflect facts and circumstances existing as of the acquisition date and does not result from intervening events subsequent to the acquisition date.

3 Acquisitions of subsidiaries *(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 acquisition

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

	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:	
Intangible assets	**952**
Trade and other receivables	**197**
Cash and cash equivalents	**52**
Trade and other payables	**(230)**
Net identifiable assets and liabilities	**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**

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

3 Acquisitions of subsidiaries *(continued)*

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.

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 licence of intellectual property and related services.

Revenue by division

	2016	2015
	£'000	£'000
Consulting	**75,025**	58,320
Software	**42,008**	24,896
Total	**117,033**	83,216

Geographical location analysis

	Revenues		**Non-current assets**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
				Restated
UK	**42,502**	35,182	**26,016**	20,983
Rest of Europe	**17,245**	13,231	**16,534**	10,160
America	**50,886**	28,531	**116,115**	112,636
Australasia	**6,400**	6,272	**1,478**	1,641
Total	**117,033**	83,216	**160,143**	145,420

Notes *(continued)*

4 Operating segments *(continued)*

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

Major customers
The Group has one key customer (2015: two) who generated more than 10% of Group revenue in 2016. Revenue from this customer represents approximately 14% (2015: 15%) of the Group's total revenue. The revenue from this customer has been derived from 33 different independent decision making business units across seven global locations with no individual unit accounting for more than 3%.

5 Revenue

	2016	2015
	£'000	£'000
Sale of goods	**14,696**	12,835
Rendering of services	**102,337**	70,381
	117,033	83,216

6 Other operating income

	2016	2015
	£'000	£'000
Government grants	**1,042**	1,045

7 Administrative expenses

	2016	2015
	£'000	£'000
Rent, rates and insurance	**2,561**	2,071
Telephone	**655**	567
Accountancy, audit and legal expenses	**740**	681
Advertising and marketing	**916**	606
Depreciation and amortisation	**9,475**	6,164
Payroll costs	**4,547**	4,673
Research and development credit	**(244)**	(328)
Listing expenses	**213**	176
Provision for impairment of trade receivables	**1,635**	1,723
Travel and subsistence	**416**	196
IT expenses	**418**	298
Profit on disposal of property, plant and equipment	**-**	(1,669)
Acquisition related costs	**861**	984
Other	**656**	146
	22,849	16,288

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:

	2016 Average no.	2015 Average no.
Administration	**171**	128
Technical	**1,135**	871
	1,306	999

The aggregate payroll costs of these persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	**62,490**	43,701
Social security costs	**6,596**	6,737
Other pension costs	**2,014**	1,548
Share based payments (see note 37)	**815**	721
Less capitalised development costs	**(6,185)**	(6,268)
	65,730	46,439

Disclosed as:	**2016 £'000**	2015 £'000
Cost of sales	**61,183**	41,766
Administrative expenses	**4,547**	4,673
	65,730	46,439

9 Finance income and expense

	2016 £'000	2015 £'000
Interest income on bank deposits	**1**	3
Finance income	**1**	3
Gain on foreign currency translation of monetary assets	**779**	138
Interest expense on bank loans	**(1,225)**	(723)
Finance expense	**(1,225)**	(723)
Net finance expense recognised in profit or loss	**(445)**	(582)

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

Notes *(continued)*

10 Statutory and other information

	2016 £'000	2015 £'000
Depreciation on property, plant and equipment:		
Owned assets	**1,516**	1,088
Leased assets	**80**	105
Amortisation of intangibles	**7,879**	4,971
Provision for impairment of trade receivables	**1,635**	1,723
Rents payable in respect of operating leases	**1,059**	920
Research and development costs expensed	**1,645**	1,574
Auditor's remuneration:		
Audit of these financial statements	**66**	68
Audit of the subsidiary undertakings included in the consolidation	**22**	21
Amounts receivable by auditors and their associates in respect of:		
- Audit of financial statements of subsidiaries pursuant to legislation	**36**	32
- All other services	**17**	8
- Taxation compliance services	**53**	55
- Other tax advisory services	**67**	70
- Corporate finance services	**92**	58
- Expenses recharged	**7**	6
	360	318

11 Tax expense

Income tax recognised in the income statement	**2016 £'000**	2015 £'000
Current tax expense		
Current year	**6,861**	1,828
Adjustment for prior years	**(8)**	(10)
	6,853	1,818
Deferred tax expense		
Origination and reversal of temporary differences	**(4,158)**	44
Adjustment for prior years	**(140)**	(319)
Change in tax rate	**(2)**	18
	(4,300)	(257)
Total tax expense in income statement	**2,553**	1,561

Reconciliation of effective tax rate		
Profit excluding income tax	**10,384**	17,476
Income tax using the Company's domestic tax rate (20.1%) (2015: 21.2%)	**2,085**	3,700
Tax exempt income	**(49)**	(64)
Expenses not deductible for tax purposes	**89**	(453)
Adjustments for prior years	**(148)**	(329)
Other differences	**(574)**	(106)
Profit of associate	**-**	(12)
Gain on disposal of investment in associate	**-**	(1,820)
Foreign tax rate differences	**882**	504
Reduction in tax rates	**(2)**	18
Unrelieved overseas taxes	**270**	123
	2,553	1,561

Following the 2015 budget statement, the main rate of UK corporation tax was reduced from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. 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:

	2016	2015
	£'000	£'000
Aggregate emoluments (including benefits in kind)	**553**	515
Company pension contributions	**30**	30
Share option payment charge	**21**	56
	604	601

During the period there were 2 Directors accruing benefits under a defined contribution pension scheme (28 February 2015: 2).

The aggregate emoluments and company pension contributions of the highest paid Director (excluding fees paid for provision of services) amounted to £228k and £15k respectively during the year (2015: £245k and £15k respectively).

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

Disclosure in respect of Directors' emoluments, Directors' interest in shares and Directors' share options are set out in the Report of the Remuneration Committee on pages 23 to 25.

13 Dividends

The following dividends were:

	2016	2015
	£'000	£'000
Final dividend relating to the prior year	**2,323**	1,813
Interim dividend paid	**1,224**	712
	3,547	2,525

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 10.20 (previous year: 9.00) pence per share and the interim dividend paid during the year amounted to 5.00 (previous year: 3.30) pence per share. The cumulative dividend paid during the year amounted to 15.20 (previous year: 12.30) 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.

	2016	2015
	£'000	£'000
12.00 pence per ordinary share (2015: 10.20 pence)	**2,881**	2,323

14 Company result

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement. The profit after tax for the financial year of the Company as approved by the Board was £5,893k (2015: £3,974k).

15 (a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 29 February 2016 was based on the profit attributable to ordinary shareholders of £7,831k (2015: £15,915k), and a weighted average number of ordinary shares in issue of 23,512k (2015: 20,605k).

	2016 Pence per share	2015 Pence per Share
Basic earnings per share	**33.3**	77.2

Weighted average number of ordinary shares

	2016 Number '000	2015 Number '000
Issued ordinary shares at 1 March	**22,777**	19,542
Effect of share options exercised	**283**	604
Effect of shares issued as purchase consideration	**254**	414
Effect of shares issued for cash	**198**	45
Weighted average number of ordinary shares at 29/28 February	**23,512**	20,605

Diluted

The calculation of diluted earnings per share at 29 February 2016 was based on the profit attributable to ordinary shareholders of £7,831k (2015: £15,915k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 25,047k (2015: 22,554k).

	2016 Pence per share	2015 Pence per share
Diluted earnings per share	**31.3**	70.6

Weighted average number of ordinary shares (diluted)

	2016 Number '000	2015 Number '000
Weighted average number of ordinary shares (basic)	**23,512**	20,605
Effect of dilutive share options in issue	**1,535**	1,949
Weighted average number of ordinary shares (diluted) at 29/28 February	**25,047**	22,554

At 29 February 2016 72,940 options (2015: Nil) 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 £10,384k (2015: £17,476k). The number of shares used in this calculation is consistent with note 15(a) above.

	2016 Pence per share	2015 Pence per share
Basic earnings before tax per ordinary share	**44.2**	84.8
Diluted earnings before tax per ordinary share	**41.5**	77.5

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

	2016 Pence per share	2015 Pence per share
Basic earnings per share	**33.3**	77.2
Impact of taxation charge	**10.9**	7.6
Adjusted basic earnings before tax per share	**44.2**	84.8
Diluted earnings per share	**31.3**	70.6
Impact of taxation charge	**10.2**	6.9
Adjusted diluted earnings before tax per share	**41.5**	77.5

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

(c) Normalised earnings after tax per ordinary share

Normalised earnings after tax per share are based on profit after taxation of £12,946k (2015: £8,745k). The adjusted profit after tax has been calculated by adjusting for the amortisation of acquired intangibles after tax effect £3,395k (2015: £1,764k), share based payment and related charges after tax effect £1,124k (2015: £1,196k), profit on disposal of property, plant and equipment after tax effect £nil (2015: £1,316k), acquisition and associate disposal costs after tax effect £1,219k (2015: £787k), gain on foreign currency translation after tax effect £623k (2015: gain of £109k) and for the gain on disposal of investment £nil (2015: £9,492k). The number of shares used in this calculation is consistent with note 15(a) above.

	2016 Pence per share	2015 Pence per share
Basic earnings after tax per ordinary share	**55.1**	42.4
Diluted earnings after tax per ordinary share	**51.7**	38.8

16 Property, plant and equipment

Group

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

	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**
Carrying amounts				
At 1 March 2014	2,332	2,943	83	5,358
At 28 February 2015	1,924	3,739	285	5,948
At 29 February 2016	**1,889**	**4,189**	**223**	**6,301**

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

The Group leases equipment under a number of finance lease arrangements. At 29 February 2016 the carrying amount of leased assets included in plant and equipment was £75k (2015: £155k) and related depreciation amounted to £263k (2015: £183k).

Details of security provided for borrowing in respect of property, plant and equipment are disclosed in note 27.

16 Property, plant and equipment *(continued)*

Company

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2015	1,845	1,688	239	3,772
Additions	139	551	65	755
At 29 February 2016	**1,984**	**2,239**	**304**	**4,527**
Depreciation				
At 1 March 2015	401	670	101	1,172
Charge for the year	83	368	38	489
At 29 February 2016	**484**	**1,038**	**139**	**1,661**

	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**
Carrying amounts				
At 1 March 2014	1,719	264	65	2,048
At 28 February 2015	1,444	1,018	138	2,600
At 29 February 2016	**1,500**	**1,201**	**165**	**2,866**

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 27.

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 2015	86,734	9,525	21,182	560	28,179	146,180
Development costs	-	-	-	-	6,840	6,840
Acquisitions	9,945	1,946	1,313	97	-	13,301
Additions	-	-	112	-	-	112
Exchange adjustments	5,924	893	2,271	51	646	9,785
At 29 February 2016	**102,603**	**12,364**	**24,878**	**708**	**35,665**	**176,218**
Amortisation and impairment losses						
Balance at 1 March 2015	-	2,421	5,803	239	7,113	15,576
Amortisation for the year	-	1,323	2,796	79	3,681	7,879
Exchange adjustment	-	307	836	27	255	1,425
At 29 February 2016	**-**	**4,051**	**9,435**	**345**	**11,049**	**24,880**

	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	Restated **£'000**	**£'000**	**£'000**	**£'000**	**£'000**	***Restated*** **£'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	70,281	5,659	12,332	194	-	88,466
Additions	-	-	551	-	-	551
Disposals	-	-	(785)	-	-	(785)
Exchange adjustments	2,927	319	73	5	(809)	2,515
At 28 February 2015	**86,734**	**9,525**	**21,182**	**560**	**28,179**	**146,180**
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**
Carrying amounts						
At 1 March 2014	13,526	1,894	4,581	175	17,849	38,025
At 28 February 2015	86,734	7,104	15,379	321	21,066	130,604
At 29 February 2016	**102,603**	**8,313**	**15,443**	**363**	**24,616**	**151,338**

Leased intangible assets
No assets are held under finance leases.

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

17 Intangible assets and goodwill *(continued)*

Leased intangible assets (continued)

Included within development costs capitalised in the year is £6,185k (2015: £6,268k) of capitalised employees costs together with £655k of capitalised consultancy costs (2015: £326k) for the year. Developed software includes £2,579k (2015: £2,914k) of software under development at 29 February 2016 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:

	2016	2015
	£'000	£'000
Subsidiaries		
Market Resource Partners LLC	**10,915**	9,848
Prelytix LLC	**5,583**	5,023
Kx Systems Inc.	**71,290**	67,450
	87,888	82,321
Multiple units without significant goodwill	**14,815**	4,413
	102,603	86,734

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 covering a five year period, with cash flows thereafter calculated using a terminal value methodology. A growth rate of 7%-10% (2015: 7%-10%) is applied for years 2 to 5, followed by a growth rate of 2% (2015: 2%) thereafter. The pre-tax discount rates applied to cash flow projections of the CGUs was 12%-17% (2015: 15%).

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

	2016			2015		
	Market Resource Partners LLC	**Prelytix LLC**	**Kx Systems Inc**	Market Resource Partners LLC	Prelytix LLC	Kx Systems Inc
Discount rate	**15%**	**17%**	**15%**	15%	15%	15%
Terminal value growth rate	**2%**	**2%**	**2%**	2%	2%	2%
Budgeted EBITDA growth rate	**8%**	**7%**	**9%**	8%	7%	9%

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

17 Intangible assets and goodwill (continued)

Impairment testing of goodwill (continued)

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

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

	Value in use		**Excess over carrying amount**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Subsidiaries				
Market Resource Partners LLC	**14,827**	12,657	**3,754**	2,265
Prelytix LLC	**8,083**	6,255	**1,573**	277
Kx Systems Inc.	**96,607**	88,617	**8,762**	1,165

Sensitivity analysis

There was no impairment charge for the year ended 29 February 2016 (2015: £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	**Acquired software**	**Internally developed software**	**Total**
	£'000	**£'000**	**£'000**
Cost			
Balance at 1 March 2015	-	20,618	20,618
Development cost	-	5,516	5,516
Additions	482	-	482
Balance at 29 February 2016	**482**	**26,134**	**26,616**
Amortisation and impairment losses			
Balance at 1 March 2015	-	5,298	5,298
Amortisation for the year	30	2,734	2,764
Balance at 29 February 2016	**30**	**8,032**	**8,062**
Cost			
Balance at 1 March 2014	-	16,034	16,034
Development cost	-	4,584	4,584
Balance at 28 February 2015	**-**	**20,618**	**20,618**
Amortisation and impairment losses			
Balance at 1 March 2014	-	3,357	3,357
Amortisation for the year	-	1,941	1,941
Balance at 28 February 2015	**-**	**5,298**	**5,298**
Carrying amounts			
At 1 March 2014	-	12,677	12,677
At 28 February 2015	-	15,320	15,320
At 29 February 2016	**452**	**18,102**	**18,554**

Included within development costs capitalised in the year is £5,161k (2015: £4,584k) of capitalised employees costs. Developed software includes £1,149k (2015: £1,895k) of software under development at 29 February 2016 not yet commissioned.

18 Investment in subsidiaries and associate

The subsidiaries of Group and Company are detailed as follows:

	Country of incorporation	Class of share held	Ownership 2016	2015
Activate Clients Limited*	Ireland	Ordinary	100%	-
Affinity Systems Limited*	Canada	Ordinary	100%	-
Cowrie Financial Limited*	UK	Ordinary	100%	100%
First Derivatives Canada Inc.*	Canada	Ordinary	100%	100%
First Derivatives (Exchange) Limited*	Ireland	Ordinary	100%	100%
First Derivatives Holdings Inc.*	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited*	Australia	Ordinary	100%	100%
First Derivatives (Hong Kong) Limited*	Hong Kong	Ordinary	100%	100%
First Derivatives Japan Co. Limited	Japan	Ordinary	100%	100%
First Derivatives No. 1 Inc.	United States	Ordinary	100%	100%
First Derivatives Investments LLP	United Kingdom	Ordinary	100%	100%
First Derivatives (Ireland) Limited*	Ireland	Ordinary	100%	100%
First Derivatives Pte Limited*	Singapore	Ordinary	100%	100%
First Derivatives Pty Limited	Australia	Ordinary	100%	100%
First Derivatives South Africa (Pty) Limited*	South Africa	Ordinary	100%	-
First Derivatives US Inc	United States	Ordinary	100%	100%
Kx Systems Inc.*	United States	Ordinary	65.2%	65.2%
Market Resource Partners Limited*	N. Ireland	Ordinary	100%	100%
Market Resource Partners LLC*	United States	Ordinary	100%	100%
QuantumKDB Limited*	UK	Ordinary	100%	-
QuantumKDB Limited	Hong Kong	Ordinary	100%	-
QuantumKDB Inc	United States	Ordinary	100%	-
Prelytix LLC	United States	Ordinary	100%	100%
Reference Data Factory LLC	United States	Ordinary	100%	100%
Redshift Horizons Limited*	UK	Ordinary	100%	100%

*Owned directly by First Derivatives plc.

	Company 2016 £'000	2015 £'000
Unlisted investments in subsidiaries at cost		
At 1 March	**71,942**	24,464
Additions	**11,081**	40,282
Transfer from investment in associate	**-**	7,196
At end of period	**83,023**	71,942

18 Investment in subsidiaries and associate *(continued)*

Associate

At 1 March 2014, the Group had the following investment in an associate:

	Country of incorporation	Class of share held	Ownership At 1 March 2014
Group and Company			
Kx Systems Inc.	United States	Ordinary	20.1%

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. The associate was not publicly listed and consequently did not have a published share price. During the period to 31 October 2014, the Group received dividends of £896k from its associate.

Group

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

Company

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

18 Investment in subsidiaries and associate *(continued)*

Associate (continued)
The following table summarises 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
	20.1%
Revenue	6,324
Profit from continuing operations (100%)	284
Other comprehensive income (100%)	-
Total comprehensive income (100%)	284
Total comprehensive income (20.1%)	57
Group's share of profit and total comprehensive income	57

Other financial assets – Available for sale assets

Group

	2016	2015
	£'000	£'000
Unlisted equity investments		
At 1 March	**6,234**	-
Acquired through business combinations	**-**	6,000
Exchange adjustment	**-**	234
Disposal	**(6,234)**	-
At end of period	**-**	6,234

On 3 August 2015 the Group disposed of its interest in the investment.

19 Trade and other receivables

Current assets

	Group		*Company*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade receivables	**31,636**	22,258	**18,383**	11,790
Receivables from subsidiaries	**-**	-	**13,653**	10,056
Sundry receivables and accrued income	**1,248**	2,743	**141**	632
Prepayments	**2,853**	2,723	**3,237**	2,272
Grant income receivable	**2,928**	1,131	**2,590**	844
Corporation tax receivable	**-**	1,097	**-**	-
	38,665	29,952	**38,004**	25,594

Non-current assets

	Group		*Company*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Receivables from subsidiaries	**-**	-	**2,890**	2,600
Trade and other receivables	**1,253**	1,922	**1,253**	1,922
Grant income receivable	**1,251**	712	**-**	-
	2,504	2,634	**4,143**	4,522

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

At 29 February 2016 Group and Company trade receivables are shown net of an allowance for doubtful debts of £4,342k and £981k respectively (2015: Group £2,681k; Company £1,163k) arising from on-going invoice disputes and the risk of companies defaulting. The impairment charge in the year was £1,635k (2015: £1,723k) for Group and £441k (2015: charge £587k) 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 36.

20 Cash and cash equivalents

	Group		*Company*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Bank balances	**15,100**	14,705	**10,568**	7,858

See note 36 for discussion of interest rate risk and sensitivity analysis.

Notes *(continued)*

21 Share capital

	Ordinary shares **2016 Number**	2015 Number
In issue at 1 March	**22,776,773**	19,541,610
Exercise of share options (Note 37)	**697,881**	936,283
Issued in business combinations (Note 3)	**334,315**	1,321,880
Issued for cash	**200,003**	977,000
In issue at year end – fully paid	**24,008,972**	22,776,773

	2016 Number	**2016 £'000**	2015 Number	2015 £'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**24,008,972**	**120**	22,776,773	114

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 200,003 ordinary shares (2015: 977,000) for cash consideration of £2,600k (2015: £12,701k), the exercise of 697,881 share options (2015: 936,283) for cash consideration of £3,117k (2015: £3,380k) together with an associated transfer from the share option reserve of £698k (2015: £867k) and the issue of 334,315 shares (2015: 1,321,880) at £4,208k (2015: £16,697k) as purchase consideration

Transaction costs of £nil (2015: £594k) were accounted for as a deduction from equity during the period.

22 Share premium account

	Group		*Company*	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Opening balance	**55,286**	22,251	**55,286**	22,251
Premium on shares issued	**10,617**	33,035	**10,617**	33,035
Closing balance	**65,903**	55,286	**65,903**	55,286

Notes *(continued)*

23 Share option reserve

	Group		*Company*	
	2016	2015	**2016**	2015
	£’000	£’000	**£’000**	£’000
Opening balance	**6,262**	6,627	**6,262**	6,627
Fair value of share based payments cost (note 37)	**815**	721	**815**	721
Options exercised in the period	**(698)**	(867)	**(698)**	(867)
Effect of share option forfeits	**11**	(20)	**11**	(20)
Income tax on share based payments	**827**	(199)	**827**	(199)
Closing balance	**7,217**	6,262	**7,217**	6,262

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.

24 Fair value reserve

	Company	
	2016	2015
	£’000	£’000
Opening balance	**140**	138
Effect of corporation tax rate reduction on deferred tax liability	**4**	2
Closing balance	**144**	140

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.

25 Revaluation reserve

	Group	
	2016	2015
	£’000	£’000
Opening balance	**-**	167
Transfer to profit and loss	**-**	(167)
Closing balance	**-**	-

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

26 Currency translation adjustment reserve

	Group 2016 £'000	2015 £'000
Opening balance	**(1,690)**	(3,040)
Net gain on net investment in foreign subsidiaries	**4,764**	2,136
Net gain on net investment in associate	**-**	198
Net loss on hedge of net investment in foreign subsidiaries	**(2,704)**	(1,041)
Net loss on hedge of investment in associate	**-**	(58)
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	**370**	(1,690)

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.

27 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 36.

	Group		*Company*	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Current liabilities				
Secured bank loans	**3,339**	3,339	**3,339**	3,339
Finance lease liabilities	**89**	90	**-**	-
	3,428	3,429	**3,339**	3,339
Non-current liabilities				
Secured bank loans	**26,757**	26,950	**26,757**	26,950
Less: Capital arrangement fee	**-**	(23)	**-**	(23)
Finance lease liabilities	**38**	98	-	-
	26,795	27,025	**26,757**	26,927

27 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:

				29 February 2016		28 February 2015	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value £000**	**Carrying amount £000**	Face value £000	Carrying amount £000
Facility 1	GBP	3.50%+LIBOR	2016	**339**	**339**	339	339
Facility 2	Multi	3.50%+LIBOR*	2019	**29,757**	**29,757**	29,950	29,927
Bank overdraft	GBP	2.50%+LIBOR	-	**-**	**-**	-	-
Finance lease liabilities	EUR	4.375%	2016	**127**	**127**	188	188
Total interest-bearing				**30,223**	**30,223**	30,477	30,454

* 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 £1,889k (2015: £1,924k). 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% (2015: 3.5%) above LIBOR.

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Future minimum lease payments 2016	**Interest 2016**	**Principal 2016**	**Future minimum lease payments 2015**	**Interest 2015**	**Principal 2015**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than one year	**109**	**20**	**89**	108	18	90
Between one and five years	**53**	**15**	**38**	127	29	98
	162	**35**	**127**	235	47	188

The finance leases are secured over the leased equipment.

28 Trade and other payables

Current liabilities

	Group		*Company*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade payables	**2,606**	2,785	**1,688**	1,691
Other payables	**6,822**	4,171	**5,010**	2,882
Accruals	**2,723**	1,225	**1,247**	395
Deferred income	**13,255**	9,939	**2,562**	1,310
Government grants	**1,856**	816	**1,856**	816
Payables to subsidiaries	**-**	-	**13,944**	3,690
	27,262	18,936	**26,307**	10,784

Non-current liabilities

	Group		*Company*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
NCI put	**30,089**	27,118	**-**	-
Government grants	**1,874**	2,372	**444**	1,009
	31,963	29,490	**444**	1,009

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 up to 31 October 2021 for cash. The put is exercisable with a notice period of 366 days.

The Group and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 36.

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 £64k (2015: £2,348k) was claimed from Invest Northern Ireland.

29 Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**-**	-	**(3,822)**	(3,411)	**(3,822)**	(3,411)
Share based payments	**2,909**	2,683	**-**	-	**2,909**	2,683
Trading Losses	**4,556**	3,260	**-**	-	**4,556**	3,260
Net fair value movement on						-
available for sale assets	**-**	-	**-**	(38)	**-**	(38)
Intangible assets	**209**	-	**(8,483)**	(7,850)	**(8,274)**	(7,850)
Other financial assets	**-**	-	**-**	(2,545)	**-**	(2,545)
Other	**1,372**	522	**-**	-	**1,372**	522
Tax assets/(liabilities) before set-off	**9,046**	6,465	**(12,305)**	(13,844)	**(3,259)**	(7,379)
Set off of tax	**(16)**	(15)	**16**	15	**-**	-
Net tax assets/(liabilities)	**9,030**	6,450	**(12,289)**	(13,829)	**(3,259)**	(7,379)

Movement in deferred tax balances differences during the year:

	Balance at 1 March 2014 £000	**Recognised in income £000**	**Recognised in equity £000**	**Recognised on Acquisition £'000**	**Share options exercised £000**	**Balance at 28 Feb 2015 £000**	**Recognised in income £000**	**Recognised in equity £000**	**Recognised on Acquisition £'000**	**Share options exercised £000**	**Balance at 29 Feb 2016 £000**
Property, plant and equipment	(2,942)	(492)	31	(8)	-	(3,411)	(295)	(116)	-	-	(3,822)
Share based payments	3,628	(66)	251	-	(1,130)	2,683	39	1,019	-	(832)	2,909
Trading losses	1,713	821	726	-	-	3,260	452	733	111	-	4,556
Net fair value movement on available for sale assets	(40)	-	2	-	-	(38)	38	-	-	-	-
Intangible assets	(1,082)	174	(308)	(6,634)	-	(7,850)	803	(982)	(245)	-	(8,274)
Other financial assets	-	-	-	(2,545)	-	(2,545)	2,545	-	-	-	-
Other	570	(180)	58	74	-	522	718	132	-	-	1,372
	1,847	257	760	(9,113)	(1,130)	(7,379)	4,300	786	(134)	(832)	(3,259)

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

Notes *(continued)*

29 Deferred taxation *(continued)*

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**-**	-	**(3,307)**	(3,063)	**(3,303)**	(3,063)
Share based payments	**2,909**	2,683	**-**	-	**2,909**	2,683
Net fair value movement on available for sale assets	**-**	-	**(34)**	(38)	**(38)**	(38)
Trading losses	**3,089**	2,416	**-**	-	**3,089**	2,416
Other	**36**	35	**-**	-	**36**	35
Tax assets/(liabilities) before set off	**6,034**	5,134	**(3,341)**	(3,101)	**2,693**	2,033
Set off of tax	**-**	-	**-**	-	**-**	-
Net tax assets/(liabilities)	**6,034**	5,134	**(3,341)**	(3,101)	**2,693**	2,033

Movement in deferred tax balances during the year:

	Balance at 1 March 2014 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 28 Feb 2015 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 29 Feb 2016 £000
Property, plant and equipment	(2,654)	(409)	-	-	(3,063)	(244)	-	-	**(3,307)**
Share based payments	3,628	(66)	251	(1,130)	2,683	39	1,019	(832)	**2,909**
Net fair value movement on available for sale assets	(40)	-	2	-	(38)	-	4	-	**(34)**
Trading losses	1,349	387	680	-	2,416	53	620	-	**3,089**
Other	41	(6)	-	-	35	1	-	-	**36**
	2,324	(94)	933	(1,130)	2,033	(151)	1,643	(832)	**2,693**

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

30 Current tax payable

	Group		*Company*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Current tax payable	**1,488**	490	**744**	120

31 Employee benefits

	Group		*Company*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Accrued holiday pay	**1,162**	1,064	**918**	816
Employee taxes	**1,392**	2,808	**1,182**	2,582
	2,554	3,872	**2,100**	3,398

32 Contingent deferred consideration

Contingent deferred consideration liabilities are payable as follows:

	Group		*Company*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
At 1 March	**1,132**	-	**-**	-
Additions	**1,951**	1,132	**1,951**	-
Increase in contingent deferred consideration	**812**	-	**-**	-
At end of period	**3,895**	1,132	**1,951**	-

The payment of contingent deferred consideration is payable in cash and shares. As at 29 February 2016 the maximum total amount payable under the terms of the sale and purchase agreements is £3,895k (2015: £1,132k) and the minimum total amount payable is £Nil (2015: £Nil).

	Group		*Company*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Within one year	**2,719**	-	**-**	-
More than one year	**1,176**	1,132	**1,951**	-
	3,895	1,132	**1,951**	-

The amount of contingent deferred consideration was variable dependent on the future performance of the relevant subsidiary meeting specified turnover targets which are expected to be fully achieved and is payable in cash 51% (2015: 48%) and shares 49% (2015: 52%).

Notes *(continued)*

33 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*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Less than one year	**943**	800	**275**	275
Between one and five years	**2,802**	2,582	**873**	1,008
More than five years	**754**	852	**280**	420
	4,499	4,234	**1,428**	1,703

The Group leases four premises under operating lease arrangements.

Group
During the year £1,059k was recognised as an expense in the income statement in respect of operating leases (2015: £920k).

Company
During the year £275k was recognised as an expense in the income statement in respect of operating leases (2015: £275k).

34 Pension contributions

The Group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £2,014k (2015: £1,548k). Contributions amounting to £333k (2015: £184k) were payable to the schemes at the year end and are included in creditors.

35 Related parties transactions

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

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

Key management personnel and Director transactions
The Group is charged rent monthly for the use of apartments located in London owned by Brian Conlon. The charge incurred during the financial year amounted to £55k (2015: £53k). Rent deposits of £26k (2015: £26k) have been paid to Brian Conlon in respect of these apartments. The balance owed to Brian Conlon at 29 February 2016 is £Nil (2015: £Nil).

35 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 (2015: £140k) rental charge was incurred in the year. The balance owed to Oncon at 29 February 2016 is £Nil (2015: £Nil) and an amount of £168k (2015: £126k) had been prepaid.

Company

Other related party transactions

	Revenue		**Administrative expenses incurred from**	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Subsidiaries	**5,009**	5,369	**11,591**	9,230
	5,009	5,369	**11,591**	9,230

	Receivables outstanding		**Payables outstanding**	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Subsidiaries	**16,543**	12,656	**13,944**	3,690

During the year development costs of £321k (2015: £837k) were recharged from a subsidiary to the Company.

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

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:

	2016 £000	2015 £000
R D Anderson	**19**	12
B G Conlon	**1,194**	966
R G Ferguson	**26**	26
K MacDonald	**7**	1
S Keating	**2**	2
	1,248	1,007

36 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.

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

28 February 2015	**Carrying value**			
	Loans and receivables £'000	**Liabilities at amortised cost £'000**	**Carrying amount £'000**	**Fair value £'000**
Financial assets not measured at fair value				
Trade and other receivables	28,766	-	28,766	[1]
Cash and cash equivalents	14,705	-	14,705	[1]
	43,471	-	43,471	
Financial liabilities measured at fair value				
Contingent deferred consideration[2]	-	-	(1,132)	(1,132)
	-	-	(1,132)	
Financial liabilities not measured at fair value				
Secured bank loans	-	(30,266)	(30,266)	[1]
Finance leases	-	(188)	(188)	[1]
Trade, accruals and other payables	-	(35,299)	(35,299)	(35,407)
Employee benefits	-	(3,872)	(3,872)	[1]
	-	(69,625)	(69,625)	

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

[2] Contingent deferred consideration is a level 3 fair value (see above)

36 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.

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

28 February 2015	Carrying value			
	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Financial assets not measured at fair value				
Trade and other receivables	27,844	-	27,844	[1]
Cash and cash equivalents	7,858	-	7,858	[1]
	35,702	-	35,702	
Financial assets measured at fair value				
Equity securities available for sale[3]	-	-	6,234	6,234
	-	-	6,234	
Financial liabilities measured at fair value				
Derivatives[2]	-	-	-	-
	-	-	-	
Financial liabilities not measured at fair value				
Secured bank loans	-	(30,266)	(30,266)	[1]
Trade, accruals and other payables	-	(8,658)	(8,658)	(8,665)
Employee benefits	-	(3,398)	(3,398)	[1]
	-	(42,322)	(42,322)	

[1] Fair value not disclosed as the carrying amounts are considered to be a reasonable approximation of fair value
[2] Balance relates to NCI put over the Group's subsidiary which is currently recognised at immaterialvalue as the agreed price was equal to the fair value of the underlying investment on initial recognition
[3] Equity securities held for sale is level 3 fair value

36 Financial instruments (continued)

(b) Measurement of fair values

Licence agreement

The Group previously held a licence agreement with a customer for the provision of software services. Upon termination or expiry of the licence, the Group had a contractual right to receive a termination fee based on 30% of the enterprise value of the licensee. This was considered to be a level 3 fair value instrument. 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.

During the current year, Group and the customer amended the licence agreement and the termination fee no longer applies. The termination fee has therefore been derecognised. No fair value gain or loss has been recognised in the Consolidated Statement of Comprehensive Income during the year (2015: £Nil).

Exposure to credit risk

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

	Group		*Company*	
	Carrying amount		**Carrying amount**	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Trade and other receivables	**38,316**	28,766	**38,910**	27,844
Cash and cash equivalents	**15,100**	14,705	**10,568**	7,858
	53,416	43,471	**49,478**	35,702

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*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Europe	**6,528**	6,375	**4,037**	4,766
America	**19,348**	14,126	**18,980**	15,444
United Kingdom	**9,769**	6,521	**12,900**	6,484
Australasia	**2,671**	1,744	**2,993**	1,150
	38,316	28,766	**38,910**	27,844

36 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*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
End-user customer	**31,496**	21,789	**18,235**	11,618
Other	**6,820**	6,977	**20,675**	16,226
	38,316	28,766	**38,910**	27,844

The Group's and Company's most significant customer is an investment bank which accounts for £3,904k of the trade and other receivables carrying amount at 29 February 2016 (2015: £3,288k). No other customers had receivable balances in excess of 10% of the Group's total balance at the year end. In addition £2,928k (2015: £1,131k) 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 2016 £'000**	**Impairment 2016 £'000**	**Gross 2015 £'000**	**Impairment 2015 £'000**
Not past due	**10,243**	**-**	12,183	-
Past due 0-30 days	**10,085**	**-**	3,317	-
Past due 31-120 days	**8,602**	**-**	2,583	-
Past due 120 days +	**7,048**	**4,342**	6,856	2,681
Total	**35,978**	**4,342**	24,939	2,681

Company	**Gross 2016 £'000**	**Impairment 2016 £'000**	**Gross 2015 £'000**	**Impairment 2015 £'000**
Not past due	**6,304**	**-**	5,197	-
Past due 0-30 days	**5,509**	**-**	2,395	-
Past due 31-120 days	**5,446**	**-**	1,808	-
Past due 120 days +	**2,105**	**981**	3,553	1,163
Total	**19,364**	**981**	12,953	1,163

36 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*	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Balance at 1 March	**2,681**	2,088	**1,163**	576
Impairment loss charged	**1,635**	1,723	**441**	587
Foreign exchange impact	**681**	(414)	**-**	-
Amounts written off	**(655)**	(716)	**(623)**	-
Closing balance	**4,342**	2,681	**981**	1,163

A review of debt outstanding led to the increase of £1,661k 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 £15,100k (2015: £14,705k) and £10,568k (2015: £7,858k) respectively at 29 February 2016 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.

36 Financial instruments *(continued)*

Liquidity risk

Group

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

29 February 2016

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

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)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 27. The contractual maturity of the £30,089 (2015: £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.

29 February 2016

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

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)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 27.

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

36 Financial instruments *(continued)*

Currency risk

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

	29 February 2016			28 February 2015		
	CAD	**EUR**	**USD**	CAD	EUR	USD
	£000's	**£'000**	**£'000**	£000's	£'000	£'000
Trade receivables	**54**	**1,301**	**7,510**	33	1,813	8,773
Secured bank loans	**-**	**-**	**-**	-	-	-
Trade and other payables	**-**	**(42)**	**(30,427)**	-	(449)	(27,666)
Gross balance sheet exposure	**54**	**1,259**	**(22,917)**	33	1,364	(18,893)

The secured bank loan above excludes bank loans designated in a net investment hedge of £29,206k (2015: £29,396k).

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

	29 February 2016			28 February 2015		
	CAD	**EUR**	**USD**	CAD	EUR	USD
	£000's	**£'000**	**£'000**	£000's	£'000	£'000
Trade receivables	**54**	**1,301**	**6,252**	33	1,746	4,940
Secured bank loans	**-**	**-**	**(29,206)**	-	-	(29,396)
Trade and other payables	**-**	**(30)**	**(274)**	-	(189)	(131)
Gross balance sheet exposure	**54**	**1,271**	**(23,228)**	33	1,557	(24,587)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2016	2015	**2016**	2015
USD 1	**1.51**	1.63	**1.39**	1.54
EUR 1	**1.37**	1.26	**1.27**	1.38
CAD 1	**1.98**	1.83	**1.88**	1.93

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 £3,008k (2015: £4,461k) and £2,160k (2015: £1,750k) 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 £2,708k (2015: £4,015k) and £1,944k (2015: £1,575k) 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.

36 Financial instruments *(continued)*

Sensitivity analysis (*continued)*

A 10% strengthening of Sterling against the above currencies at the end of the period would decrease Company profit or loss by approximately £2,190k (2015: £2,300k). A 10% weakening of Sterling against the above currencies at the end of the period would increase Company profit or loss by approximately £1,971k (2015: £2,070k). 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***	
	2016	2015	**2016**	2015
	£'000	£'000	**£'000**	£'000
Variable rate instruments				
- Financial assets	**15,100**	14,705	**10,568**	7,858
- Financial liabilities	**(30,096)**	(30,289)	**(30,096)**	(30,289)
	(14,996)	(15,584)	**(19,528)**	(22,431)
Fixed rate instruments				
- Financial assets	**-**	-	**-**	-
- Financial liabilities	**(127)**	(188)	**-**	-
	(127)	(188)	**-**	-

A 10% reduction in interest rates at the end of the period would increase Group equity and profit and loss by approximately £135k (2015: £135k). A 10% increase in interest rates at the end of the period would decrease Group equity and profit or loss by approximately £123k (2015: £125k). This analysis assumes that all other variables remain constant.

37 Share based payments

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

37 Share based payments (*continued)*

Reconciliation of outstanding share options

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

	Weighted average exercise price 2016	**Number of options 2016**	Weighted average exercise price 2015	Number of options 2015
Maximum options outstanding at beginning of period	**1.24**	**269,250**	1.37	528,167
Lapsed during the period	**-**	**-**	-	-
Exercised during the period	**1.05**	**(99,750)**	1.51	(258,917)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**1.35**	**169,500**	1.24	269,250
Exercisable at end of period	**1.35**	**169,500**	1.24	269,250

The options outstanding at 29 February 2016 above have an exercise price in the range of £1.21 to £1.61 (2015: £1.02 to £1.61) and a weighted average contractual life of 1.9 years (2015: 2.3 years).

	Weighted average exercise price 2016	**Number of options 2016**	Weighted average exercise price 2015	Number of options 2015
Maximum options outstanding at beginning of period	**2.52**	**268,501**	2.52	327,168
Lapsed during the period	**2.22**	**(7,500)**	2.27	(1,667)
Exercised during the period	**2.46**	**(61,667)**	2.53	(57,000)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**2.55**	**199,334**	2.52	268,501
Exercisable at end of period	**2.55**	**199,334**	2.52	268,501

The options outstanding at 29 February 2016 above have an exercise price in the range of £2.27 to £2.735 (2015: £2.27 to £2.735) and a weighted average contractual life of 2.5 years (2015: 3.8 years).

37 Share based payments (*continued)*

	Weighted average exercise price 2016	**Number of options 2016**	Weighted average exercise price 2015	Number of options 2015
Maximum options outstanding at beginning of period	**6.38**	**2,593,499**	5.48	2,754,865
Lapsed during the period	**7.60**	**(156,167)**	4.45	(41,000)
Exercised during the period	**5.38**	**(527,464)**	4.59	(620,366)
Granted during the period	**-**	**-**	9.00	500,000
Maximum options outstanding at end of period	**6.56**	**1,909,868**	4.65	2,593,499
Exercisable at end of period	**5.25**	**1,113,639**	4.64	528,819

The options outstanding at 29 February 2016 above have an exercise price in the range of £4.15 to £9.00 (2015: £4.15 to £8.47) and a weighted average contractual life of 6.6 years (2015: 7.6 years).

	Weighted average exercise price 2016	**Number of options 2016**	Weighted average exercise price 2015	Number of options 2015
Maximum options outstanding at beginning of period	**-**	**-**	-	-
Lapsed during the period	**-**	**-**	-	-
Exercised during the period	**-**	**-**	-	-
Granted during the period	**12.99**	**734,500**	-	-
Maximum options outstanding at end of period	**12.99**	**734,500**	-	-
Exercisable at end of period	**-**	**-**	-	-

The options outstanding at 29 February 2016 above have an exercise price in the range of £12.28 to £14.37 (2015: £nil) and a weighted average contractual life of 9.3 years (2015: nil).

The weighted average share price at the date of exercise for share options exercised for the year ending 29 February 2016 was £14.42 per share (2015: £11.15).

37 Share based payments (*continued)*

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 29 February 2016

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

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%

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

Employee expenses – equity settled

	2016 **£'000**	2015 £'000
Expense relating to:		
Share options granted in 2010/11 – equity settled	**1**	3
Share options granted in 2011/12 – equity settled	**27**	229
Share options granted in 2012/13 – equity settled	**55**	121
Share options granted in 2013/14 – equity settled	**199**	254
Share options granted in 2014/15 – equity settled	**227**	114
Share options granted in 2015/16 – equity settled	**306**	-
Total expense recognised as employee benefit expense	**815**	721
Total amount recognised in share based payment reserve	**815**	721

38 Contingent liabilities

Government grants

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

First Derivatives plc

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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*
	J Robson	–	Non-executive Director+

Secretary
JJ Kearns

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Bank of Ireland
Corporate Headquarters
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\+ Members of the remuneration committee

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