First Derivatives plc

Annual report and accounts

Registered number: NI 30731

Year ended 28 February 2018

First Derivatives plc

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First Derivatives plc

Strategic Report

Results at a glance

Highlights for the year

Operational highlights:

- Group revenue up 23%

- Strong growth in software revenue, up 27% as a result of new contract wins and continued penetration of the existing customer base

- Strategic progression in our managed services and consulting activities resulting in revenue growth of 17%

- The implementation and ongoing support of a third-party system for a New York-based bank, representing one of the largest contracts in our history

- FinTech revenue up 22% to £142.9m (2017: £117.4m), driven by growth in recurring software revenue and an expansion of services provided to clients

- MarTech revenue up 24% to £38.2m (2017: £30.7m), driven by growth in subscriptions for our Marketing Cloud platform, powered by our Kx technology

- High-profile client including with a Fortune 500 manufacturing company, a FTSE 100 gaming company and Aston Martin-Red Bull Racing leading to inbound interest across a range of markets

- Continued investment across the Group, including machine learning and AI initiatives, to further penetrate our addressable market in software

- Boosted capabilities in telco, a key target market, through the acquisition of Telconomics

- Accelerated recruitment to 390 graduates during the year, up 94% on prior year and reflecting confidence in the continued demand for the Group’s software and consulting services

Financial highlights:

Year ended 28 February	**2018**	**2017**	Change
Revenue	**£186.0m**	**£151.7m**	*23%*
Adjusted* EBITDA	**£34.1m**	**£28.8m**	*19%*
Profit before tax	**£12.1m**	**£12.5m**	*-3%*
Adjusted** profit after tax	**£19.5m**	**£16.1m**	*21%*
Adjusted** fully diluted EPS	**72.2p**	**61.3p**	*18%*
Full year dividend per share	**24.0p**	**20.0p**	*20%*
Net debt	**£16.2m**	**£13.5m**	

** Adjusted for share-based payments and acquisition costs*
*** Adjusted for amortisation of acquired intangibles, share-based payment charge, acquisition costs, foreign currency translation effect, share of loss of associate and exceptional taxation*

About FD

FD is a multinational software and consulting Group, engaged particularly with finance, technology, retail, pharma, manufacturing and energy institutions. The Group's roots are in the capital markets industry, where its work on supporting mission-critical systems led to the development of Kx technology which addresses the most demanding data challenges its clients face. Although these activities remain a key focus and driver of growth, the Group has also expanded its scope of activities to target a range of other markets where Kx provides a competitive advantage.

The Group's strategic objectives are:

- To grow its managed service and consulting activities, enabling the Group to become a leading global capital markets practice

In its Managed Services and Consulting division, the Group leverages its consultants' combination of capital markets domain expertise and technical skills. These skill sets are developed using proprietary training programmes which distinguish FD staff from those of competitors. The Group believes that its increasing scale and reputation for delivery, combined with the ability to deliver from near-shore locations, will enable it to achieve its strategic objective.

- To exploit the technological leadership it has established in finance through the development of Kx technology

Kx technology was developed for use cases involving market data within capital markets. It has established a market-leading position, reflected both in its client base (which includes the global top 20 investment banks) and its dominance of industry benchmarks as published by STAC, an independent technology evaluation body. The Group continues to see multiple growth opportunities within finance, both from winning new clients and increasing the range of solutions in use at existing clients. In particular, the Group expects to benefit from the growing trend towards the use of public Cloud services to store and process market data.

- To use the performance advantages Kx enjoys through its ability to handle large volumes of data, particularly real-time or streaming data, to penetrate other markets.

Although originally developed for use in capital markets, Kx is data agnostic. The Group has a long-held belief that Kx's performance advantages make it attractive within new markets facing data challenges involving volume and/or velocity of data. In recent years FD has begun to enter those markets it considers to be the most attractive by virtue of the size of the addressable opportunity and the competitive advantage Kx provides. While the underlying Kx platform does not require customisation for each new market, domain expertise is required to ensure the Group addresses and solves the most applicable data challenges. This domain knowledge has been obtained through a number of approaches, including financially-disciplined acquisitions, partnerships, OEM relationships and direct recruitment. While still in the early stages of its strategy for new markets, the Group is encouraged by the performance advantages Kx has demonstrated and early client wins across a number of industries.

In setting its strategic objectives, the Group's overall aim is to increase shareholder value by consistently growing revenue and profits while also continuing to invest to take advantage of opportunities to increase its total addressable market. The strategy to achieve this expansion is a combination of organic growth supported by investment in the Group's infrastructure supplemented by selective acquisitions that create opportunities for further development.

Strategic Report *(continued)*

Organic growth is driven by providing innovative products and services to clients. These products and services are typically focused on delivering additional revenue opportunities, increasing cost efficiency and/or overcoming operational challenges within the clients' businesses. The Group's capability to deliver these benefits has resulted in growing demand for its software and consulting services. The Group has a track record of identifying, acquiring and integrating businesses that provide strategic benefits, such as domain expertise within target markets, to complement its organic growth.

Business Model

Headquartered in Newry, Northern Ireland and with fourteen offices across four continents, the Group operates on a global basis. Its products and services are interlinked and complement each other, simplifying the management of Group operations.

The Group operates common systems and applies common policies, with central support functions including finance, training, internal IT systems management, accounting and human resources delivered primarily from its headquarters. In addition to these core activities, each of the Group's business units has its own staff charged with delivering the Group's strategy, directed by an executive leadership team.

In managed services and consulting, the Group provides a range of services to its clients in the capital markets sector across the world, focused on supporting mission-critical systems as well as helping its clients achieve and maintain regulatory compliance. This can be delivered by operating either from the client site or on a near-shore basis (or adopting a hybrid approach). The Group's managed services and consulting activities are well-established, with more than 20 years of expertise. Clients include many of the world's leading banks and the Group supports their activities across a range of activities including credit, interest rate, foreign exchange, equity, cash and derivatives markets.

The underlying philosophy in this business remains unchanged since inception; to provide data scientists who understand both the capital markets sector itself and the best-of-breed technologies that meet its needs. The Group seeks to undertake both the implementation of this technology and its ongoing support once it has been installed; this increases the level of repeat revenue, since these implementations typically last for many years. The Group operates a direct sales model through more than eighty Master Service Agreements with leading banks globally.

Within the Group's software activities, it provides both core Kx technology solutions comprising database and platform technologies as well as applications based on Kx. Its proprietary database, kdb+, is the world's best performing in-memory, time-series database, as independently evaluated by the Securities Technology Analysis Center (STAC). Together with the enterprise platform which supports it, Kx is designed for rapid and efficient analysis of enormous volumes of data, particularly streaming data.

The compact nature of Kx code enables the technology to compete both on performance (many times faster than other solutions) and on total cost of ownership (significantly lower computing infrastructure required). These advantages have long been recognised within capital markets, where Kx has been utilised for a range of use cases, particularly based on the capture and analysis of market data. In recent years the Group has developed a broad range of capital markets applications, including market and trading surveillance, pre-trade decision making, post-trade reporting and liquidity management.

The Group operates a predominantly direct sales model across its software activities within finance. The Group's strategy on software sales is to sign annual recurring licenses with clients, which underpins Group revenues for future periods.

The Group also sees opportunities for its Kx technology, and applications built on the platform, in new markets outside finance. Whereas historically the volume and velocity challenges confronting capital markets were not as widespread elsewhere, the explosion of data in recent years, particularly from connected machines and sensors, has created opportunities across a number of industries.

The Group has identified digital marketing (MarTech), telecoms, utilities, retail, pharma and the Industrial Internet of Things as markets that are particularly attractive. It has therefore invested in sales, engineering and R&D to target these markets, as well as forming partnerships and making acquisitions where appropriate.

The Group employs a range of strategies to penetrate new markets. These include both cross-sector lead generation and direct sales teams, partnerships and OEM agreements, and revenue share agreements with organisations using the Kx platform to deliver applications targeted at specific market segments. This flexible and adaptive approach provides the Group with a wide range of opportunities, both in terms of markets and geographies.

Business Environment and Market Potential
As noted above, the Group operates in a number of large addressable markets and is involved in many of the leading developments within the technology sector.

In managed services and consulting, industry analysts Gartner estimates the total spend on IT services in banking in 2018 to be $218 billion, providing vast potential for the Group to grow its revenues. Neither is the Group's potential to exploit this opportunity constrained by its ability to recruit and train suitable staff – for every graduate recruited by the Group in 2017, there were in excess of 25 suitably-qualified applicants.

With regard to the opportunity for Kx, estimates derived from working with industry analysts Gartner indicate the Group's addressable market within finance to be $11 billion in 2018, rising to $15 billion in 2020. When aggregated with opportunities in other sectors, the total addressable market of the Group's software is estimated to be $63 billion in 2018, rising to $83 billion in 2020.

The size and growth of these addressable markets results from the increasing level 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). All indicators are that this trend will continue unabated, particularly as Cloud Computing facilitates access to immense processing capabilities.

IDC estimates that the amount of data which can be usefully analysed will grow by a factor of 100 to 57 trillion gigabytes by 2025, with a particular focus from embedded systems and the Internet of Things, both areas where Kx technology has a competitive advantage. In addition, real-time data is forecast to account for almost 30% of all data by 2025, compared to less than 20% currently, again driven by growth in the Internet of Things.

Given the growth in its markets, the Group devotes considerable resources to ensuring its software remains at the forefront of emerging technology trends. In addition to its central R&D teams and feedback from existing and potential clients, the Group's research facility, Kx Labs, is charged with ensuring Kx benefits from changes in the technology landscape. This has led to some impressive tangible results.

Given the vast addressable markets for both its managed services and consulting propositions and its world-leading technology, the Group believes it is still in the early phase of commercial exploitation of these opportunities. It remains committed to a financially-disciplined approach to expansion which provides the optimum balance between risk and reward for shareholders.

Chairman's Review

The Board is pleased to report another year of strong growth and progress against our strategic objectives. The Group has made further progress in its journey to become a global leader in ultra-high performance analytics and in doing so has undergone significant change and delivered substantial growth. While much remains to be done if the Board's ambitious growth plans are to be met, I am encouraged by the progress so far and confident both in the capabilities of our technology and in the ability and determination of management and staff to deliver.

The Group's strategy has remained consistent since the acquisition of Kx Systems in October 2014, which enabled us to take control of our entire technology stack and increased the total size of the market we are able to address by a factor of more than ten to in excess of $60bn. To summarise, our strategy is:

- To become a leading global capital markets practice
- To capitalise on the leading position of our Kx technology in capital markets; and
- To use Kx's performance advantages to penetrate new markets

We continue to make progress on each of these objectives, as detailed in this annual report, and a measure of that success is that even though our FinTech business has continued to grow strongly in recent years, nearly a quarter of Group revenue now comes from other markets.

The year in review
Group revenue increased by 23% to £186.0m and adjusted earnings per share increased by 18% to 72.2p (2017: 61.3p). The Group also strengthened its operational capabilities to support its increasing scale. During the year we accelerated our recruitment and training, reflecting strong demand for our software and services. This was driven by increased activity within our client base to maximise the value they obtain from data and by our increased capacity to meet that demand through the breadth and depth of our skills and proprietary methodologies.

Balancing growth and investment
In recent years the Board has been careful to balance growth with the necessary investment to enable the Group to achieve its strategic objectives. Adjusted EBITDA margins were slightly lower at 18%, reflecting this investment, yet the Group delivered growth in adjusted EBITDA of 19%. Over the last three years, the Group has delivered a compound annual growth rate (CAGR) of 31% in revenue and 30% in adjusted EBITDA. The Board will continue to evaluate the level of investment required to optimise returns for shareholders over the medium term.

Meeting the needs of all stakeholders
In addition to shareholders, the Board acts in the interests of all stakeholders, including creditors, suppliers, employees and the local community and has detailed policies in place to ensure this continues to be the case. Within the past year, the Group has reported on its Gender Pay Gap and published the results on its web site. While performing better than its peers, more remains to be done, particularly to increase the proportion of women in senior management positions. The Group has a strategy in place to achieve this objective.

Strategic Report *(continued)*

Corporate development
No substantial acquisitions were made during the year, however in December 2017 the Group acquired Telconomics, a provider of telco analytics software, for consideration of up to €2.5m (excluding working capital adjustment), as part of its strategy to penetrate the telco market. Based in Madrid, Spain, Telconomics has developed products to assist telcos in areas such as network development strategy, network planning and network optimisation. These products are being integrated into the Kx Telco Solutions suite, and will assist the Group in conversations with existing and potential telco clients.

Board Changes
Donna Troy, who is U.S.-based and has extensive sales leadership experience within multinational technology companies, was appointed as a Non-Executive Director in January 2018. Jon Robson, who joined the Group as a Non-Executive Director in 2015, took up an executive role as senior vice-president and consequently stepped down from the Board in May 2017. I welcome Donna to the Board and thank Jon for his contribution.

The Board recognises the talent and hard work of all employees who have helped deliver another successful year. The focus across the Group is on driving further growth, in line with our strategic objectives, for the benefit of all our clients, partners, colleagues and shareholders.

Seamus Keating — 21 May 2018
Chairman

Chief Executive's Review

This year has seen exciting progress in our ambitious growth plans, with important new contract wins across all our markets, the strengthening of our technology lead and an expansion of our routes to market. Revenue increased by 23% to £186.0m and, following our investment to target new opportunities, adjusted EBITDA increased by 19% to £34.1m.

Our software revenue grew by 27% with the highlight being our continued progress in penetrating our vast addressable market. In FinTech, revenue was up 22% as our strong market presence translated into further market share gains. In MarTech, increasing awareness of the high return on investment that our solutions deliver, combined with the release of additional functionality, drove revenue growth of 24%. In other markets we remain in 'launch mode' with revenue growth of 41% representing a scratch on the surface of the market opportunity.

We reported our 21st consecutive year of double-digit revenue growth in managed services and consulting. This was achieved despite a reallocation of some resource to deliver implementations in our software division and underlines the strong demand for our services, which was reflected in our decision to accelerate graduate recruitment during the year, up by 94% to 390 people.

The combination of our technology lead and large addressable market fuels our confidence in the outlook for FD and the associated continuing investment to unlock this potential. While the technology landscape continues to evolve rapidly, our core strength of ultra-high performance data analytics is an important enabler in areas such as machine learning, industrial IoT and blockchain. Our technology is applicable all the way from the chip, to the edge, to the Cloud and, as data volumes and velocity trend higher and faster, we are excited by the potential to enable the next generation of analytics.

Software

Our proprietary Kx technology leads the market in its ability to capture and analyse vast quantities of data, both real-time and historic. Kx comprises the kdb+ database, with its highly-efficient 500kb footprint, and an enterprise layer providing vital functions such as control and visualisation. Together they provide a platform that enables organisations to meet the most demanding data challenges they face, with an efficient design ensuring it can run on a fraction of the hardware required by competing solutions. These core capabilities, along with the capacity to operate on the chip, edge or cloud delivers a compelling solution for our clients. This was evidenced in the year with our software being deployed for edge computing to public environments such as AWS, Azure and the Google cloud.

Our efficiency also extends to internal development. Since our solutions are based on a common technology platform, we run single R&D and support teams, providing significant economies of scale and reduced development time for new products.

These technology and commercial advantages are being increasingly recognised across industries and creating significant opportunities for the Group. Clients have flexibility to develop bespoke analytics for their particular requirements or can implement applications developed by ourselves or a growing number of OEM partners who use their own domain expertise to provide solutions targeting a particular market.

The market opportunity for our platform and applications is enormous. During the year, working with industry analysts Gartner, we assessed its value, based on annual licenses alone, at least $63 billion in 2018 rising to $83 billion in 2020. The market for professional services associated with these licenses was estimated at a further $23bn for 2018.

We continued to expand our routes to market during the year, in line with our strategy, to help address this opportunity. In addition to direct sales, we offer our software through OEM partners such as Thomson Reuters and via revenue share agreements with companies that have specific domain expertise. We signed agreements with companies such as Quantile, Cobalt, Rx Data Science Inc., AuditComply and Brainwave Bank that entitle us to a share of their revenue in return for the use of Kx to power their solutions. We continue, in conjunction with our strategic financial partners such as the Business Growth Fund (BGF), to identify and work with companies that wish to use Kx to disrupt markets and have a pipeline of exciting opportunities.

FinTech

Revenue from our most mature market, FinTech, increased by 22% to £142.9m. A key driver of growth in FinTech is the imperative for our clients, particularly investment banks, to maximise the value of the data they generate. As a result of our technology's ability to meet this challenge, we are increasingly involved in strategic discussions in which our Kx platform is an enabling technology to achieve desired benefits.

The platform not only provides world leading data analytics capability, but also manages the ingestion, cleansing and normalising of vast quantities of market, reference and client data, removing manual effort and improving accuracy and data accessibility.

Once implemented, we are able to provide a further range of applications that use Kx to help our clients achieve regulatory compliance and deliver operational efficiencies. An example is our surveillance solution, which continues to win market share driven by its cross-asset capabilities, out-of-the-box alerts, flexible configuration and real-time operation. Regulation, including MiFID II, continues to drive contract wins, with planning for the Securities Financing Transactions Regulation (SFTR) and Consolidated Audit Trail (CAT) requirements, among others, driving demand for our applications.

Our liquidity management platform also delivered good growth during the year and has a strong pipeline of opportunities, with its comprehensive analytics capability complementing an efficient trading platform.

Overall, we continue to develop our solutions within FinTech and see strong growth potential from machine learning, with many of our existing clients initiating discussions around the capability of our technology to improve the efficiency of their business.

MarTech

Revenue from MarTech increased by 24% to £38.2m. In this market we leverage the power of Kx to deliver a full B2B account-based marketing platform, with an emphasis on predictive analytics using intent data from internet search. In other words, we help our clients predict and convert their next customer using a range and depth of data that is so vast other technologies cannot compete. The return on investment for our clients is compelling and, despite its short history, we are seeing impressive growth in the platform's subscription revenue.

We continue to develop this platform, branded as MRP Prelytix, particularly to increase its intuitiveness and ability to integrate into a wide range of our clients' systems. During the year we launched an upgraded version of the platform, which has been well received and resulted in an acceleration of growth in the second half of our financial year with good momentum in the current financial year.

While to date the majority of our MarTech clients have been technology companies, MRP Prelytix is applicable to a wide range of industries and we are actively promoting it into new areas. For example, we have signed significant deals with companies operating in the banking, financial services, healthcare, food services and industrial markets.

Looking forward we aim to increase both the functionality and ease of use of our platform to increase its applicability to businesses of all sizes and industries. We believe the macro trends in marketing are playing to our strengths, particularly the desire among organisations to roll out systems across their operations, which our global footprint enables us to achieve. MarTech represents a large addressable market in which we are clearly differentiated.

Other Markets
While FinTech and MarTech are the markets in which we have achieved the greatest commercial progress to date, a key element of our strategy is to establish Kx in other markets which are challenged by data volumes and velocity. During the year, revenue from these other markets increased by 41% to £5.0m, representing encouraging initial traction across a range of high-value opportunities. In particular:

- *Sensor analytics* – we secured an important contract win with a Fortune 500 engineering solutions company for the use of Kx as the high-performance data historian and analytics engine in the client's fault detection product range. Initial implementations, which started after the year-end and have progressed well, should contribute to our growth in the current year. This is a high-value contract where Kx's superior analytics performance, handling millions of sensor readings per second, enabled us to displace the incumbent solution.
- *Automotive* – we announced that Aston Martin-Red Bull Racing had selected Kx for analytics on data from its Formula 1 cars. This reinforces the cutting-edge performance of Kx for sensor analytics within automotive, where a wider opportunity to provide analytics for mass produced cars represents a target for the Group.
- *Gaming* – we announced a contract win with a FTSE 100 gaming company for the use of Kx to provide data analytics for its operations.

These contract wins with high profile companies are helping to establish our presence in these new target markets. Each of them has led to further inbound interest in our capabilities, helping to boost our pipeline and giving us confidence in the outlook for our software business in these markets.

A further key target market is telco, where we consider Kx to be ideally suited to providing operational intelligence. To boost our presence in this market we acquired Telconomics in December 2017, which provides several software products in areas including network development strategy, network planning and network optimisation.

We are also exploring a number of cutting-edge technology themes that have the potential to produce significant commercial returns. These include blockchain, where Kx is embedded in solutions provided by Cobalt DL as it seeks to reduce post-trade risk and cost for financial market participants; dynamic pricing, where Kx can analyse multiple variables in real-time to maximise revenue for gaming companies; and machine learning, where we are involved in a number of projects where Kx is being evaluated as a core element of potential solutions.

Research and development
We have made significant progress in both the performance and the capabilities of our technology stack over the past year, protecting our technology lead and expanding the use of our platform. In particular we:

- Released new versions of our kdb+ database and enterprise platform, which set new benchmarks as measured by the Securities Technology Analysis Center, an independent body. We currently hold 34 of the 41 STAC benchmarks, reinforcing our credentials as the world's best performing time-series database.

- Announced a range of measures to put machine learning capabilities at the heart of our platform, in response to customer demand, including improving access to the power of kdb+ for Python programmers.
- Released, after the year end, an on-demand service for our software for use on-premises as well as in the Cloud. We also announced that the latest version of Kx supports rapid access to unstructured data, broadening our addressable market.

In addition to technical enhancements we have developed our platform to ensure it is optimised for certain use cases such as sensor data analytics and developed analytics which are applicable to a number of the new markets we are targeting. This development work represents a significant element of our ongoing investment to target opportunities in new markets.

Managed Services and Consulting
Our managed services and consulting activities delivered another solid performance, with growth accelerating through the year as a result of our increased recruitment and training efforts. Our activities focus on the support of mission-critical systems within banks, ranging from those developed by our clients in-house to those supplied by a range of third parties such as Murex and Calypso. We have more than 20 years of experience working with these systems, which has enabled us to gain deep insights into our clients' systems and respond rapidly to changing themes and priorities.

Revenue increased by 17% to £74.1m, driven by growth in the U.S. and Europe as our clients sought our assistance with digital transformation projects, complementing our core support activities. Our increasing scale enables us to present teams of diverse experience levels across the landscape of business and technology and to widen the range of services we provide. In particular, over the past year we have successfully introduced proprietary methodologies for testing and migration, which are key areas for banks as they seek to modernise their IT architecture.

A key focus for the Group in recent years has been assisting our clients with their regulatory compliance initiatives. This has now broadened into wider conversations about data governance, involving systems spanning operations, legal and compliance within banks. FD is able to assist through both consulting and software solutions around data quality, streamlined processing and global standardisation of processes.

The quality of our relationships with major banks and the increasingly strategic nature of our engagements is encouraging for future growth prospects. We continue to grow the proportion of our revenues that are performed remotely, from our near-shore centres and particularly our headquarters in Newry.

A selection of our new contract wins during the year included:

- The implementation and support of a third-party system for a New York-based bank, representing one of the largest contracts in our history.
- A major upgrade to a third-party system deployed in the U.S. by a European financial institution.
- The development, implementation and support of robotic process automation (RPA) software for a major client, delivering significant operational efficiencies through the elimination of manual processes.

Our reputation for delivery and client satisfaction, coupled with the repeat nature of the majority of our support engagements with clients, provides a solid revenue base in managed services and consulting. Our growth is driven by our increasing scale and the growing breadth of our capabilities, as referenced in the contract wins above.

First Derivatives plc

Strategic Report *(continued)*

Management and Personnel
The Group now employs more than 2,200 people, up from over 1,750 at the same time last year. FD is a dynamic organisation, providing high quality training and development and offering opportunities for rapid career development in some of the most exciting technology markets in the world. As a result, roles within the Group are in high demand and we enjoy strong retention rates.

Our record growth in graduate recruitment is a statement of confidence both in the talent we are able to attract and our growth prospects. We operate a comprehensive training programme for our graduates spanning data science and capital markets, which differentiates us from our competitors and provides the flexibility to direct our people to those areas where they can generate the most value for the Group.

During the year we won two awards, namely Company of the Year at the UK Tech Awards and FinTech Company of the Year at the QCA Awards. In large part this was recognition of the efforts of our staff and I would like to thank all FD employees for the contribution they have made to our success through their hard work, talent and flexibility.

Current Trading and Outlook
The new financial year has started well, with a healthy pipeline of new business opportunities and strong demand generated by our increasing strategic importance to clients. In particular, we continue to capitalise on the investments we have made in recent years in R&D, sales and marketing and expanding our channels to market. The scale of our addressable markets in FinTech, MarTech and elsewhere for our Kx technology provides the potential for the Group to continue growing strongly.

Our solid base of repeat and recurring revenue coupled with the strength of our pipeline provides confidence in our outlook and we remain confident that we are on track to deliver further for shareholders.

Brian Conlon
Chief Executive Officer

21 May 2018

Financial Review

Group revenue increased by 23% to £186.0m (2017: £151.7m), which was predominantly organic. An analysis of revenue is provided in the table below.

		2018 £'000	2017 £'000	Change
Group Revenue		**186,042**	**151,697**	***23%***
FinTech		**142,857**	**117,449**	***22%***
Managed services and consulting		*74,130*	*63,494*	*17%*
Software:	*Recurring*	*24,660*	*20,492*	*20%*
	Perpetual licenses	*7,016*	*7,187*	*-2%*
	Implementation and support	*37,051*	*26,275*	*41%*
MarTech		**38,154**	**30,668**	***24%***
Software:	*Recurring*	*15,454*	*10,178*	*52%*
	Services	*22,700*	*20,490*	*11%*
Other Markets		**5,031**	**3,589**	***41%***
Software:	*Recurring*	*1,088*	*855*	*27%*
	Perpetual licenses	*270*	*-*	*-*
	Implementation and support	*3,673*	*2,725*	*35%*

Managed services and consulting revenue increased by 17% to £74.1m and represents 40% of Group revenue (2017: 42%). Software revenue increased by 27% to £111.9m, with recurring software revenue increasing by 31% to £41.2m.

Adjusted EBITDA as detailed on page 36 increased by 19% to £34.1m (2017: £28.8m), with an adjusted EBITDA margin of 18% for the period (2017: 19%), a strong performance given the ongoing investment to deliver future growth. We have continued to grow our sales and marketing capability, in addition to adding domain expertise to assist our move into new markets, building out our software solutions delivery teams and investing in recruitment and training across the Group.

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

	2018 £'000	2017 £'000
Capitalisation of R&D costs	7,486	7,085
Amortisation of R&D	(6,214)	(4,944)
Net capitalisation	**1,272**	**2,141**
Proportion of software revenue	*1%*	*2%*

Strategic Report *(continued)*

The adjusted profit after tax for the year of £19.5m (2017: £16.1m) represented growth of 21%. The Group's effective tax rate was 16% (2017: 28%), the reduction being predominantly attributable to a tax credit of £1,431k as a result of the revaluation of our U.S. deferred tax balances following the U.S. tax reforms. The adjusted tax rate was 20% (2017: 23%) with the decrease resulting from the reduction in the U.K. main rate of corporation tax and an increase in expenses deductible in the U.S. for tax purposes.

The fully diluted average number of shares in issue increased to 27.0m (2017: 26.2m). This resulted in adjusted fully diluted earnings per share of 72.2p, representing growth of 18% for the year (2017: 61.3p).

The calculation of adjusted profit after tax is detailed below.

	2018 **£'000**	**2017** **£'000**
Reported profit after tax	10,208	9,012
Adjustments for:		
Amortisation of acquired intangibles	4,684	4,759
Share-based payment and related costs	2,710	2,056
Acquisition costs and changes in contingent purchase consideration	3,570	2,953
Loss/(gain) on foreign currency translation	1,386	(1,475)
Share of loss of associate	70	24
Tax effect of the above and U.S. tax reform	(3,123)	(1,252)
Adjusted profit after tax	19,505	16,077
Weighted average number of ordinary shares (diluted)	27.0m	26.2m
Adjusted EPS (fully diluted)	72.2p	61.3p

The Group generated £25.3m of cash from operating activities before taxation payments (2017: £30.3m), representing a 74% conversion of adjusted EBITDA (2017: 105%). The factors affecting conversion include the impact of strong trade debtor conversion at the end of the prior year and increased working capital absorption in line with the strong revenue growth in the second half of the year.

The Board has recommended payment of a final dividend of 17.00p per share (2017: 14.00p per share) which, together with the interim dividend of 7.00p per share paid in December 2017, gives a total dividend for the year of 24.00p per share, an increase of 20% compared to the prior year. The final dividend, if approved at the AGM on 27 June 2018, will be paid on 20 July 2018 to those shareholders on the register on 22 June 2018.

Total assets at 28 February 2018 were £254.6m compared to £253.2m at 28 February 2017.

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.

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

Market risk
The Group operates in a competitive and cyclical market environment which make it more difficult to forecast future demand from clients. It addresses these risks by targeting consulting assignments with long-term visibility, by continuing the professional development of its consultants to increase their skills and experience, by seeking annual license agreements for software contracts and by expanding and diversifying its portfolio of software and services offerings. In addition, the Group's expansion into new industries reduces its exposure to sector-specific impacts.

Technological changes
Technology in the software industry can change rapidly. In order to remain competitive, 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 clients. In addition to its central R&D team, the Company formed Kx Labs in 2015, which is tasked with identifying technology trends and new software product opportunities to further mitigate this risk.

Retention of key client relationships
Through its superior products and services coupled with high-calibre implementation and support, FD strives to maintain successful relationships with all its clients. Events outside of its control such as changes in ownership or business priorities could adversely affect revenues from these relationships. This risk is mitigated in several ways including increasing the number of clients, diversification into new industry verticals, a growing presence in geographic regions outside of the UK and US plus long-term contracts wherever possible. A low level of client attrition is evidence of the Group's success in reducing this risk.

Growth management
The Group has experienced several years of strong growth and expects this to continue. It needs to manage this growth effectively or there is a risk that the quality of its client offering will drop and/or cost control and operational effectiveness will deteriorate. This requires continual improvement in operational, financial and management controls, in reporting systems and procedures, and in training programmes to motivate, manage and develop employees. Increasing levels of investment are made in each of these areas every year to improve and augment existing functions that will continue to manage the Group's growth.

On behalf of the Board

JJ Kearns 21 May 2018
Secretary

First Derivatives plc

Board of Directors

Seamus Keating, Chairman
Seamus was appointed as an independent non-executive director of the Company on 10 December 2012 and was appointed Non-Executive chairman on 18 July 2013. He has over 20 years' experience in the global technology sector in finance and operational roles and was a main Board director of Logica plc from 2002 until April 2012. He was Chief Financial Officer of Logica plc from 2002 until 2010 when he became Chief Operating Officer and head of its Benelux operations. Prior to his role at Logica plc, he worked for the Olivetti Group from in senior finance roles in the UK and Italy. He served as non-executive director and Chairman of the audit committee of Mouchel plc from November 2010 to September 2012. He is currently Chairman of Sionnach Ltd, the holding company of Version1 Ltd, a technology services Group, a non-executive director of BGL Group Limited, a non-executive director of Callcredit Limited, a non- executive director of Mediclinic International plc and a non-executive director of Mi-pay Group plc.

Brian Conlon, Chief Executive Officer
Brian founded First Derivatives in 1996 and has led its development ever since. His background is in the capital markets sector where, following training with KPMG, he joined the risk management team in Morgan Stanley International, London. He then joined SunGard, a major global derivatives software house, as a capital markets consultant, during which time 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 September 2008 and has responsibility for the Group's financial operations. 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 such as CIO at Merrill Lynch, Bankers Trust, Deutsche Bank and Marsh & McLennan Companies, Inc. Virginia is currently a Director of JetBlue Airways Corporation, the public company Regis Corporation, and is a member of the Advisory Board for Chicago Trading Company and Nutanix (leading Cloud Computing Provider).

Keith MacDonald, Non-Executive Director
Keith is a Chartered Director, a fellow of the Institute of Chartered Accountants in Ireland and a director of several companies with significant international operations. Keith was formerly the Global Head of Structured Corporate Finance for Lloyds Banking Group and 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 being Asia-Pacific Head of Structured Corporate Finance. He has been a director of First Derivatives plc since June 2011.

Donna Troy, Non-Executive Director (Appointed 15 January 2018)
Donna has extensive experience in both senior executive and non-executive roles within multi-national technology companies. She has held division general management and sales leadership roles in organisations including IBM, McAfee, SAP, Dell and Epicor, delivering revenue and margin growth and implementing global go-to-market strategies. She currently holds non-executive roles at Pivot3 and TIBCO and is based in Austin, Texas.

First Derivatives plc

Directors' Report

The Directors have pleasure in submitting to the shareholders their annual report and the audited financial statements of the Group and Company for the year ended 28 February 2018.

Results and dividend
The Group's profit after taxation attributable to shareholders for the year to 28 February 2018 was £10,208k (2017: £9,012k).

The Directors propose the payment of a final dividend of 17.00 pence per share (2017: 14.00 pence) which, together with the interim dividend of 7.00 pence per share (2017: 6.00 pence), totals 24.00 pence per share (2017: 20.00 pence). The final dividend has not been included in payables as it was not approved before the year end.

Dividends paid during the year comprised a final dividend of 14.00 pence per share for the year ended 28 February 2017 and an interim dividend of 7.00 pence per share for the year ended 28 February 2018.

Directors
The Directors who held office during the year were as follows:
B Conlon
G Ferguson
V Gambale
S Keating
K MacDonald
J Robson *(Resigned 15 May 2017)*
D Troy *(Appointed 15 January 2018)*

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 25 to 27 and the information is incorporated into the Directors' Report by reference.

Substantial shareholdings
At 21 May 2018, the Group had received notification of interests in 3% or more of the ordinary share capital from B Conlon (30.6%), Standard Life Aberdeen (9.7%), Polar Capital Holdings (4.5%), T Rowe Price (3.8%), Octopus Investments (3.7%), Legal & General Group plc (3.6%), Slater Investments (3.2%) and Oppenheimer Funds (3.1%).

Research and development
The Group's policy is to invest in product innovation and engage in research and development activities geared toward the enhancement of its software products. During the year costs of £7,486k (2017: £7,085k) 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 £1,807k (2017: £1,721k) were expensed during the year.

Employee Opportunities
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.

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.

Directors Report *(continued)*

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 risks. The main cash flow, credit and liquidity risks are those associated with selling on credit. However, the vast majority of the Group's clients are substantial enterprises so there is little or no default risk. The Group is also exposed to the impact of fluctuations in exchange rates as it generates income and incurs expenses in currencies other than sterling (GBP). The Group's main exposure is to the US dollar (USD), Euro (EUR) and Canadian dollar (CAD). However, because it has both income and expenses denominated in foreign currency, its net exposures are substantially lower than the gross balances.

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. Furthermore, by funding in U.S. dollars the acquisitions of Market Resource Partners LLC (MRP), Reference Data Factory Inc (RDF), Prelytix Inc. and the investment in Kx Systems, the Group achieved 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 (2017: £nil).

Future developments

As highlighted in the Chairman's Review and the Chief Executive Review, 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 expanding range of target market segments through a combination of organic growth and selective acquisitions. No material change to this approach is currently contemplated.

It is likely that the Group's consultancy focus will remain primarily on capital markets, although exploitation of the Group's software assets is being pursued across a number of other sectors.

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 become aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

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

By order of the Board

JJ Kearns — 21 May 2018
Secretary

First Derivatives plc

Corporate Governance

The Company is listed on the Alternative Investment Market (AIM) and is required to comply with the requirements of "AIM Rules for Companies – January 2018", issued by the London Stock Exchange. The Board is committed to ensuring the high standards of corporate governance and, in recognition of best practice, goes beyond these rules to meet the provisions of the UK Corporate Governance Code ('the Code') in a number of areas.

The Board
Led by the Chairman, the Board's principal responsibilities are:

- to establish the vision, mission and values of the Group;
- to set strategic objective and provide the leadership to put them into effect;
- to monitor and assess financial performance;
- to embed a framework of controls which allow for the identification, assessment and management of risk;
- to ensure the Group fulfils its obligations to shareholders, employees, clients and other stakeholders.
- The effective discharge of these responsibilities is intended to achieve high standards of governance within the Group.

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; material acquisitions; significant contracts; annual reports and interim statements; and any significant funding and capital expenditure plans.

The Board meets regularly to discuss 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 to the Board meetings, 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. In addition, the Chairman meets separately with the Non-Executive Directors to assess the effectiveness of the Board in discharge of its priorities.

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 Chairmanship 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. FD satisfies these requirements in full, the Chairman being fully independent with no connection to the Group prior to becoming a Director and subsequently Chairman of the Board.

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.

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.

Corporate Governance *(continued)*

At the period end, the Board comprised a Non-Executive Chairman, Chief Executive Officer, Chief Financial Officer and three Non-Executive Directors. Biographical details of the directors are provided on page 17.
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 the requisite 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 capabilities, 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 effort 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
Both at its periodic meetings and in separate briefing sessions between Non-Executive Directors and senior management (including Executive Directors), the Board are kept fully appraised of all material commercial and technological developments likely to affect the Group's performance and prospects.

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 regularly. These packs, together with annual budgets, enable the Board to monitor the operational performance and cash position each month and allocate the Group's resources.

Adherence to high standards in the areas of Health & Safety and Corporate Social Responsibility are also monitored by the Board on a regular basis.

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. Going forward, all Directors will offer themselves for re-election annually.

During the period under review, there was one new appointment to the Board and one resignation.

- Jon Robson resigned as a Non-Executive Director on 15 May 2017 as he assumed an executive position within the Group.
- Donna Troy was appointed to the Board on 15 January 2018.

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.

Corporate Governance *(continued)*

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal controls and external audits particularly with respect to the integrity, reliability and transparency of published financial information. The Audit Committee has formal meetings prior to the publication of the interim and final results and additional meetings on an ad hoc basis. The auditors attend the Audit Committee meeting prior to the publication of the final results. All members of the Audit Committee have directorship experience of other publicly-quoted companies either currently or in the recent past.

The Remuneration Committee determines the remuneration of senior executives. Levels of remuneration are set in order to attract and retain the senior executives needed to run the Company based on objective comparable market data. In addition, the Remuneration Committee provides guidance and direction into all major compensation-related policy decisions by the Group.

Internal Control
The Board has overall responsibility to ensure that the Group's internal control system is comprehensive, coherent and responsive to the evolving environment in which the Group operates.

Recognising that no system of internal control can provide absolute assurance against the risk of misstatement or loss, the Group's systems are nevertheless designed to meet its business objectives whilst effectively reducing risks to an acceptable level. The Group has built a robust framework of internal control around risk identification, impact assessment, probability of occurrence and mitigation strategies.

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 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 Group's brokers and NOMAD, external advisers and other relevant parties.

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.

The mid-market price of the Company's shares at close of business on 28 February 2018 was £38.00 (2017: £22.95) and the high and low share prices during the year were £43.80 (2017: £23.30) and £22.88 (2017: £14.62) respectively. The average share price during the year was £31.70 (2017: £19.36).

Corporate Governance *(continued)*

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 of publication;
- 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 talent within its 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 or 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 there are ample opportunities for career progression, determined solely by ability and achievement. A number of employees participate in the growth of the business through the ownership of share options, with a wider pool of 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 clients, 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.

Clients

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

Corporate Governance *(continued)*

Other Stakeholders

The Group recognises that it plays an important role in relation to many other stakeholders including suppliers, local communities, Governmental agencies and the wider public who benefit directly or indirectly from its products and services. As one of the largest private sector enterprises headquartered in Northern Ireland, it is particularly aware of its responsibilities to maintain high standards in all aspects of its business and the Board pays close attention to this imperative.

First Derivatives plc

Report of the Remuneration Committee

Although not required to comply with the Code, the Remuneration Committee operates within defined terms of reference substantially similar to the Code and consistent with the interests of shareholders. The Remuneration Committee comprises the Non-Executive Chairman, Seamus Keating and Non-Executive Director Virginia Gambale.

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. A key element of the Group's policy is to align the interests of managers with those of shareholders through the grant of options and other equity rewards. These incentives are structured to encourage retention over the longer term.

The components of the Executive Directors' remuneration packages are currently a basic salary, bonus, money purchase pension contributions, share-based payment 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 together with changes in comparable market remuneration.

Pension
The Group operates a defined contribution scheme for Executive Directors which entitles participants 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, adjusted EBITDA and adjusted earnings per share.

The bonus scheme for the Executive Directors includes an on-target bonus of 50% of basic salary with up to a maximum of 100% being achievable.

Share Option Plan
The Executive Directors may also participate in the Company's 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 Group's pension scheme nor do they receive share options.

Details of each Director's remuneration is set out in the table below. Non-Executive Directors Virginia Gambale and Donna Troy, 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 Ms Troy are additionally entitled to receive payment of approximately £20,000 in FD shares, issued and allotted on the business day following publication of the Group'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 Group's preliminary results.

Report of the Remuneration Committee *(continued)*

Directors' remuneration (audited)

	Salary and fees £'000	Benefits £'000	Bonus £'000	Share based payment £'000	**2018 Total excluding pension £'000**	2017 Total excluding pension £'000	**2018 Pension £'000**	2017 Pension £'000
R D Anderson*	-	-	-	-	**-**	18	**-**	-
B G Conlon	330	-	330	-	**660**	626	**33**	31
R G Ferguson	200	-	150	135	**485**	453	**20**	20
V Gambale	50	-	-	28	**78**	76	**-**	-
S Keating	100	-	-	-	**100**	100	**-**	-
K MacDonald	45	-	-	-	**45**	45	**-**	-
J Robson**	73	-	-	-	**73**	367	**-**	7
D Troy	6	-	-	-	**6**	-	**-**	-
Total	**804**	**-**	**480**	**163**	**1,447**	1,685	**53**	58

**Details of the above table reflect the directors' remuneration up to the date of resignation on 13 May 2016*
***Details of the above table reflect the directors' remuneration up to the date of resignation on 15 May 2017*

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

	Number of ordinary shares 28 February 2018	28 February 2017
R D Anderson*	-	120,000
B G Conlon	7,853,953	7,853,953
R G Ferguson	100,000	122,647
V Gambale	10,053	8,913
S Keating	25,314	25,314
K MacDonald	45,741	55,741
J Robson**	1,643	1,643
D Troy	-	-

**Details in the above table reflect the director's interests at the date of resignation on 13 May 2016*
***Details in the above table reflect the director's interests at the date of resignation on 15 May 2017*

Report of the Remuneration Committee *(continued)*

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

The movement during the year in share options held by the Directors over ordinary £0.005 shares in the Company are set out in the table below.

	1 March 2017	**Granted during the year**	**Exercised during the year**	**28 February 2018**	**Exercise price £**	**Exercise period**
Graham Ferguson	200,000	-	-	200,000	17.25	2019-2026

The Remuneration Committee has set total shareholder return (TSR) performance conditions for the share options granted to Graham Ferguson on 18 July 2016. These vest on a sliding scale based on achieving a minimum of 50% and up to 100% TSR over the three year period from grant.

The Company recognised total expenses of £1,586k (2017:£1,392k) related to equity-settled share-based payment transactions during the year. Expenses of £163k (2017: £161k) related to share options granted to the Directors. There were no share options exercised by the Directors during the year (2017: 150,000).

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

First Derivatives plc

Report of the Audit Committee

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

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

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

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

Business during the year
As would be expected for a Group of its size, scale and nature of activities, the financial statements include items where judgement must be exercised to determine the most appropriate accounting treatment and associated disclosure. The issues considered by the Committee during the year that are considered to be significant include:

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

Goodwill & Intangible Assets
Amortisation of intangible assets has been recorded in accordance with the Group's accounting policies. There have been no events which would indicate any impairment to goodwill during the year ended 28 February 2018. The Group continues to capitalise internal software development costs in accordance with IAS 38 with amortisation policies continuing to be deemed appropriate on the basis of the Group's sales pipeline. No indication of impairment has been identified.

Report of the Audit Committee *(continued)*

Acquisitions and Deferred Consideration
The Audit Committee monitors the ongoing performance of acquisitions made by the Group to measure and assess progress against milestones for any contingent deferred consideration, including the potential mix of shares and cash involved.

Investments
During the period the Group has invested in a number of start-up businesses who are seeking to use Kx technology as a platform for their software solutions. Under IFRS, reporting investments are to be carried at fair value with any movements going to other comprehensive income. A fair value review was performed as at 28 February 2018 and no impairment has arisen.

Share Based Payments
The value of options issued by the Group is required to be calculated and is prepared using the adjusted Black-Scholes model which is subjective in nature. Following a detailed review during the year no material changes to assumptions utilised in the prior year are deemed to be required.

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

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

Pro-active self-assessment to assist in early-stage identification of potential risks and threats is a key element of the Group's approach to risk control. Where appropriate, the Group seeks to insure itself against the risks it faces.

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

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

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

First Derivatives plc

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

The directors are responsible for preparing the Annual Report and the Group and Company 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 as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss 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 judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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 — 21 May 2018
Secretary

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

1 Our opinion is unmodified

We have audited the financial statements of First Derivatives plc ("the Company") for the year ended 28 February 2018 which comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated and Company statement of changes in equity, the consolidated and Company cash flow statements and the related notes, including the accounting policies in note 1. The financial reporting framework that has been applied in their preparation is UK Law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 28 February 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are further described in the *Auditor's Responsibilities* section of our report. We have fulfilled our ethical responsibilities under, and we remained independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Revenue recognition - £186.0m (2017: £151.7m)
Refer to page 59 (accounting policy) and page 67 (financial disclosures)

The risk
The Group and Company have a range of revenue streams across their components, including software sales, consulting services, data management, hosting and transactional activities. There is a risk that revenue may be recorded on an inconsistent basis with the contractual terms agreed with the customer or not in accordance with the Group and Company's accounting policy regarding revenue recognition or revenue may not be recognised in the correct year.

Our response
Our procedures in this area included, amongst others, we tested the operating effectiveness of internal controls regarding the recognition of revenue and examined a sample of contracts to assess revenue recognition in accordance with the terms of the contracts and the Group and Company’s accounting policy on revenue recognition. We assessed customer relationships and contracts to determine if any goods or services were bundled in respect of contracts comprising software sales and consulting services, including assessing the appropriateness of the allocation of contract revenue to multiple element deliverables. We performed testing for a sample of revenue items booked either side of the year end to ensure that revenue was recognised in the correct period. We assessed the level of deferred revenue and accrued revenue recognised at the year end and performed testing on a sample of deferred revenue and accrued revenue items to ensure it is in accordance with the Group and Company’s accounting policy in respect of revenue recognition.

The results of our testing were satisfactory and we found the amount of revenue recognised to be acceptable (2017: acceptable).

Valuation of goodwill and intangible assets – Goodwill £103.9m (2017: £113.4m) and intangible assets £45.8m (2017: £50.0m)
Refer to pages 51 and 54 to 58 (accounting policy) and pages 78 to 81 (financial disclosures)

The risk
The Group carries significant amounts of goodwill and intangible assets, resulting from business acquisitions across several geographic locations. There is a risk that the carrying value of goodwill and intangible assets is not supported by performance of the Group if global and local economic conditions have negatively affected profitability, or where there are poor trading conditions. Management test the Group’s goodwill for impairment annually and definite life intangible assets if there is an indication of impairment. There is significant judgement involved in preparing forecasts and discounted cash flow projections for this purpose in relation to the various assumptions used as set out in the note on goodwill on page 79.

Our response
In this area, our procedures included, amongst others, evaluating the assumptions and methodologies used in the Group’s goodwill impairment model. In particular those relating to future growth assumptions, the discount rate and terminal growth rate applied to the forecasted cash flows in the model. We evaluated the historical accuracy of the Group’s forecasts by comparing actual to budgeted results. We examined sensitivity analysis over key assumptions and discount rates used to assess the impact on recoverability of the assets.

We compared the Group’s market capitalisation to the book value of the Group’s net assets which indicated that the market capitalisation exceeded the book value by £836.3m as 28 February 2018.

We found the resulting estimate of the recoverable amount of goodwill and intangible assets to be acceptable (2017: acceptable).

Assessment of fair value and accounting of investments – Group £3.4m (2017: £3.1m); Company £3.3m (2017: 3.1m)

Refer to page 54 (accounting policy) and pages 84 and 102 (financial disclosures)

The risk

The Group and Company has a number of equity investments in unlisted companies, which are measured at fair value. Where investments are not publicly traded this involves valuation techniques using unobservable inputs, which can have a significant effect on the asset’s valuation. We have identified a risk in the assessment of the valuation of these investments and the ongoing judgement that the investments should be accounted for as investments rather than an associate on the basis that the Group and Company does not have significant influence.

Our response

Our procedures included, evaluating the process and models used by management in its assessment of the fair value of investments. We assessed the appropriateness of assumptions adopted to determine the fair value of investments including involving valuation specialists. We considered financial and other information made available to the directors and whether this provides objective evidence of impairment such as forecasts prepared by the investee, recent management accounts and presentations to investors on updates in the business, such as access to funding and development of the investee’s technology. We also assessed the accounting categorisation of each interest as an investment or an associate based on ability to exert significant influence and considered the adequacy of the Group and Company’s disclosures in respect of investments.

The results of our testing were satisfactory and we found that the assessed fair value and accounting of investments to be acceptable (2017: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £650k (2017: £675k), determined with reference to a benchmark of Group profit before tax of which it represents 5% (2017: 5%).

Materiality for the Company financial statements as a whole was set at £375k (2017: £540k), determined with reference to a benchmark of profit before tax of which it represents 5% (2017: 5% of pre-tax profit adjusted for foreign exchange loss on loans and borrowings of £3,208k and net intercompany recharged costs of £4,050k).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £33k, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group’s 23 (2017: 20) components, we subjected 8 (2017: 11), which represent the principal activities of the Group, to full scope audits for Group purposes and 2 (2017: 1) to review to component materiality by the same audit team. The latter was not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. Audits for Group reporting purposes were performed for the majority of reporting components in the following countries: UK, Ireland and US. The combination of this work covered 99% (2017: 94%) of total Group revenue; 95% (2017: 90%) of the total profits and losses that make up Group profit before tax and 98% (2017: 99%) of total Group assets.

For the remaining components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within them.

For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £3k and £390k.

4 We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report
Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

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 these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 30, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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
The Soloist
1 Lanyon Place
Belfast
BT1 3LP
21 May 2018

First Derivatives plc

Consolidated statement of comprehensive income

Year ended 28 February 2018

	Note	**2018 £'000**	2017 £'000
Revenue	*5*	**186,042**	151,697
Cost of sales		**(134,402)**	(110,121)
Gross profit		**51,640**	41,576
Other income	*6*	**1,382**	2,148
Administrative expenses	*7*	**(38,320)**	(31,485)
Operating profit		**14,702**	12,239
Acquisition costs and changes in contingent purchase consideration		**3,570**	2,953
Share-based payment and related costs		**2,710**	2,056
Depreciation and amortisation	*16 & 17*	**8,460**	6,750
Amortisation of acquired intangible assets	*17*	**4,684**	4,759
Adjusted EBITDA		**34,126**	28,757
Finance income	*10*	**1**	1
Finance expense	*10*	**(1,150)**	(1,193)
(Loss)/gain on foreign currency translation	*10*	**(1,386)**	1,475
Net finance (costs)/income		**(2,535)**	283
Share of loss of associate using the equity method, net of tax	*18*	**(70)**	(24)
Profit before taxation		**12,097**	12,498
Income tax expense	*11*	**(1,889)**	(3,486)
Profit for the year		**10,208**	9,012

First Derivatives plc

Consolidated statement of comprehensive income *(continued)*

Year ended 28 February 2018

	Note	**2018 £'000**	2017 £'000
Profit for the year		**10,208**	9,012
Other comprehensive income			
Items that will or may be reclassified subsequently to profit or loss			
Net exchange (loss)/gain on net investment in foreign subsidiaries		**(16,779)**	10,836
Net gain/(loss) on hedge of net investment in foreign subsidiaries		**1,570**	(2,871)
Other comprehensive income for the period, net of tax		**(15,209)**	7,965
Total comprehensive income for the period attributable to owners of the parent		**(5,001)**	16,977
Earnings per share		**Pence**	Pence
Basic	*15a*	**40.4**	36.7
Diluted	*15a*	**37.8**	34.4

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

The notes on pages 46 to 114 form part of these financial statements.

First Derivatives plc

Consolidated balance sheet

As at 28 February 2018

	Note	**2018 £'000**	2017 £'000
Assets			
Property, plant and equipment	*16*	**7,714**	6,628
Intangible assets and goodwill	*17*	**149,744**	163,391
Trade and other receivables	*20*	**6,594**	3,630
Equity accounted investees	*18*	**2,631**	1,548
Other financial assets	*19*	**3,433**	3,121
Deferred tax asset	*25*	**18,353**	14,859
Non-current assets		**188,469**	193,177
Trade and other receivables	*20*	**53,718**	43,738
Cash and cash equivalents	*21*	**12,365**	16,250
Current assets		**66,083**	59,988
Total assets		**254,552**	253,165
Equity			
Share capital	*22*	**128**	124
Share premium		**81,286**	72,275
Share option reserve		**14,341**	10,225
Currency translation adjustment reserve		**(6,874)**	8,335
Retained earnings		**49,218**	40,772
Equity attributable to owners of the Company		**138,099**	131,731
Liabilities			
Loans and borrowings	*23*	**25,205**	26,357
Trade and other payables	*24*	**32,127**	35,114
Deferred tax liabilities	*25*	**9,811**	12,932
Contingent deferred consideration	*28*	**-**	3,169
Non-current liabilities		**67,143**	77,572
Loans and borrowings	*23*	**3,346**	3,404
Trade and other payables	*24*	**34,070**	33,681
Current tax payable	*26*	**1,195**	426
Employee benefits	*27*	**5,011**	5,492
Contingent deferred consideration	*28*	**5,688**	859
Current liabilities		**49,310**	43,862
Total liabilities		**116,453**	121,434
Total equity and liabilities		**254,552**	253,165

These financial statements were approved by the Board of Directors on 21 May 2018.

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

Registered Company number: NI 30731

The notes on pages 46 to 114 form part of these financial statements.

First Derivatives plc

Company balance sheet
As at 28 February 2018

	Note	**2018 £'000**	2017 £'000
Assets			
Property, plant and equipment	*16*	**3,764**	3,195
Intangible assets	*17*	**20,629**	19,043
Investment in subsidiaries	*18*	**95,329**	83,023
Other financial assets	*19*	**3,308**	3,121
Trade and other receivables	*20*	**13,579**	5,697
Deferred tax assets	*25*	**12,268**	8,041
Non-current assets		**148,877**	122,120
Trade and other receivables	*20*	**44,119**	48,366
Cash and cash equivalents	*21*	**4,013**	9,499
Current assets		**48,132**	57,865
Total assets		**197,009**	179,985
Equity			
Share capital	*22*	**128**	124
Share premium		**81,286**	72,275
Share option reserve		**14,070**	9,713
Fair value reserve		**146**	146
Retained earnings		**26,052**	24,082
Equity attributable to shareholders		**121,682**	106,340
Liabilities			
Loans and borrowings	*23*	**25,205**	26,353
Trade and other payables	*24*	**1,071**	256
Deferred tax liabilities	*25*	**3,358**	3,158
Non-current liabilities		**29,634**	29,767
Loans and borrowings	*23*	**3,339**	3,339
Trade and other payables	*24*	**37,017**	35,064
Current tax payable	*26*	**-**	53
Contingent deferred consideration	*28*	**1,038**	500
Employee benefits	*27*	**4,299**	4,922
Current liabilities		**45,693**	43,878
Total liabilities		**75,327**	73,645
Total equity and liabilities		**197,009**	179,985

The Company's profit for the year ended 28 February 2018 was £7,289k (2017: £3,647k).

These financial statements were approved by the Board of Directors on 21 May 2018.

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

Registered Company number: NI 30731

The notes on pages 46 to 114 form part of these financial statements.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2018

	Share capital	Share premium	Share option reserve	Currency translation adjustment	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2017	**124**	**72,275**	**10,225**	**8,335**	**40,772**	**131,731**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	10,208	**10,208**
Other comprehensive income						
Net exchange loss on net investment in foreign subsidiaries	-	-	-	(16,779)	-	**(16,779)**
Net exchange gain on hedge of net investment in foreign subsidiaries	-	-	-	1,570	-	**1,570**
Total comprehensive income for the year	-	-	-	(15,209)	10,208	**(5,001)**
Transactions with owners of the Company						
Tax relating to share options	-	-	3,910	-	-	**3,910**
Exercise of share options	4	8,542	(1,427)	-	-	**7,119**
Change in fair value of NCI put	-	-	-	-	3,557	**3,557**
Issue of shares	-	28	-	-	-	**28**
Issue of shares as purchase consideration	-	441	-	-	-	**441**
Share based payment charge	-	-	1,586	-	-	**1,586**
Transfer on forfeit of share options	-	-	47	-	(47)	**-**
Dividends	-	-	-	-	(5,272)	**(5,272)**
Balance at 28 February 2018	**128**	**81,286**	**14,341**	**(6,874)**	**49,218**	**138,099**

The notes on pages 46 to 114 form part of these financial statements.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2017

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

The notes on pages 46 to 114 form part of these financial statements.

First Derivatives plc

Company statement of changes in equity

Year ended 28 February 2018

	Share capital £'000	Share premium £'000	Share option reserve £'000	Fair value reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2017	**124**	**72,275**	**9,713**	**146**	**24,082**	**106,340**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	7,289	**7,289**
Other comprehensive income						
Change in effective rate of deferred tax	-	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	-	7,289	**7,289**
Transactions with owners of the Company						
Income tax relating to share options	-	-	4,151	-	-	**4,151**
Exercise of share options	4	8,542	(1,427)	-	-	**7,119**
Issue of shares as purchase consideration	-	441	-	-	-	**441**
Issue of shares	-	28	-	-	-	**28**
Share based payment charge	-	-	1,586	-	-	**1,586**
Transfer on forfeit of share options	-	-	47	-	(47)	**-**
Dividends	-	-	-	-	(5,272)	**(5,272)**
Balance at 28 February 2018	**128**	**81,286**	**14,070**	**146**	**26,052**	**121,682**

The notes on pages 46 to 114 form part of these financial statements.

First Derivatives plc

Company statement of changes in equity

Year ended 28 February 2017

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

The notes on pages 46 to 114 form part of these financial statements.

First Derivatives plc

Consolidated cash flow statement

Year ended 28 February 2018

	2018	2017
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**10,208**	9,012
Adjustments for:		
Net finance costs/(income)	**2,535**	(283)
Depreciation of property, plant and equipment	**2,246**	1,806
Amortisation of intangible assets	**10,898**	9,703
Increase in deferred consideration	**2,980**	2,125
Equity settled share-based payment transactions	**1,586**	1,100
Grant income	**(1,382)**	(2,148)
Share of loss of associate	**70**	24
Tax expense	**1,889**	3,486
	31,030	24,825
Changes in:		
Trade and other receivables	**(8,711)**	(2,536)
Trade and other payables	**2,992**	7,970
Cash generated from operating activities	**25,311**	30,259
Taxes paid	**(5,733)**	(6,592)
Net cash from operating activities	**19,578**	23,667
Cash flows from investing activities		
Interest received	**1**	1
Net increase in loans to other investments	**(5,805)**	-
Acquisition of subsidiaries, net of cash acquired	**(114)**	-
Acquisition of other investments and associates	**(1,865)**	(4,269)
Acquisition of property, plant and equipment	**(3,443)**	(1,800)
Acquisition of intangible assets	**(8,246)**	(7,656)
Deferred consideration paid	**(897)**	(1,275)
Net cash used in investing activities	**(20,369)**	(14,999)
Cash flows from financing activities		
Proceeds from issue of share capital	**7,119**	4,317
Drawdown of new facility	**5,300**	-
Repayment of borrowings	**(3,750)**	(3,585)
Payment of finance lease liabilities	**(62)**	(58)
Interest paid	**(1,143)**	(1,216)
Dividends paid	**(8,310)**	(7,253)
Net cash used in financing activities	**(846)**	(7,795)
Net (decrease)/increase in cash and cash equivalents	**(1,637)**	873
Cash and cash equivalents at 1 March	**16,250**	15,100
Effects of exchange rate changes on cash held	**(2,248)**	277
Cash and cash equivalents at 28 February	**12,365**	16,250

The notes on pages 46 to 114 form part of these financial statements.

First Derivatives plc

Company cash flow statement

Year ended 28 February 2018

	2018	2017
	£'000	£'000
Cash flows from operating activities		
Profit for the year	**7,289**	3,647
Adjustments for:		
Finance expense and foreign exchange loss	**843**	2,080
Depreciation of property, plant and equipment	**906**	666
Amortisation of intangible assets	**4,328**	3,501
Dividends from associate and subsidiary	**(5,411)**	(5,375)
Equity settled share-based payment transactions	**1,586**	1,100
Grant income	**(1,242)**	(1,949)
Tax expense	**397**	282
	8,696	3,952
Changes in:		
Trade and other receivables	**(12,176)**	(8,398)
Trade and other payables	**502**	12,076
Cash generated from operating activities	**(2,978)**	7,630
Taxes paid	**(263)**	(296)
Net cash from operating activities	**(3,241)**	7,334
Cash flows from investing activities		
Acquisition of subsidiaries	**(645)**	-
Acquisition of other investments	**(187)**	(2,721)
Acquisition of property, plant and equipment	**(1,475)**	(995)
Acquisition of intangible assets	**(5,914)**	(4,836)
Deferred consideration paid	**(500)**	(326)
Dividends received from associate and subsidiary	**5,411**	5,375
Net cash generated/(used) in investing activities	**(3,310)**	(3,503)
Cash flows from financing activities		
Proceeds from issue of share capital	**7,119**	4,317
Drawdown of new facility	**5,300**	-
Repayment of borrowings	**(3,750)**	(3,585)
Interest paid	**(1,521)**	(1,436)
Dividends paid	**(5,272)**	(4,400)
Net cash generated/(used) in financing activities	**1,876**	(5,104)
Net decrease in cash and cash equivalents	**(4,675)**	(1,273)
Cash and cash equivalents at 1 March	**9,499**	10,568
Effects of exchange rate changes on cash held	**(811)**	204
Cash and cash equivalents at 28 February	**4,013**	9,499

The notes on pages 46 to 114 form part of these financial statements.

Notes *(forming part of the financial statements)*

1. Significant accounting policies

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

The Group is primarily involved in the provision of a range of software and consulting services, particularly to finance, technology, retail, pharma, manufacturing and energy institutions.

The financial statements were authorised by the Board of Directors for issuance on 21 May 2018.

a) Basis of preparation

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

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

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

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

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

Changes in accounting policies
There were no additional standards, amendments and interpretations that had a material impact on the Group and Company's financial statements during the year. The following standards, amendments and interpretations were effective for accounting periods beginning on or after 1 March 2017 and these have been adopted in the Group and Company financial statements where relevant:

- Amendments to IAS 7: *Disclosure Initiative*
- Amendments to IAS 12: *Recognition of deferred tax assets for unrealised losses*

1. Significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

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 2017 and have not been applied in preparing these financial statements. The standards and interpretations not adopted are outlined below:

- IFRS 15 Revenue from contracts with customers including amendments to IFRS 15: Effective date of IFRS 15 (Mandatory for the year commencing on or after 1 January 2018)
- IFRS 9 Financial Instruments (Mandatory for the year commencing on or after 1 January 2018)
- Clarifications to IFRS 15 Revenue from Contracts with Customers (Mandatory for the year commencing on or after 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Mandatory for year commencing 1 January 2018)
- IFRS 16: Leases (Mandatory for the year commencing on or after 1 January 2019)
- IFRS 17 Insurance Contracts (Mandatory for the year commencing on or after 1 January 2021)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (Mandatory for the year commencing on or after 1 January 2018)
- IFRS 23 Uncertainty over Insurance Tax Treatments (Mandatory for the year commencing on or after 1 January 2019)
- Amendments to IFRS2 Classification and measurement of share based payment transactions (Mandatory for year commencing 1 January 2018)
- Annual Improvements to IFRS Standards 2014-2016 Cycle (Mandatory for the year commencing on or after 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Properties (Mandatory for year commencing 1 January 2018)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (Mandatory for the year commencing on or after 1 January 2019)
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures (Mandatory for the year commencing on or after 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Mandatory for the year commencing on or after 1 January 2019)

With the exception of IFRS 9, IFRS 15 and IFRS 16, the directors do not expect that the adoption of the standards and interpretations listed above will have material impact on the Group and Company financial statements.

IFRS 9 will be effective for the Group starting 1 March 2018 and will replace the current requirements of IAS 39 ‘Financial Instruments: Recognition and Measurement’. The main changes introduced by the new standard are new classification and measurement requirements for certain financial assets, a new expected loss model for the impairment of financial assets, revisions to the hedge accounting model and amendments to disclosures. The changes are generally to be applied retrospectively. The Group and Company expects limited impact on the financial statements.

1. Significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

New standards and interpretations not adopted (continued)
IFRS 15 will be effective for the Group and Company starting 1 March 2018. The standard permits a choice of two possible transition methods for the initial application of the requirements of the new standard: (1) retrospectively to each prior reporting period presented in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), or (2) retrospectively with the cumulative effect of initially applying the standard recognised on the date of initial application, being 1 March 2018 for the Group and Company (the "cumulative catch-up" approach). The Group and Company will adopt IFRS15 for the first time in the year ending 28 February 2019 and will adopt the retrospective transition method with the cumulative effect of initially applying the standard reflected as an adjustment to the opening balance of retained earnings as of 1 March 2018.

Accounting for revenue
Revenue earned from contracts with customers will be recognised based on a five-step model which requires the transaction price for each identified contract to be apportioned to separate performance obligations arising under the contract and recognised either when the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer. Overall, the Group and Company expects that adoption of IFRS15 will not impact on how revenue is currently accounted for.

Accounting for costs
Costs incurred on the commission paid to employees relating to software sales are currently expensed in the year in which the sale is made. Under IFRS15, these costs will be recognised as an expense consistent with the transfer of the related goods or services to the customer and will be amortised over the life of the initial term of the contract.

Key judgement:
Annual licenses and upgrades
Recurring revenue is derived from the provision of software either as a hosted service or as a licensed deployed product. Software products provided as an annual license including the right to regular upgrades. Under IFRS15, judgement is required when assessing whether the annual license is a separate performance obligation from the provision of upgrades to the customer. The Group and Company has assessed that the ongoing updates and upgrades to the software are fundamental to the value of the software and that without these updates the value of the software will substantially deteriorate over time. Therefore, the annual license and the updates and upgrades will be combined as one performance obligation and revenue will be recognised over the life of the license as the service is delivered resulting in no change to the current revenue recognition.

IFRS 16 will change lease accounting mainly for lessees, and will replace the existing standard IAS 17. An asset for the right to use the leased item and a liability for future lease payments will be recognised for all leases, subject to limited exemptions for short-term leases and low-value lease assets. The costs of leases will be recognised in profit or loss split between depreciation of the lease asset and a finance charge on the lease liability. This is similar to the existing accounting for finance leases, but substantively different to the existing accounting treatment for operating leases under which no lease asset or lease liability is recognised and rentals payable.

1. Significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Going concern

The Group has considerable financial resources and meets its day-to-day working capital requirements through generated cash flows and loan facilities which are due for renewal in Financial Year 2020. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its facilities. As a result the Directors believe that the Group is well placed to manage its business risks successfully.

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.

Further investigations regarding the Group and Company's loan facilities are discussed in note 23. Additionally note 2 to the financial statements include the Group and Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk.

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 assessed that in respect of the available for sale investments, the Group does not hold significant influence over the investees' financial and operating policies.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- 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.
- 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.

1. Significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Critical accounting estimates and judgements (continued)

- 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 management's estimate of the life over which revenue can be generated and taking cognisance of the useful economic life of similar competitor products.

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

Measurement of fair values

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

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

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

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

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

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

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

- Note 32 – financial instruments; and

Notes *(continued)*

- Note 33 – share based payment arrangements.

1. Significant accounting policies *(continued)*

b) Basis of consolidation

i) Business combinations

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

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

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

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

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

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

Any deferred and contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, contingent consideration is remeasured at fair value at each reporting date and subsequent changes in 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.

Notes *(continued)*

1. Significant accounting policies *(continued)*

b) Basis of consolidation *(continued)*

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

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

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

c) Foreign currency

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

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

Notes *(continued)*

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

iii) Hedge of net investment in foreign operation

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

d) Property, plant and equipment

i) Owned assets

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

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

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.

1. Significant accounting policies *(continued)*

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

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

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).

1. Significant accounting policies *(continued)*

f) Intangible assets and goodwill *(continued)*

i) Goodwill (continued)
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.

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%

1. Significant accounting policies *(continued)*

f) Intangible assets and goodwill *(continued)*

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

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

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

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

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

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

l) Impairment

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

Notes *(continued)*

1. Significant accounting policies *(continued)*

l) Impairment *(continued)*

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

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

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

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

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

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

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

Notes *(continued)*

1. Significant accounting policies *(continued)*

l) Impairment *(continued)*

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

m) Employee benefits

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

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

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

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

1. Significant accounting policies *(continued)*

n) Revenue

i) Products and Services rendered

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

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

ii) Government grants

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

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.

1. Significant accounting policies *(continued)*

o) Lease payments *(continued)*

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.

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

Finance income and expenses included the foreign currency gain or loss on financial assets and liabilities.

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.

Notes *(continued)*

1. Significant accounting policies *(continued)*

q) Taxation *(continued)*

ii) Deferred tax (continued)
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.

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.

1. Significant accounting policies *(continued)*

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, Executive 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 contains revenue split between the various consulting and software activities along with contribution figures. The Group makes substantial investment in developing highly technical training which is provided to all staff so they may work in both areas of the business.

v) Adjusted EBITDA

Adjusted EBITDA is defined as results from operating activities before acquisition costs, changes in contingent deferred consideration assessed as remuneration, share-based payments and related costs, depreciation of property, plant and equipment; and amortisation of intangible assets. The Group uses adjusted EDITDA as an underlying measure of its performance.

2. Financial risk management

Overview

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

Credit risk

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

Liquidity risk

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

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

2. Financial risk management *(continued)*

Market risk

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

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

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

Capital management

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

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

3. Acquisitions of subsidiary and associate

Acquisition of subsidiary

On 7 December 2017, the Group and Company acquired the entire share capital of Telconomics09 S.L, based in Madrid, Spain. The acquisition will enable the Group and Company to accelerate its growth into the telecoms vertical.

In the 2.5 months to 28 February 2018, the subsidiary contributed revenue of £115k and net profit of £22k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2017, management estimates that revenue for the Group would have been £186,613k and net profit for the year would have been an estimated £10,304k. 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 2017.

3. Acquisitions of subsidiary and associate *(continued)*

Acquisition of subsidiary *(continued)*

The following summarises the major classes of consideration transferred and the recognised fair value 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	**234**
Property, plant and equipment	**6**
Deferred tax asset	**296**
Trade and other receivables	**327**
Cash and cash equivalents	**485**
Trade and other payables	**(139)**
Deferred tax liability	**(58)**
Net identifiable assets and liabilities	**1,151**
Goodwill on acquisition	**480**
	1,631
Consideration paid, satisfied as follows:	
Cash	**1,190**
Shares issued (12,199 shares)	**441**
	1,631
Consideration paid, satisfied as follows (continued):	
Cash consideration paid	**599**
Cash (acquired)	**(485)**
Net cash outflow	**114**

Of the cash consideration £591k was outstanding at year end and is payable post 28 February 2018.

3. Acquisitions of subsidiary and associate *(continued)*

Acquisition of subsidiary *(continued)*

Shares issued
The fair value of the ordinary shares issued was based on the listed share price on 7 December 2017, the effective date of control (3,611 pence per share).

Goodwill
Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combination. The Group has carried out an impairment review of goodwill as at 28 February 2018 and has not identified any impairment (see note 17).

Contingent deferred purchase consideration
The Group and Company has agreed to pay an additional consideration of up to €1,600k (£1,400k) on the achievement of certain performance targets over the three year period post acquisition. This consideration is conditional on future service conditions and has been assessed as being post-acquisition remuneration. An expense of £nil has been recognised in the current year.

Acquisition related costs
The Group incurred acquisition-related costs of £46k 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.

Acquisition of associate
On 30 June 2016, the Group acquired a 15.30% interest in RxDataScience Inc. (RxD) and subsequently increased this to 26.49% as at 28 February 2017. RxD is not a publicly listed company.

During the year ended 28 February 2018 the Group increased its interest to 36.66% as certain milestones were met and continues to account for its interest as an associate.

	Goodwill on acquisition	**Share of identifiable net assets**	**Total cash paid**
	£'000	**£'000**	**£'000**
Recognised value at date of becoming an associate	1,508	40	1,548
Additions during year ended 28 February 2018	972	181	1,153

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 regular 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 client engagement consulting and software sales and contribution figures throughout the Group. 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.

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

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

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

Revenue by division

	2018	2017
	£'000	£'000
Managed services and consulting	**74,130**	63,495
Software	**111,912**	88,202
Total	**186,042**	151,697

Geographical location analysis

	Revenues		**Non-current assets**	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
UK	**58,054**	55,821	**34,783**	32,155
Rest of Europe	**29,824**	23,413	**13,340**	16,620
North America	**79,673**	60,578	**120,529**	127,958
Australasia	**18,491**	11,885	**1,464**	1,585
Total	**186,042**	151,697	**170,116**	178,318

4. Operating segments *(continued)*

Revenue by industry

	2018	2017
	£'000	£'000
FinTech	**142,857**	117,449
MarTech	**38,154**	30,668
Other	**5,031**	3,580
Total	**186,042**	151,697

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

Major customers
The Group has no key customers who generated more than 10% of Group revenue in 2018 or 2017.

5. Revenue

	2018	2017
	£'000	£'000
Sale of goods	**48,488**	38,712
Rendering of services	**137,554**	112,985
	186,042	151,697

6. Other income

	2018	2017
	£'000	£'000
Government grants	**1,382**	2,148

The Group is in receipt of a government grant amounting to £3,880k, awarded in June 2014. The first element was conditional on the recruitment of additional staff for the period to 31 August 2017. The second is conditional on the recruitment of additional staff for the period to 31 December 2019. The grant is recognised as deferred income as additional staff are recruited and is being amortised as the performance conditions are satisfied.

Notes *(continued)*

7. Administrative expenses

	2018	2017
	£'000	£'000
Rent, rates and insurance	**4,381**	3,787
Telephone	**795**	727
Accountancy, audit and legal expenses	**1,081**	1,198
Advertising and marketing	**2,475**	1,682
Depreciation and amortisation	**13,144**	11,509
Payroll costs	**10,075**	6,541
Research and development credit	**(821)**	(345)
Listing expenses	**265**	263
Provision for impairment of trade receivables	**1,380**	1,550
Travel and subsistence	**604**	477
IT expenses	**775**	622
Acquisition related costs and changes to contingent deferred consideration	**3,570**	2,953
Other	**596**	521
	38,320	31,485

8. Expenses and auditors' remuneration

Included in profit/loss are the following:

	2018	2017
	£'000	£'000
Provision for impairment of trade receivables	**1,380**	1,550
Rents payable in respect of operating leases	**2,556**	1,865
Research and development costs expensed	**1,807**	1,721

Auditor's remuneration:		
Audit of these financial statements	**76**	64
Amounts receivable by auditors and their associates in respect of:		
Audit of the subsidiary undertakings included in the consolidation	**55**	56
All other services	**4**	6
Taxation compliance services	**79**	75
Other tax advisory services	**90**	187
Expenses recharged	**10**	8
	314	396

Notes *(continued)*

9. Personnel expenses and numbers

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

	2018 Average no.	2017 Average no.
Administration	**219**	209
Technical	**1,690**	1,386
	1,909	1,595

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	**103,180**	82,249
Social security costs	**9,784**	8,685
Other pension costs	**3,401**	2,939
Share based payments (see note 33)	**1,586**	1,392
Less capitalised development costs	**(7,486)**	(7,085)
	110,465	88,180

Disclosed as:

	2018 £'000	2017 £'000
Cost of sales	**100,390**	81,639
Administrative expenses	**10,075**	6,541
	110,465	88,180

10. Finance income and expense

	2018 **£'000**	2017 £'000
Interest income on bank deposits	**1**	1
Finance income	**1**	1
(Loss)/gain on foreign currency translation of monetary assets	**(1,386)**	1,475
Interest expense on bank loans	**(1,150)**	(1,193)
Finance expense	**(1,150)**	(1,193)
Net finance expense recognised in profit or loss	**(2,535)**	283

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

11. Tax expense

	2018	2017
	£'000	£'000
Income tax recognised in the income statement		
Current tax expense		
Current year	**4,450**	6,734
Adjustment for prior years	**(275)**	(6)
	4,175	6,728
Deferred tax expense		
Origination and reversal of temporary differences	**(188)**	(2,756)
Adjustment for prior years	**(667)**	(531)
Change in tax rate	**(1,431)**	45
	(2,286)	(3,242)
Total tax expense	**1,889**	3,486

	2018	2017
	£'000	£'000
Reconciliation of effective tax rate		
Profit excluding income tax	**12,097**	12,498
Income tax using the Company's domestic tax rate (19.0849%) (2017: 20.0%)	**2,309**	2,500
Tax exempt income	**218**	-
Expenses not deductible for tax purposes	**(34)**	93
Adjustments for prior years	**(942)**	(537)
Other differences	**763**	(314)
Foreign tax rate differences	**673**	1,430
Impact of change in tax rates	**(1,431)**	45
Unrelieved overseas taxes	**333**	269
Total tax expense	**1,889**	3,486

Notes *(continued)*

11. Tax expense *(continued)*

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

On 22 December 2017, the U.S. Tax Cuts and Jobs Act (U.S. Tax Act), was signed into law. The legislation significantly changes U.S tax law by, among other things, lowering corporate income tax rates. The U.S. Tax Act reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective from 1 January 2018. The impact of the change in tax rate in the income statement is £1,431k.

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

12. Remuneration of Directors

The remuneration paid to the Directors was:

	2018	2017
	£'000	£'000
Aggregate emoluments (including benefits in kind)	**1,284**	1,524
Company pension contributions	**53**	58
Share option expense	**163**	161
	1,500	1,743

During the period there were 2 Directors accruing benefits under a defined contribution pension scheme (2017: 2).

The aggregate emoluments and company pension contributions of the highest paid Director (excluding fees paid for provision of services) amounted to £660k and £33k respectively during the year (2017: £626k and £31k respectively).

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

Disclosure in respect of Directors' emoluments as required by AIM rules, Directors' interest in shares and Directors' share options are set out in the Report of the Remuneration Committee on pages 25 to 27.

Notes *(continued)*

13. Dividends

The following dividends were:

	2018	2017
	£'000	£'000
Final dividend relating to the prior year	**3,499**	2,918
Interim dividend paid	**1,773**	1,482
	5,272	4,400

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 14.00 (previous year: 12.00) pence per share and the interim dividend paid during the year amounted to 7.00 (previous year: 6.00) pence per share. The cumulative dividend paid during the year amounted to 21.00 (previous year: 18.00) 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.

	2018	2017
	£'000	£'000
17.00 pence per ordinary share (2017: 14.00 pence)	**4,359**	3,482

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 £7,289k (2017: £3,647k).

15. a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 28 February 2018 was based on the profit attributable to ordinary shareholders of £10,208k (2017: £9,012k), and a weighted average number of ordinary shares in issue of 25,239k (2017: 24,542k).

	2018	2017
	Pence per share	Pence per share
Basic earnings per share	**40.4**	36.7

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

Weighted average number of ordinary shares

	2018 Number '000	2017 Number '000
Issued ordinary shares at 1 March	**24,868**	24,009
Effect of share options exercised	**367**	513
Effect of shares issued as purchase consideration	**3**	19
Effect of shares issued as remuneration	**1**	1
Weighted average number of ordinary shares at 28 February	**25,239**	24,542

Diluted

The calculation of diluted earnings per share at 28 February 2018 was based on the profit attributable to ordinary shareholders of £10,208k (2017: £9,012k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 27,017k (2017: 26,212k).

	2018 Pence per share	2017 Pence per share
Diluted earnings per share	**37.8**	34.4

Weighted average number of ordinary shares (diluted)

	2018 Number '000	2017 Number '000
Weighted average number of ordinary shares (basic)	**25,239**	24,542
Effect of dilutive share options in issue	**1,778**	1,670
Weighted average number of ordinary shares (diluted) at 28 February	**27,017**	26,212

At 28 February 2018 no options (2017: 90,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive and 200,000 (2017: 250,000) were excluded as the related conditions had not been satisfied. The average market value of the Group's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

15. b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £12,097k (2017: £12,498k). The number of shares used in this calculation is consistent with note 15(a) above.

Notes *(continued)*

15. b) Earnings before tax per ordinary share *(continued)*

	2018 Pence per share	2017 Pence per share
Basic earnings before tax per ordinary share	**47.9**	50.9
Diluted earnings before tax per ordinary share	**44.8**	47.7

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

	2018 Pence per share	2017 Pence per share
Basic earnings per share	**40.4**	36.7
Impact of taxation charge	**7.5**	14.2
Basic earnings before tax per share	**47.9**	50.9
Diluted earnings per share	**37.8**	34.4
Impact of taxation charge	**7.0**	13.3
Diluted earnings before tax per share	**44.8**	47.7

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

15. c) Adjusted earnings after tax per ordinary share

Adjusted earnings after tax per share are based on an adjusted profit after taxation of £19,505k (2017: £16,077k). The adjusted profit after tax has been calculated by adjusting for the amortisation of acquired intangibles after tax effect £4,266k (2017: £3,955k), share based payment and related charges after tax effect £2,430k (2017: £1,853k), acquisition costs after tax effect £2,852k (2017: £2,412k), share of loss of associate after tax effect £70k (2017: £24k), and for the loss on foreign currency translation after tax effect £1,110k (2017: gain of £1,179k) and the deferred tax credit following the U.S. Tax Reform of £1,431k. The number of shares used in this calculation is consistent with note 15(a) above.

	2018 Pence per share	2017 Pence per share
Adjusted basic earnings after tax per ordinary share	**77.3**	65.5
Adjusted diluted earnings after tax per ordinary share	**72.2**	61.3

16. Property, plant and equipment

Group

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2017	2,893	10,582	676	14,151
Additions	819	2,426	198	3,443
Acquired in business combinations	-	6	-	6
Exchange adjustments	(90)	(174)	(5)	(269)
At 28 February 2018	**3,622**	**12,840**	**869**	**17,331**
Depreciation				
At 1 March 2017	1,239	5,862	422	7,523
Charge for the year	516	1,585	145	2,246
Exchange adjustments	(59)	(90)	(3)	(152)
At 28 February 2018	**1,696**	**7,357**	**564**	**9,617**

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2016	2,757	8,288	543	11,588
Additions	19	1,666	115	1,800
Exchange adjustments	117	628	18	763
At 28 February 2017	**2,893**	**10,582**	**676**	**14,151**
Depreciation				
At 1 March 2016	868	4,099	320	5,287
Charge for the year	299	1,418	89	1,806
Exchange adjustments	72	345	13	430
At 28 February 2017	**1,239**	**5,862**	**422**	**7,523**
Carrying amounts				
At 1 March 2016	1,889	4,189	223	6,301
At 28 February 2017	1,654	4,720	254	6,628
At 28 February 2018	**1,926**	**5,483**	**305**	**7,714**

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

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

16. Property, plant and equipment ***(continued)***

Company

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2017	1,984	3,119	419	5,522
Additions	478	799	198	1,475
At 28 February 2018	**2,462**	**3,918**	**617**	**6,997**
Depreciation				
At 1 March 2017	652	1,480	195	2,327
Charge for the year	306	489	111	906
At 28 February 2018	**958**	**1,969**	**306**	**3,233**

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2016	1,984	2,239	304	4,527
Additions	-	880	115	995
At 28 February 2017	**1,984**	**3,119**	**419**	**5,522**
Depreciation				
At 1 March 2016	484	1,038	139	1,661
Charge for the year	168	442	56	666
At 28 February 2017	**652**	**1,480**	**195**	**2,327**
Carrying amounts				
At 1 March 2016	1,500	1,201	165	2,866
At 28 February 2017	1,332	1,639	224	3,195
At 28 February 2018	**1,504**	**1,949**	**311**	**3,764**

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

No assets are held under finance leases.

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

17. Intangible assets and goodwill

Group

	Goodwill	Customer lists	Acquired software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2017	113,436	13,613	28,567	777	43,578	199,971
Development costs	-	-	-	-	7,486	7,486
Additions	-	-	760	-	-	760
Acquired in business combinations	480	44	182	8	-	714
Exchange adjustments	(10,013)	(1,118)	(2,134)	(47)	229	(13,083)
At 28 February 2018	**103,903**	**12,539**	**27,375**	**738**	**51,293**	**195,848**
Amortisation						
Balance at 1 March 2017	-	6,008	13,829	463	16,280	36,580
Amortisation for the year	-	1,344	3,269	71	6,214	10,898
Exchange adjustment	-	(569)	(912)	(29)	136	(1,374)
At 28 February 2018	**-**	**6,783**	**16,186**	**505**	**22,630**	**46,104**

	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2016	102,603	12,364	24,878	708	35,665	176,218
Development costs	-	-	-	-	7,085	7,085
Additions	-	-	863	-	-	863
Exchange adjustments	10,833	1,249	2,826	69	828	15,805
At 28 February 2017	**113,436**	**13,613**	**28,567**	**777**	**43,578**	**199,971**
Amortisation						
Balance at 1 March 2016	-	4,051	9,435	345	11,049	24,880
Amortisation for the year	-	1,475	3,203	81	4,944	9,703
Exchange adjustment	-	482	1,191	37	287	1,997
At 28 February 2017	**-**	**6,008**	**13,829**	**463**	**16,280**	**36,580**
Carrying amounts						
At 1 March 2016	102,603	8,313	15,443	363	24,616	151,338
At 28 February 2017	113,436	7,605	14,738	314	27,298	163,391
At 28 February 2018	**103,903**	**5,756**	**11,189**	**233**	**28,663**	**149,744**

Leased intangible assets
No assets are held under finance leases.

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

17. Intangible assets and goodwill *(continued)*

Included within development costs capitalised in the year is £7,486k (2017: £7,085k) of capitalised employee costs for the year. Developed software includes £4,917k (2017: £4,008k) of software under development at 28 February 2018 not yet commissioned.

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

	2018	2017
	£'000	£'000
Subsidiaries		
Market Resource Partners LLC	**10,899**	12,181
Prelytix LLC	**5,575**	6,234
Kx Systems Inc.	**71,194**	78,821
	87,668	97,236
Multiple units without significant goodwill	**16,235**	16,200
	103,903	113,436

The recoverable amount of each CGU has been determined based on a value-in-use calculation using cash flows derived from financial projections covering a five year period, with cash flows thereafter calculated using a terminal value methodology. A growth rate of 7%-10% (2017: 7%-10%) is applied for years 2 to 5, followed by a growth rate of 2% (2017: 2%) thereafter. The pre-tax discount rates applied to cash flow projections of the CGUs was 12%-20% (2017: 12%-17%).

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

		2018			2017	
	Market Resource Partners LLC	**Prelytix LLC**	**Kx Systems Inc**	Market Resource Partners LLC	Prelytix LLC	Kx Systems Inc
Discount rate	15%	17%	15%	15%	17%	15%
Terminal value growth rate	2%	2%	2%	2%	2%	2%
Early growth rate	8%	7%	9%	8%	7%	9%

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

17. Intangible assets and goodwill *(continued)*

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

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

	Value in use		**Excess over carrying amount**	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Subsidiaries				
Market Resource Partners LLC	**26,479**	22,639	**14,094**	10,458
Prelytix LLC	**33,186**	13,738	**24,280**	6,617
Kx Systems Inc.	**103,607**	108,840	**19,960**	14,309

Sensitivity analysis
There was no impairment charge for the year ended 28 February 2018 (2017: nil). For the purposes of performing sensitivity analysis, a change in the assumption to increase the discount rate by 1% or, separately, to reduce the terminal growth by 2% would not result in any indication of impairment. Applying these assumptions did not indicate any impairment.

Notes *(continued)*

17. Intangible assets and goodwill *(continued)*

Company

	Acquired software £'000	Internally developed software £'000	Total £'000
Cost			
Balance at 1 March 2017	482	30,124	30,606
Development cost	-	5,914	5,914
Balance at 28 February 2018	**482**	**36,038**	**36,520**
Amortisation and impairment losses			
Balance at 1 March 2017	90	11,473	11,563
Amortisation for the year	61	4,267	4,328
Balance at 28 February 2018	**151**	**15,740**	**15,891**
Cost			
Balance at 1 March 2016	482	26,134	26,616
Development cost	-	5,128	5,128
Transfers to subsidiaries	-	(1,138)	(1,138)
Balance at 28 February 2017	**482**	**30,124**	**30,606**
Amortisation and impairment losses			
Balance at 1 March 2016	30	8,032	8,062
Amortisation for the year	60	3,441	3,501
Balance at 28 February 2017	**90**	**11,473**	**11,563**
Carrying amounts			
At 1 March 2016	452	18,102	18,554
At 28 February 2017	392	18,651	19,043
At 28 February 2018	**331**	**20,298**	**20,629**

Included within development costs capitalised in the year is £5,914k (2017: £5,128k) of capitalised employee costs. Developed software includes £2,774k (2017: £2,801k) of software under development at 28 February 2018 not yet commissioned.

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Notes *(continued)*

18. Investment in subsidiaries and associate

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

	Address of registered office	Class of share held	Ownership 2018	Ownership 2017
Activate Clients Limited*	Ireland	Ordinary	100%	100%
Affinity Systems Limited+	Canada	Ordinary	100%	100%
Cowrie Financial Limited*****	United Kingdom	Ordinary	100%	100%
First Derivatives (Exchange) Limited*	Ireland	Ordinary	100%	100%
First Derivatives (Hong Kong) Limited*	Hong Kong	Ordinary	100%	100%
First Derivatives (Ireland) Limited*****	Ireland	Ordinary	100%	100%
First Derivatives Canada Inc.*****	Canada	Ordinary	100%	100%
First Derivatives Holdings Inc.*	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited*	Australia	Ordinary	100%	100%
First Derivatives I Limited	United Kingdom	Ordinary	100%	100%
First Derivatives Investments LLP	United Kingdom	Ordinary	100%	100%
First Derivatives Japan Co. Limited	Japan	Ordinary	100%	100%
First Derivatives Mexico Limited	Mexico	Ordinary	100%	100%
First Derivatives No. 1 Inc.	United States	Ordinary	100%	100%
First Derivatives Pte Limited*	Singapore	Ordinary	100%	100%
First Derivatives Pty Limited	Australia	Ordinary	100%	100%
First Derivatives Services Limited	United Kingdom	Ordinary	100%	100%
First Derivatives South Africa (Pty) Limited*	South Africa	Ordinary	100%	100%
First Derivatives US Inc	United States	Ordinary	100%	100%
Kx Systems Inc.*****	United States	Ordinary	65.2%	65.2%
Market Resource Partners Limited*****	N. Ireland	Ordinary	100%	100%
Market Resource Partners LLC*****	United States	Ordinary	100%	100%
Prelytix LLC	United States	Ordinary	100%	100%
QuantumKDB Inc	United States	Ordinary	100%	100%
QuantumKDB Limited	Hong Kong	Ordinary	100%	100%
QuantumKDB Limited*	United Kingdom	Ordinary	100%	100%
Redshift Horizons Limited*****	United Kingdom	Ordinary	100%	100%
Reference Data Factory LLC	United States	Ordinary	100%	100%
Telconomics09 S.L	Spain	Ordinary	100%	-

*****Owned directly by First Derivatives plc.
+This company has been amalgamated with First Derivatives Canada Inc.

	Company **2018 £'000**	2017 £'000
Unlisted investments in subsidiaries at cost		
At 1 March	**83,023**	83,023
Additions	**12,306**	-
At end of period	**95,329**	83,023

18. Investment in subsidiaries and associate *(continued)*

During the year the Company increased its investment in First Derivatives Canada Inc., First Derivatives Pty Limited and Market Resource Partners LLC by £2,490k, £3,576k and £4,563k respectively following receipt of additional ordinary share in exchange for settlement of a receivable from the subsidiaries of £2,490k, £3,576k and £4,563k respectively.

Associate

Group

	2018	2017
	£'000	£'000
Investment in associate	**2,631**	1,548

At 28 February 2018, the Group had the following investment in an associate:

	Country of incorporation	Class of share held	Ownership at 28 February 2018
RxDataScience Inc.	United States	Ordinary	36.66%

During the year the Group increased its interest in RxData Science Inc. (RxD) to 31.00% on 20 April 2017, 35.00% on 12 October 2017 and then to 36.66% on 19 January 2018. RxD is not publicly listed.

The Group's share of loss in associates for the period to 28 February 2018 was £70k (2017: £24k).

The following tables summarise the financial information of RxD as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies.

	2018	2017
Percentage ownership interest	**36.66%**	26.49%
	£'000	£'000
Non-current assets	**1,768**	458
Current assets	**801**	1,325
Non-current liabilities	**-**	-
Current liabilities	**(10)**	(4)
Net assets (100%)	**2,559**	1,779
Group's share of net assets (36.66%) (2017: 26.49%)	**938**	471

18. Investment in subsidiaries and associate *(continued)*

Associate (continued)

Group (continued)

	2018 **£'000**	2017 £'000
Revenue	**197**	-
Loss from continuing operations (100%)	**(221)**	(91)
Other comprehensive income (100%)	**-**	-
Total comprehensive income (100%)	**(221)**	(91)
Total comprehensive income (36.66%) (2017: 26.49%)	**(70)**	(24)

At the year end the Group holds 56,142 (2017: 32,594) warrants which are exercisable on the occurrence of an exit event at an exercise price of $0.01 per warrant.

19. Other financial assets – Available for sale

Group

	2018 **£'000**	2017 £'000
Unlisted equity investments		
At 1 March	**3,121**	-
Acquisitions	**312**	3,121
At end of period	**3,433**	3,121

Company

	2018 **£'000**	2017 £'000
Unlisted equity investments		
At 1 March	**3,121**	-
Acquisitions	**187**	3,121
At end of period	**3,308**	3,121

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

20. Trade and other receivables

Current assets

	Group		*Company*	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade receivables	**37,929**	36,721	**22,835**	21,523
Receivables from subsidiaries	**-**	-	**11,245**	22,578
Other receivables	**3,301**	-	**2,744**	-
Accrued income	**6,187**	2,262	**2,133**	218
Prepayments	**4,419**	3,011	**4,239**	3,082
Grant income receivable	**1,010**	1,744	**51**	965
Corporation tax receivable	**872**	-	**872**	-
	53,718	43,738	**44,119**	48,366

Non-current assets

	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Receivables from subsidiaries[1]	**-**	-	**8,920**	3,227
Trade and other receivables	**6,279**	2,830	**4,659**	2,470
Grant income receivable	**315**	800	**-**	-
	6,594	3,630	**13,579**	5,697

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

At 28 February 2018 Group and Company trade receivables are shown net of an allowance for doubtful debts of £2,982k and £1,916k respectively (2017: Group £3,061k; Company £1,045k) arising from on-going invoice disputes and the risk of companies defaulting. The impairment charge in the year was £1,380k (2017: £1,550k) for Group and £1,412k (2017: charge £780k) for the Company.

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

21. Cash and cash equivalents

	Group		Company	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Bank balances	**12,365**	16,250	**4,013**	9,499

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

22. Share capital

	Ordinary shares	
	2018	2017
	Number	Number
In issue at 1 March	24,868,379	24,008,972
Exercise of share options (Note 33)	759,297	799,818
Issued in business combinations (Note 3)	12,199	-
Issued for settlement of contingent deferred consideration	-	56,383
Issued as remuneration	1,140	3,206
In issue at year end – fully paid	**25,641,015**	24,868,379

	2018	**2018**	2017	2017
	Number	**£'000**	Number	£'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**25,641,015**	**128**	24,868,379	124

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

Shares increased in the year due to the exercise of 759,297 share options (2017: 799,818) for cash consideration of £7,119k (2017: £4,317k) together with an associated transfer from the share option reserve of £1,427k (2017: £877k), the issue of 12,199 shares (2017: nil) at £441k as purchase consideration and the issue of 1,140 shares (2017: 3,206) as remuneration of £28k (2017: £57k). Additionally in a prior year 56,383 ordinary shares were issued as settlement of contingent deferred purchase consideration at £1,125k.

Nature and purpose of reserves

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

22. Share capital *(continued)*

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

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

23. Loans and borrowings

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

	Group		***Company***	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Current liabilities				
Secured bank loans	**3,339**	3,339	**3,339**	3,339
Finance lease liabilities	**7**	65	**-**	-
	3,346	3,404	**3,339**	3,339
Non-current liabilities				
Secured bank loans	**25,205**	26,353	**25,205**	26,353
Finance lease liabilities	**-**	4	**-**	-
	25,205	26,357	**25,205**	26,353

Terms and repayment schedule

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

£339k loan (Facility 1)
£29,625k multi-currency loan (Facility 2)
£15,000k revolving cash facility (Facility 3)
£4,500k sterling overdraft (Bank Overdraft)

Notes *(continued)*

23. Loans and borrowings *(continued)*

Terms and repayment schedule (continued)

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2018 Face value £'000	2018 Carrying amount £'000	2017 Face value £'000	2017 Carrying amount £'000
Facility 1	GBP	2.25% +LIBOR	2019	**339**	**339**	339	339
Facility 2	Multi	2.25% +LIBOR*	2020	**22,905**	**22,905**	29,353	29,353
Facility 3	GBP	2.25% +LIBOR*	2019	**5,300**	**5,300**	-	-
Bank overdraft	GBP	2.25% +LIBOR	2019	-	-	-	-
Finance lease liabilities	USD	4.375%	2018	**7**	**7**	69	69
Total interest-bearing				**28,551**	**28,551**	29,761	29,761

* 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 facilities are secured by a fixed charge over the Group's property with a carrying amount of £1,926k (2017: £1,654k) and a debenture over the trading assets in Group companies. All outstanding loans have interest charged at 2.25% (2017: 2.25%) above LIBOR.

23. Loans and borrowings *(continued)*

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	**2018**			2017		
	Minimum lease payments £'000	**Interest £'000**	**Principal £'000**	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than one year	**8**	**1**	**7**	80	15	65
Between one and five years	**-**	**-**	**-**	5	1	4
	8	**1**	**7**	85	16	69

The finance leases are secured over the leased equipment.

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group	2017 £'000	**Cash flows £'000**	**Non-cash Foreign exchange movment £'000**	**2018 £'000**
Secured bank loans	29,692	**1,550**	**(2,698)**	**28,544**
Lease liabilities	69	**(62)**	**-**	**7**
Total liabilities from financing activities	29,761	**1,488**	**(2,698)**	**28,551**

Company	2017 £'000	**Cash flows £'000**	**Non-cash Foreign exchange movment £'000**	**2018 £'000**
Secured bank loans	29,692	**1,550**	**(2,698)**	**28,544**
Total liabilities from financing activities	29,692	**1,550**	**(2,698)**	**28,544**

24. Trade and other payables

Current liabilities	***Group***		***Company***	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Trade payables	**6,444**	4,218	**4,611**	4,349
Other payables	**10,445**	9,494	**8,248**	5,657
Accruals	**1,967**	1,619	**1,775**	1,267
Deferred income	**14,928**	16,500	**4,450**	3,990
Government grants	**286**	1,850	**147**	1,531
Payables to subsidiaries	**-**	-	**17,786**	18,270
	34,070	33,681	**37,017**	35,064

Non-current liabilities	***Group***		***Company***	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
NCI put	**30,036**	33,593	**-**	-
Government grants	**2,091**	1,521	**1,071**	256
	32,127	35,114	**1,071**	256

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

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

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Notes *(continued)*

25. Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Property, plant and equipment	**-**	-	**(4,545)**	(4,234)
Share based payments	**7,269**	4,204	**-**	-
Trading losses	**9,022**	6,177	**-**	-
Intangible assets	**341**	368	**(5,266)**	(8,698)
Short term timing differences	**1,461**	3,906	**-**	-
Other	**260**	204	**-**	-
Tax assets/(liabilities) before set-off	**18,353**	14,859	**(9,811)**	(12,932)
Set off of tax	**-**	-	**-**	-
Net tax assets/(liabilities)	**18,353**	14,859	**(9,811)**	(12,932)

Movement in deferred tax balances differences during the year:

	Balance at 1 March 2017 £'000	**Recognised in income £'000**	**Recognised in equity £'000**	**Recognised on Acquisition £'000**	**Share options exercised £'000**	**Balance at 28 February 2018 £'000**
Property, plant and equipment	(4,234)	(324)	13	-	-	**(4,545)**
Share based payments	4,204	(23)	4,913	-	(1,825)	**7,269**
Trading losses	6,177	1,204	1,345	296	-	**9,022**
Intangible assets	(8,330)	1,678	1,785	(58)	-	**(4,925)**
Short term timing differences	3,906	(722)	(1,723)	-	-	**1,461**
Other	204	473	(417)	-	-	**260**
	1,927	2,286	5,916	238	(1,825)	**8,542**

Notes *(continued)*

25. Deferred taxation *(continued)*

Group (continued)

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

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

As at 28 February 2018, the Group had tax losses carried forward in the United States (Federal and State), in the United Kingdom, Ireland, Canada and Australia. U.S. Federal and State tax losses will expire, if not utilised, in the tax years 2030 – 2038. Tax losses generated in the United Kingdom, Ireland, Canada and Australia have no expiration period.

25. Deferred taxation *(continued)*

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Property, plant and equipment	**-**	-	**(3,326)**	(3,126)
Share based payments	**6,888**	3,649	**-**	-
Net fair value movement on available for sale assets	**-**	-	**(32)**	(32)
Trading losses	**5,072**	4,268	**-**	-
Other	**308**	124	**-**	-
Tax assets/(liabilities) before set off	**12,268**	8,041	**(3,358)**	(3,158)
Set off of tax	**-**	-	**-**	-
Net tax assets/(liabilities)	**12,268**	8,041	**(3,358)**	(3,158)

Movement in deferred tax balances during the year:

	Balance at 1 March 2017 £'000	Recognised in profit and loss £'000	Recognised in equity £'000	Share options exercised £'000	Balance at 28 February 2018 £'000
Property, plant and equipment	(3,126)	(200)	-	-	**(3,326)**
Share based payments	3,649	(23)	5,087	(1,825)	**6,888**
Net fair value movement on available for sale assets	(32)	-	-	-	**(32)**
Trading losses	4,268	-	804	-	**5,072**
Other	124	184	-	-	**308**
	4,883	(39)	5,891	(1,825)	**8,910**

Notes *(continued)*

25. Deferred taxation *(continued)*

Company (continued)

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

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

26. Current tax payable

	Group		*Company*	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Current tax payable	**1,195**	426	**-**	53

27. Employee benefits

	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Accrued holiday pay	**1,832**	1,554	**1,448**	1,208
Employee taxes	**3,179**	3,938	**2,851**	3,714
	5,011	5,492	**4,299**	4,922

28. Contingent deferred consideration

Contingent deferred consideration liabilities are payable as follows:

	Group		*Company*	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
At 1 March	**4,028**	3,895	**500**	1,951
Increase in contingent deferred consideration	**2,980**	2,125	**1,038**	-
Settled in year	**(897)**	(2,400)	**(500)**	(1,451)
Foreign exchange impact	**(423)**	408	**-**	-
At end of period	**5,688**	4,028	**1,038**	500

The movement in contingent deferred consideration relates to the charge for the year for amounts conditional on future service conditions, assessed as being post-acquisition remuneration, and is payable in cash and shares. As at 28 February 2018 the maximum total amount payable under the terms of the sale and purchase agreements is £5,688k (2017: £4,028k) and the minimum total amount payable is £nil (2017: £nil).

	Group		*Company*	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Within one year	**5,688**	859	**1,038**	500
More than one year	**-**	3,169	**-**	-
	5,688	4,028	**1,038**	500

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 55% (2017: 49%) and shares 45% (2017: 51%).

Notes *(continued)*

29. Commitments

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

Non-cancellable operating lease rentals are payable as follows:

	Group		***Company***	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Less than one year	**3,063**	1,632	**1,183**	609
Between one and five years	**10,072**	4,721	**4,446**	2,348
More than five years	**11,864**	2,405	**6,456**	2,006
	24,999	8,758	**12,085**	4,963

The Group leases 20 premises under operating lease arrangements.

Group
During the year £2,556k was recognised as an expense in the income statement in respect of operating leases (2017: £1,865k).

Company
During the year £944k was recognised as an expense in the income statement in respect of operating leases (2017: £609k).

30. Pension contributions

The Group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £3,401k (2017: £2,939k). Contributions amounting to £411k (2017: £428k) were payable to the schemes at the year end and are included in creditors.

31. Related parties transactions

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

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

31. Related parties transactions *(continued)*

Group (continued)

Key management personnel compensation (continued)

The Group is charged rent monthly for the business use of apartments located in London owned by Brian Conlon. The charge incurred during the financial year amounted to £55k (2017: £55k). Rent deposits of £26k (2017: £26k) have been paid to Brian Conlon in respect of these apartments. The balance owed to Brian Conlon at 28 February 2018 is £nil (2017: £nil).

A 15 year lease was entered into for the rental of office space for the head office in Newry. The lessor is Oncon Properties, a partnership in which Brian Conlon is a partner. £140k (2017: £140k) rental charge was incurred in the year. The balance owed to Oncon Properties at 28 February 2018 is £nil (2017: £nil) and an amount of £168k (2017: £207k) had been prepaid.

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

Company

Other related party transactions

	Revenue		**Administrative expenses incurred from**	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Subsidiaries	**8,488**	12,408	**22,976**	17,862

	Receivables outstanding		**Payables outstanding**	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Subsidiaries	**20,165**	25,805	**17,786**	18,270

Development costs of £281k (2017: £218k) were recharged from a subsidiary to the Company.

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

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

	2018	2017
	£'000	£'000
B G Conlon	**1,649**	1,414
R G Ferguson	**24**	28
K MacDonald	**10**	9
S Keating	**5**	5
V Gambale	**2**	1
	1,690	1,457

32. Financial instruments

Fair values

a) Accounting classifications and fair values

Group

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

28 February 2018	**Carrying value**			
	Loans and receivables	**Liabilities at amortised cost**	**Carrying amount**	**Fair value**
	£’000	**£’000**	**£’000**	**£’000**
Financial assets measured at fair value				
Equity securities - Available for sale[3]	-	-	3,433	[3]
Warrants in associate[4]	-	-	-	[1]
	-	-	3,433	
Financial assets not measured at fair value				
Trade and other receivables	55,893	-	55,893	[1]
Cash and cash equivalents	12,365	-	12,365	[1]
	68,258	-	68,258	
Financial liabilities measured at fair value				
Contingent deferred consideration[2]	-	-	(5,688)	(5,688)
Other derivatives[4]	-	-	-	[1]
	-	-	(5,688)	
Financial liabilities not measured at fair value				
Secured bank loans	-	(28,544)	(28,544)	[1]
Finance leases	-	(7)	(7)	[1]
Trade, accruals and other payables	-	(48,892)	(48,892)	(48,892)
Employee benefits	-	(5,011)	(5,011)	[1]
	-	(82,454)	(82,454)	

First Derivatives plc

Notes *(continued)*

32. Financial instruments *(continued)*

Fair values *(continued)*

a) Accounting classifications and fair values *(continued)*

Group (continued)

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

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

Notes *(continued)*

32. Financial instruments *(continued)*

Fair values *(continued)*

a) Accounting classifications and fair values *(continued)*

Company

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

28 February 2018	Carrying value			
	Loans and receivables	Liabilities at amortised cost	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Financial assets measured at fair value				
Equity securities available for sale[3]	-	-	3,308	[1]
Financial assets not measured at fair value				
Trade and other receivables	53,459	-	53,459	[1]
Cash and cash equivalents	4,013	-	4,013	[1]
	57,472	-	57,472	
Financial liabilities measured at fair value				
Derivatives[2]	-	-	-	-
Contingent deferred consideration	-	-	(1,038)	(1,038)
	-	-	(1,038)	
Financial liabilities not measured at fair value				
Secured bank loans	-	(28,544)	(28,544)	[1]
Trade, accruals and other payables	-	(32,420)	(32,420)	(32,420)
Employee benefits	-	(4,299)	(4,299)	[1]
	-	(65,263)	(65,263)	

32. Financial instruments *(continued)*

Fair values *(continued)*

a) Accounting classifications and fair values *(continued)*

Company (continued)

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

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

32. Financial instruments *(continued)*

Fair values *(continued)*

b) Measurement of fair values

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

Financial instruments at fair value

Equity securities - The Group and Company has invested in a number of investments in unlisted companies and a venture capital fund. The Group and Company has applied a discounted cash flow valuation technique to assess the fair value of the investments as at year end.

The valuation model calculates the equity value considering the forecast revenue and EBITDA, together with forecast exit value applying market multiples, discounted using a risk-adjusted discount rate.

Significant inputs:

- Forecast annual revenue and cost growth beyond the company's forecast period: 10%
- Forecast EBTIDA margin: 25-56%
- Risk-adjusted discount rate: 40-45%
- Adjusted market multiple: 11-13.5
- Time period to exit: 5-7 years

The estimated fair value change would increase/(decrease) if the adjusted market multiple was higher /(lower); the annual growth rates were higher/(lower); the EBITDA margin was higher/(lower); the risk-adjusted discount rate was lower/(higher). Generally a change in the annual growth rate is accompanied by a directionally similar change in the EBITDA margin.

Warrants - The Group holds warrants in the associate. These were considered at 28 February 2018 and 28 February 2017 to have a minimal fair value due to the contingent nature.

32. Financial instruments *(continued)*

Fair values *(continued)*

b) Measurement of fair values *(continued)*

Reconciliation of Level 3 fair value:

	Unquoted equities £'000	**Contingent consideration £'000**
Balance at 1 March 2016	**-**	**(3,895)**
Purchases	**3,121**	**-**
Settlements	**-**	**2,400**
Loss included in administrative expenses		
- Net change in fair value (unrealised)	**-**	**(2,125)**
Foreign exchange loss	**-**	**(408)**
Balance at 28 February 2017	**3,121**	**(4,028)**
Purchases	**312**	**-**
Settlements	**-**	**897**
Loss included in administrative expenses		
- Net change in fair value (unrealised)	**-**	**(2,980)**
Foreign exchange gain	**-**	**423**
Balance at 28 February 2018	**3,433**	**(5,688)**

Exposure to credit risk

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

	***Group* Carrying amount**		***Company* Carrying amount**	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Trade and other receivables	**55,893**	44,357	**53,459**	50,981
Cash and cash equivalents	**12,365**	16,250	**4,013**	9,499
	68,258	60,607	**57,472**	60,480

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

Notes *(continued)*

32. Financial instruments *(continued)*

Exposure to credit risk *(continued)*

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

	Group		***Company***	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Europe	**8,653**	5,685	**4,868**	2,710
America	**23,867**	24,823	**23,831**	31,103
United Kingdom	**21,182**	11,251	**22,022**	11,790
Australasia	**2,191**	2,598	**2,738**	5,378
	55,893	44,357	**53,459**	50,981

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

	Group		***Company***	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
End-user customer	**47,136**	39,615	**32,042**	22,178
Other	**8,757**	4,742	**21,417**	28,803
	55,893	44,357	**53,459**	50,981

No customers had receivable balances in excess of 10% of the Group's total balance at the year end. In addition £164k (2017: £1,023k) is receivable from Invest Northern Ireland in respect of grants receivable.

32. Financial instruments *(continued)*

Exposure to credit risk *(continued)*

Impairment losses

The ageing of trade receivables at the reporting date was:

Group

	Gross 2018 £'000	**Impairment 2018 £'000**	Gross 2017 £'000	Impairment 2017 £'000
Not past due	**20,706**	**-**	14,165	-
Past due 0-30 days	**4,576**	**-**	9,133	-
Past due 31-120 days	**7,670**	**-**	8,729	-
Past due 121-365 days	**4,894**	**152**	3,979	149
Past due 366 days +	**3,065**	**2,830**	3,776	2,912
Total	**40,911**	**2,982**	39,782	3,061

Company

	Gross 2018 £'000	**Impairment 2018 £'000**	Gross 2017 £'000	Impairment 2017 £'000
Not past due	**10,915**	**-**	8,000	-
Past due 0-30 days	**2,351**	**-**	5,413	-
Past due 31-120 days	**5,820**	**-**	6,692	-
Past due 121-365 days	**3,901**	**152**	1,567	149
Past due 366 days +	**1,764**	**1,764**	896	896
Total	**24,751**	**1,916**	22,568	1,045

Notes *(continued)*

32. Financial instruments *(continued)*

Exposure to credit risk *(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***	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Balance at 1 March	**3,061**	4,342	**1,045**	981
Impairment loss charged	**1,380**	1,550	**1,412**	780
Foreign exchange impact	**23**	388	**-**	-
Amounts written off	**(1,482)**	(3,219)	**(541)**	(716)
Closing balance	**2,982**	3,061	**1,916**	1,045

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

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

The Group and Company held cash and cash equivalents of £12,365k (2017: £16,250k) and £4,013k (2017: £9,449k) respectively at 28 February 2018 which represents their maximum exposure on the assets. The cash and cash equivalents are held with bank and institutional counter parties which are rated AA- to AA+ based on credit agency ratings.

32. Financial instruments *(continued)*

Liquidity risk

Group

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

28 February 2018	**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	(28,544)	(29,881)	(1,958)	(2,272)	(25,651)	-	-
Finance leases	(7)	(8)	(8)	-	-	-	-
Trade and other payables	(48,892)	(48,892)	(18,856)	-	(30,036)	-	-
Contingent deferred consideration	(5,688)	(5,688)	-	(5,688)	-	-	-
Commitment to associate	-	(1,007)	(560)	(447)	-	-	-
	(83,131)	(85,476)	(21,382)	(8,407)	(55,687)	-	-

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

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 23. The contractual maturity of the £30,036k (2017: £33,593k) included in trade and other payables is up to seven years, but has an exercise notice period of 366 days.

32. Financial instruments *(continued)*

Liquidity risk *(continued)*

Company

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

28 February 2018	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	(28,544)	(29,881)	(1,958)	(2,272)	(25,651)	-	-
Trade and other payables	(32,420)	(32,420)	(32,420)	-	-	-	-
Contingent deferred consideration	(1,038)	(1,038)	-	(1,038)	-	-	-
	(62,002)	(63,339)	(34,378)	(3,310)	(25,651)	-	-

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

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

Notes *(continued)*

32. Financial instruments *(continued)*

Currency risk

Group

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

	28 February 2018			28 February 2017		
	CAD	**EUR**	**USD**	CAD	EUR	USD
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Trade receivables	**230**	**3,483**	**10,079**	42	2,117	12,953
Trade and other payables	**(14)**	**(329)**	**(31,154)**	(2)	(239)	(35,352)
Net balance sheet exposure	**216**	**3,154**	**(21,075)**	40	1,878	(22,399)

The above excludes bank loans designated in a net investment hedge of £22,354k (2017: £28,802k).

Company

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

	28 February 2018			28 February 2017		
	CAD	**EUR**	**USD**	CAD	EUR	USD
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Trade receivables	**230**	**3,483**	**9,824**	42	2,117	11,740
Secured bank loans	**-**	**-**	**(22,354)**	-	-	(28,802)
Trade and other payables	**(14)**	**(250)**	**(997)**	(2)	(186)	(1,555)
Net balance sheet exposure	**216**	**3,233**	**(13,527)**	40	1,931	(18,617)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2018	2017	**2018**	2017
USD 1	**1.31**	1.32	**1.39**	1.24
EUR 1	**1.14**	1.20	**1.13**	1.17
CAD 1	**1.69**	1.73	**1.77**	1.64

32. Financial instruments *(continued)*

Currency risk *(continued)*

Sensitivity analysis
A 10% strengthening of Sterling against the above currencies at the end of the period would decrease Group equity by £3,004k (2017: £3,359k) and profit or loss by £1,771k (2017: £2,048k). A 10% weakening of Sterling against the above currencies at the end of the period would increase Group equity by £2,703k (2017: £3,023k) and profit or loss by £1,594k (2017: £1,844k). 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.

A 10% strengthening of Sterling against the above currencies at the end of the period would decrease Company profit or loss by approximately £1,008k (2017: £1,370k). A 10% weakening of Sterling against the above currencies at the end of the period would increase Company profit or loss by approximately £907k (2017: £1,233k). 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***	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Variable rate instruments				
- Financial assets	**12,365**	16,250	**4,013**	9,499
- Financial liabilities	**(28,544)**	(29,692)	**(28,544)**	(29,692)
	(16,179)	(13,442)	**(24,531)**	(20,193)
Fixed rate instruments				
- Financial assets	**1,944**	-	**323**	-
- Financial liabilities	**(7)**	(69)	-	-
	1,937	(69)	**323**	-

A 10% reduction in interest rates at the end of the period would increase Group equity and profit and loss by approximately £84k (2017: £88k). A 10% increase in interest rates at the end of the period would decrease Group equity and profit or loss by approximately £93k (2017: £96k). This analysis assumes that all other variables remain constant.

33. Share based payments

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

Reconciliation of outstanding share options

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

Range of exercise price: £1.21

	Weighted average exercise price 2018	**Number of options 2018**	Weighted average exercise price 2017	Number of options 2017
Maximum options outstanding at beginning of period	**1.21**	**105,500**	1.35	169,500
Lapsed during the period	**-**	**-**	-	-
Exercised during the period	**1.21**	**(11,000)**	1.59	(64,000)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**1.21**	**94,500**	1.21	105,500
Exercisable at end of period	**1.21**	**94,500**	1.21	105,500

The options outstanding at 28 February 2018 above have an exercise price of £1.21 (2017: £1.21) and a weighted average contractual life of 1.0 years (2017: 2.0 years).

Range of exercise price: £2.27 – £2.67

	Weighted average exercise price 2018	**Number of options 2018**	Weighted average exercise price 2017	Number of options 2017
Maximum options outstanding at beginning of period	**2.50**	**120,334**	2.55	199,334
Lapsed during the period	**-**	**-**	-	-
Exercised during the period	**2.63**	**(75,750)**	2.63	(79,000)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**2.27**	**44,584**	2.50	120,334
Exercisable at end of period	**2.27**	**44,584**	2.50	120,334

The options outstanding at 28 February 2018 above have an exercise price of £2.27 (2017: in the range of £2.27 to £2.735) and a weighted average contractual life of 2.0 years (2017: 1.3 years).

33. Share based payments *(continued)*

Range of exercise price: £4.15 – £9.00

	Weighted average exercise price 2018	**Number of options 2018**	Weighted average exercise price 2017	Number of options 2017
Maximum options outstanding at beginning of period	**6.77**	**1,226,550**	6.56	1,909,868
Lapsed during the period	**8.68**	**31,000**	8.33	(30,500)
Exercised during the period	**6.93**	**(347,883)**	6.06	(652,818)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**6.77**	**909,667**	6.77	1,226,550
Exercisable at end of period	**6.51**	**813,088**	5.97	889,480

The options outstanding at 28 February 2018 above have an exercise price in the range of £4.27 to £9.00 (2017: £4.27 to £9.00) and a weighted average contractual life of 4.7 years (2017: 5.7 years).

Range of exercise price: £12.28 – £25.37

	Weighted average exercise price 2018	**Number of options 2018**	Weighted average exercise price 2017	Number of options 2017
Maximum options outstanding at beginning of period	**14.70**	**1,603,500**	12.99	734,500
Lapsed during the period	**14.69**	**(1,500)**	12.28	(20,000)
Exercised during the period	**13.84**	**(324,664)**	12.28	(4,000)
Granted during the period	**21.76**	**450,000**	16.11	859,000
Maximum options outstanding at end of period	**16.70**	**1,727,336**	14.70	1,569,500
Exercisable at end of period	**14.67**	**270,825**	-	-

The options outstanding at 28 February 2018 above have an exercise price in the range of £12.28 to £25.37 (2017: £12.28 to £21.10) and a weighted average contractual life of 8.0 years (2017: 8.5).

The weighted average share price at the date of exercise for share options exercised for the year ending 28 February 2018 was £31.89 per share (2017: £17.85).

33. 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 28 February 2018		
Grant date	17/05/17	17/05/17
Fair value at grant date	4.53	3.10
Share price at grant date	25.37	25.37
Exercise price	25.37	17.25
Number of options	250,000	200,000
Expected volatility (weighted average volatility)	17.5%	17.5%
Option life (expected weighted average life)	3.5 years	3.5 years
Expected dividends	0.1%	0.1%
Risk-free interest rate (based on government bonds)	3.0%	3.0%

The share option award on 17 May 2017 with an exercise price of £17.25 was due to commitments as part of contractual employment arrangements that were subject to criteria being satisfied prior to the award of the options.

Measurement of fair values

Grant of options during the year ended 28 February 2017			
Grant date	08/03/16	18/07/16	01/12/16
Fair value at grant date	3.07	2.36	3.04
Share price at grant date	14.69	17.25	21.10
Exercise price	14.69	17.25	21.10
Number of options[1]	553,000	250,000	90,000
Expected volatility (weighted average volatility)	17.5%	17.5%	17.5%
Option life (expected weighted average life)	4.5 years	3.5 years	2.5 years
Expected dividends	0.1%	0.1%	0.1%
Risk-free interest rate (based on government bonds)	3.0%	3.0%	3.0%

[1]The share option award on 08 March 2016 has been updated to include an additional 34,000 options which were included in this tranche.

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

33. Share based payments *(continued)*

Employee expenses

	2018	2017
	£'000	£'000
Expense relating to:		
Share options granted in 2012/13	**-**	58
Share options granted in 2013/14	**74**	147
Share options granted in 2014/15	**195**	211
Share options granted in 2015/16	**399**	284
Share options granted in 2016/17	**560**	400
Share options granted in 2017/18	**358**	-
Total expense recognised as employee benefit expense	**1,586**	1,100
Total amount recognised as software development costs	**-**	292
Total amount recognised in share based payment reserve	**1,586**	1,392

34. Contingent liabilities

Government grants

A portion of grants may become repayable should the conditions of offer cease to be met. The repayment of the employment grant is contingent on the maintenance of employment levels to March 2020 and September 2022 in relation to the respective grants.

First Derivatives plc

Directors and advisors

Directors	S Keating	–	Non-Executive Chairman*+
	B G Conlon	–	Chief Executive Officer
	R G Ferguson	–	Chief Financial Officer
	K MacDonald	–	Non-Executive Director*
	V Gambale	–	Non-Executive Director*+
	J Robson	–	Non-Executive Director+ (Resigned 15 May 2017)
	D Troy	–	Non-Executive Director (Appointed 15 January 2018)
Secretary	JJ Kearns		
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Solicitors	Mills Selig 21 Arthur Street Belfast BT1 4GA		
Bankers	Bank of Ireland Corporate Headquarters Donegall Place Belfast BT1 5LU		
Nominated Advisor/EMI Advisor and Joint Brokers	Investec Bank Plc 2 Gresham Street London EC2V 7QP		Goodbody Corporate Finance Ballsbridge Park Ballsbridge Dublin 4
Company registration number	NI 30731		
Registrar and Transfer Office	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA		

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

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