Change the Game

First Derivatives plc
DATA | TRADING | RISK

First Derivatives plc
Annual report and accounts 2020

Our world-leading Kx streaming analytics technology combined with our data expertise is a game changer for our clients, helping them to generate more revenue and increase their operational efficiency.

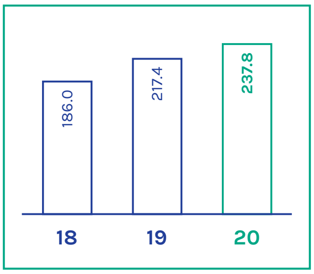
Kx is straightforward to manage and powerful enough to cope with any data challenge, producing faster results using less hardware and energy, than any of its competitors.

Read more on page 13 about how First Derivatives Changes the Game:

IN FINTECH **IN MARTECH** **IN INDUSTRY**

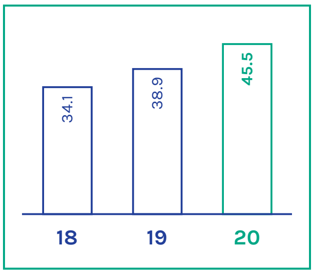
Highlights

FINANCIAL HIGHLIGHTS



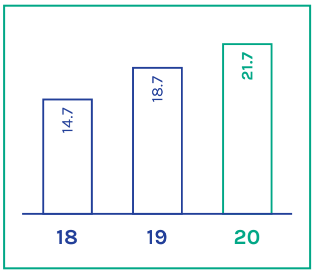
Revenue £m

£237.8m



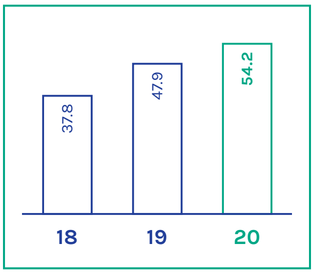
Adjusted EBITDA £m

£45.5m



Operating profit £m

£21.7m



Diluted earnings per share p

54.2p

OPERATIONAL HIGHLIGHTS

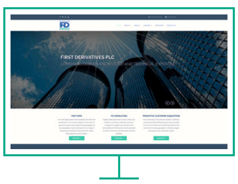
- Software revenue up 13% to £148.4m (2019: £130.9m), driven by 23% growth in recurring software license revenue
- Significant contract wins in our core FinTech market and progress in our drive to achieve market leadership by building out the capabilities of our solutions
- Partner agreements and contract wins across our target markets of automotive, manufacturing and energy as we focus on those markets where Kx provides the greatest competitive advantage, including a global Kx partnership agreement with Tata Consultancy Services (TCS)
- MRP Prelytix subscription revenue up 33% to £25.6m (2019: £19.3m) as we increase the platform's functionality and it becomes recognised as a leader in its market
- Managed services and consulting revenue up 3% to £89.4m (2019: £86.5m), with strong order intake in H2 but lower growth due to a delayed start to two multi-year contracts
- Finalisation of the acquisition of the minority shareholdings in Kx Systems, taking 100% ownership, funded by new financing facilities which provide flexibility to support the Group's growth plans
- Launch of Kx 4.0 with increased performance, security, visualisation and machine learning capabilities to spearhead our push to wide adoption of Kx across industries
- Appointments of Seamus Keating as Chief Executive Officer and Donna Troy as Chairman in January 2020

Read more on pages **14–17**

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS



Read more at **firstderivatives.com** and **kx.com**

Focused on performance

OUR BUSINESS

First Derivatives (FD) is a software and services company with world-leading intellectual property in ultra-high-performance analytics (Kx) across industries, with extensive domain expertise and capabilities in capital markets systems and technology (managed services and consulting).

kx

Kx technology addresses one of the largest and most demanding challenges in analytics, namely how to capture and analyse data to make real-time decisions in a world where data volumes generated by markets and machines are increasing exponentially, and existing technologies fail due to technological or commercial limitations.

Kx is widely adopted throughout the financial industry, at banks, hedge funds and exchanges, where it is employed across a range of data-intensive arenas, from high-frequency trading to regulatory compliance. Kx also powers our MRP Prelytix digital marketing platform, enabling subscribers to identify and engage with potential customers earlier and more effectively, using predictive analytics. With this pedigree, Kx is expanding into other industries, such as manufacturing, automotive and energy, which are challenged by the increase in data and the need to make rapid, informed operational decisions.

MANAGED SERVICES AND CONSULTING

FD provides a range of services worldwide to its clients in the capital markets sector, focused on supporting mission-critical systems as well as helping them to achieve and maintain regulatory compliance. These services can be delivered by operating either from the client site or on a near-shore basis (or adopting a hybrid approach).

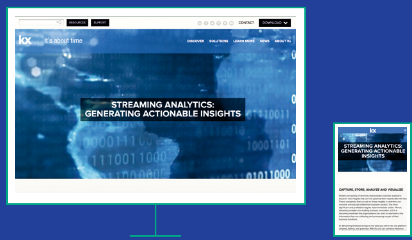
Clients include many of the world's leading banks with FD supporting their activities across a range of operations including credit, interest rate, foreign exchange, equity, cash and derivatives markets. For more than 20 years FD has built a reputation for client-centric delivery that has enabled consistent growth from a growing base of repeat revenue.

What sets us apart

1

KX STREAMING ANALYTICS – SIMPLEST, FASTEST, GREENEST

As well as its world-leading performance, Kx also stands out for the fact that it provides a single integrated platform to efficiently analyse vast streaming and historical datasets in real time. Deployable from chip to edge to cloud, the Kx platform is helping disrupt industries by providing immense analytic power on a smaller and lower energy-consuming footprint than competing solutions.



2

EXPERTISE AND KNOWLEDGE

We recruit and train our own domain and technical experts through our award-winning training programmes. Our foundations are rooted in academic excellence, entrepreneurship, customer centricity, agility and teamwork.

Combined with a constant challenge to embrace responsibility and grow, supported by training and a career framework, delivers a highly skilled and motivated workforce that drives our growth and changes the game for our customers.

3

OUR GLOBAL REACH

15 LOCATIONS | 4 CONTINENTS | 2,400+ PEOPLE

4

STRONG MARKET POSITION

The Group provides a suite of software products and services to its clients in the capital markets sector across the world.

Kx was initially developed for the capture and analysis of market data. In recent years the Group has launched a broad range of capital markets applications, including market and trading surveillance, pre-trade decision making, post-trade reporting and liquidity management. In addition to new sales prospects and the potential to develop new applications, there are considerable cross and upselling opportunities within our existing customer base.

In managed services and consulting, the Group provides a suite of services to its global client base in the capital markets sector, focused on supporting mission-critical systems as well as helping them to achieve and maintain regulatory compliance. As the Group scales, there is considerable scope for further growth in capital markets.

Although financial services will remain the dominant client sector in the medium term, the Group increasingly sees opportunities for its Kx technology, and applications built on the platform, in new markets outside finance.

5

OPPORTUNITIES FOR GROWTH

The Group's strategy seeks continued growth across its software and services operations.

The Group has identified digital marketing (MarTech), automotive, energy and manufacturing 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 to accelerate its growth.

Digital marketing | Manufacturing | Energy | Automotive

A watershed year

> Our goal is to change the game for our customers, partners and employees by delivering world-class products, services and career opportunities."

The past year has been one of, if not the, most significant in the Company's history. We had to cope with the sudden loss of our CEO and founder, Brian Conlon*, whose entrepreneurial skill and drive have provided the platform from which the Board continues to see enormous opportunity for growth. In the report of the Nomination Committee I have detailed the process which led to the appointment of Seamus Keating as CEO towards the end of the financial year. The Board is grateful to Seamus for the commitment he displayed during his period as Executive Chairman and confident in his ability to execute our strategy.

We also had to deal with some business challenges as we geared for growth in our managed services and consulting business, while managing the perennial conflict of achieving growth in profitability while making the investments in Kx that are necessary to ensure we deliver on the immense opportunities we see for our technology. During the year that investment included taking full ownership of Kx, in itself a landmark achievement.

Towards the end of our financial year, COVID-19 created challenges not just for the Group but the world. I am proud of the way our business has pulled together to address it, working as one to support our clients in their business-critical operations while adapting quickly to the new normal. While we have seen no material short-term financial impact from COVID-19, we have taken measures to ensure the long-term viability of the business should there be an extended period of macroeconomic disruption. We are confident our business will emerge from this period with vigour.

Notwithstanding these challenges, the Group has never been so well positioned strategically. Our clients tell us that the world-class technology and services we provide enable them to achieve things they often did not believe possible, while offering a return on investment that serves to make them compelling. In short, we change the game for them, delivering new revenue streams and increasing their operational efficiency. Our challenge is to provide the routes to market and delivery capability to capitalise on this enviable position, while enhancing our technology leadership.

In our favour are market dynamics. It is almost a cliché now to talk about how vital data analytics is to every part of our business and personal lives; as the volume of data and the use cases for it grow, Kx has a pivotal role to play. Our goal is for Kx to become the streaming analytics platform of choice. We are already well positioned to achieve this in FinTech and MarTech, and the scale of the opportunities in manufacturing, automotive and utilities mean that we have an addressable market that can generate meaningful returns for all our stakeholders.

Having accepted the role of Chairman, I feel a great sense of pride in all my colleagues throughout the Group that we were able to navigate the challenges and I am delighted with the strength and resilience of our business. We have set ourselves some demanding goals and I firmly believe we have the best technology and people to achieve them. I look forward to reporting to all our stakeholders on the progress we make.

GOVERNANCE

The Group has adopted the 2018 UK Corporate Governance Code (the "Code") as its recognised regulatory framework, which is available for download from the Financial Reporting Council website (www.frc.org.uk). In this Annual Report we have increased disclosure around our governance policies, both within the Corporate Governance section and the Strategic Report. This report also includes a separate section dealing with how we engage with stakeholders, recognising that the journey we are on cannot be taken alone but needs the support of employees, customers, partners and others. The Board is committed to best practice in how it interacts with all its stakeholders.

The Group has a strong and experienced Board with a mix of skills, tenure and gender. Following the passing of Brian Conlon in July 2019, Seamus Keating was appointed Executive Chairman and then CEO in January 2020, alongside which I was appointed Chairman. The Board is engaged in a process to recruit additional Directors with skills and experience that will assist the Group to achieve its strategic objectives.

During the past year the Board conducted a review to evaluate its effectiveness and implemented the principal recommendation of the review. We intend to further develop the review process in the future.

SUMMARY AND OUTLOOK

The Board would like to express its sincere thanks to the 2,400+ people who work across its global operations for their hard work, dedication and enthusiasm during what was a busy and eventful year. Thanks to our combined efforts, FD has an exciting future as a world-class technology provider helping to change the game for our clients. Our technology and expertise are in high demand and the investments we have made in recent years leave us well positioned to capitalise on the opportunities at hand.

Donna L. Troy

Donna Troy
Chairman
18 May 2020

* See In memoriam on page 32.

Q&A WITH THE CHAIRMAN

Why did you agree to take on the role of Chairman of FD?
FD has a disruptive, world-class technology with an opportunity to become a global leader, combined with a culture that is inspiring to be part of. I believed when I joined the Board that my skills and experience, working with start-up to global technology companies that have been through that journey, particularly on the go-to-market strategy, would be of value. I believe that at this stage of our journey that has never been truer and I am excited by the opportunities currently in front of us.

What do you see as the major challenges facing the business?
The principal challenges are around the management of growth, the execution of strategy, identifying and responding to risks and ensuring that the competitive advantages of our software and services are maintained and enhanced. In addition, we constantly challenge ourselves to innovate and create disruptive value for our customers. These are the areas that the Board devotes most of its effort towards, together with ensuring we attract and retain the right people to deliver our growth plans.

What are your priorities for the coming year?
In recent years we have been positioning ourselves to be able to deliver our streaming analytics capability – real-time, mission-critical systems that provide high return on investment in large addressable markets – in areas where we were confident demand would emerge for a world-class technology such as Kx. We are leveraging our success in our core markets of FinTech and MarTech by creating beach heads in markets such as utilities, automotive and Industrial IoT. Our priority now is to accelerate our growth by taking Kx to mass market, in many cases with the assistance of partners which bring specific industry and domain expertise.

What is your longer-term outlook for the Group?
Kx has an enviable market position as a horizontal technology enabling organisations to deploy ultra-high-performance analytics simply and with a high return on investment. We have the right people in place to capitalise on that massive addressable market and make Kx the platform of choice for streaming analytics. If we maintain our focus, I am confident FD can become a global technology leader in the medium term.

Creating value by helping solve our clients’ toughest challenges

kx

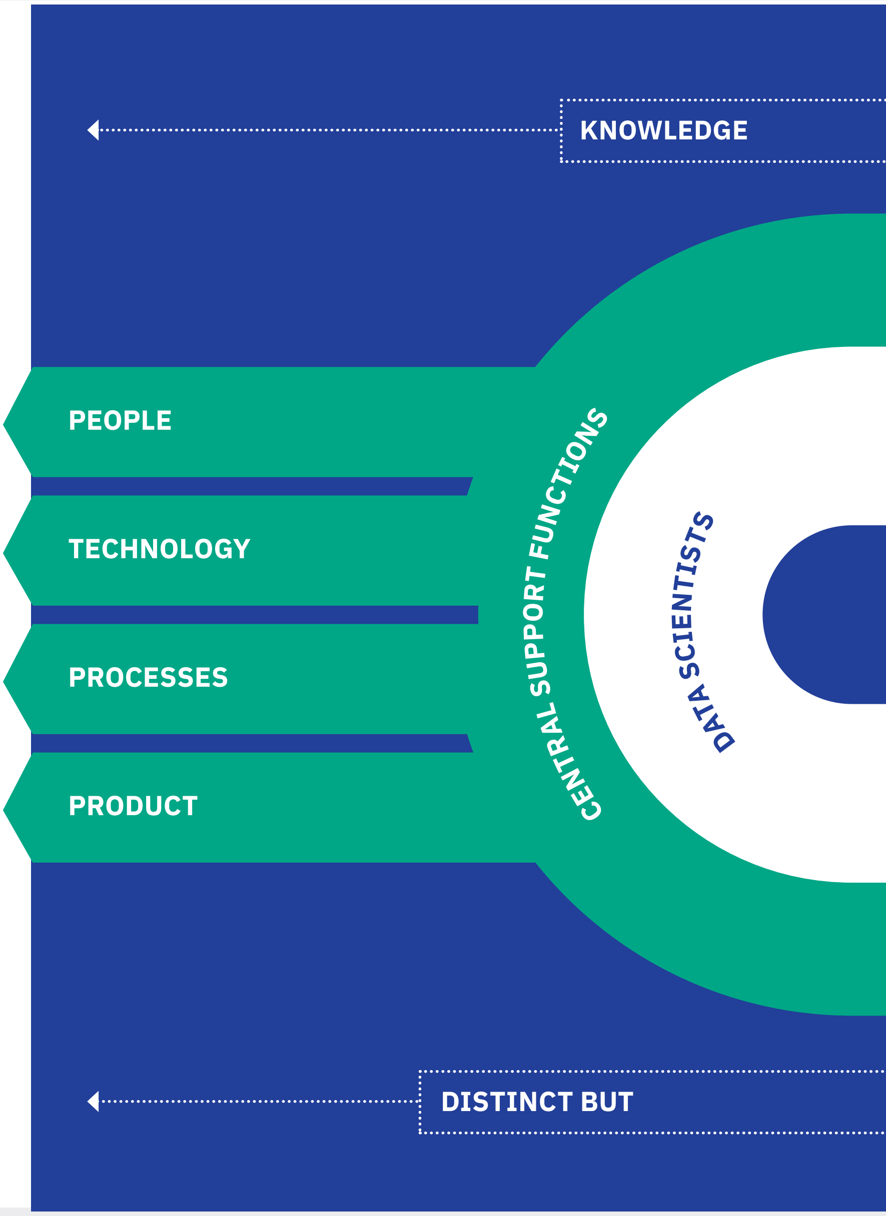
WORLD-LEADING STREAMING ANALYTICS TECHNOLOGY

OUR COMPETITIVE ADVANTAGE

- The world’s best performing in-memory, time-series database[1]
- Designed for rapid and efficient analysis of enormous volumes of data, particularly streaming data
- Supported by a unique enterprise platform for rapid and flexible deployment and management
- Applications that solve data challenges in multiple vertical markets
- Many times faster than competing solutions, increasing productivity
- Significantly lower computing infrastructure is required compared to other solutions, reducing total cost of ownership

CREATING VALUE FOR OUR BUSINESS

- License fee income from sales of Kx technology
- Subscription-based licensing model to build recurring revenues
- Implementation, development and support services that optimise the performance of Kx
- A multi-component sales strategy including lead generation, business development, proof of concept and sales engineering teams
- Development and partnership arrangements with academic, research and OEM agreements
- Collaboration with leading commercial organisations to bring new products to market
- Technology domain partnerships where companies incorporate Kx within their solutions to disrupt a particular market

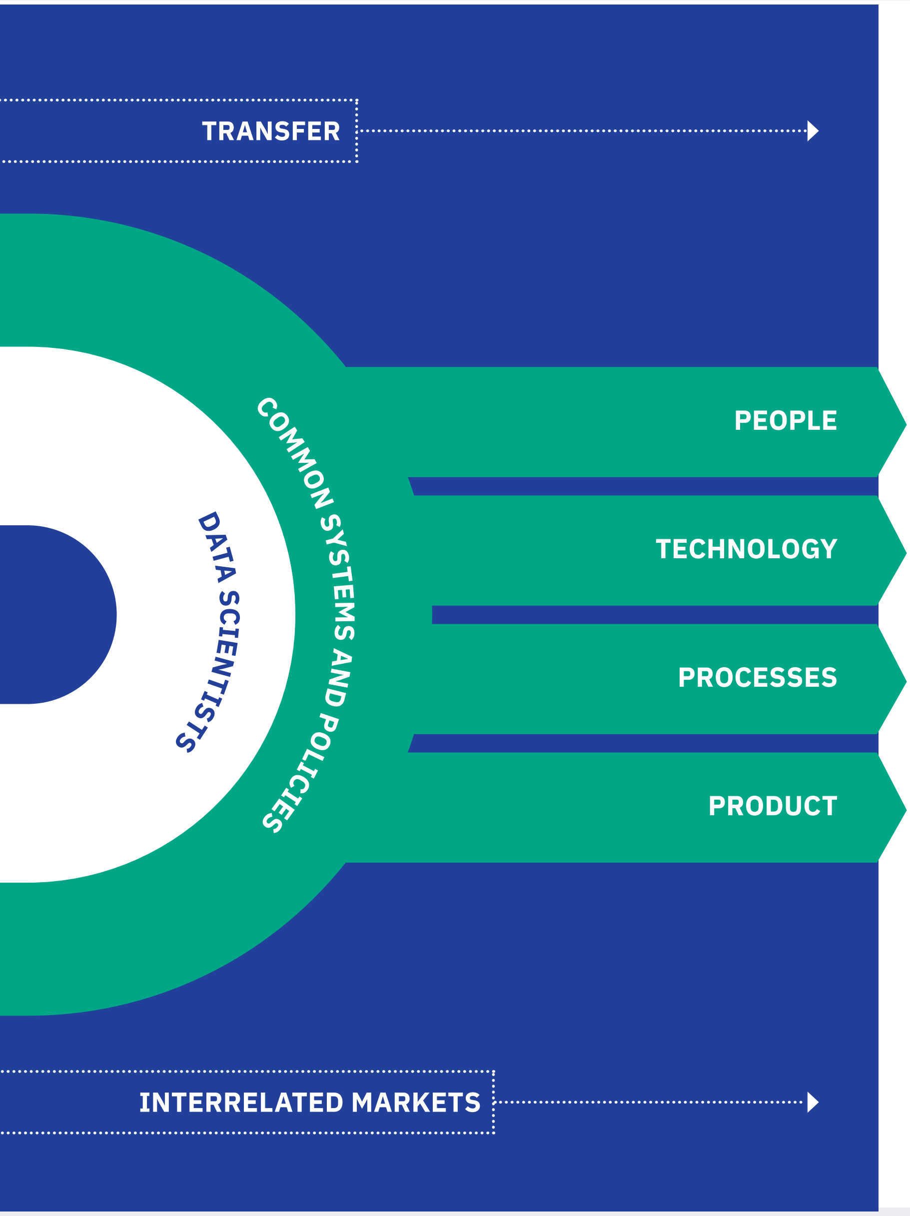


MARKET OPPORTUNITIES UNDERPIN OUR BUSINESS

$71bn
database addressable market in 2020[2]

$100bn
banking industry software application spend in 2019[3]

FD operates in two distinct but interrelated markets, providing Kx software across a range of industries while also providing managed services and consulting to the capital markets sector.



MORE THAN 20 YEARS OF MANAGED SERVICES AND CONSULTING EXPERTISE

OUR COMPETITIVE ADVANTAGE

- Domain expertise in capital markets
- Expertise of FD's consultants in working with the technology solutions prevalent in the industry
- Multi-year training programme, through which all FD graduate recruits pass
- A customer-first ethos that helps enable consistent growth
- Commitment and flexibility in working with customers to ensure their success
- Develop and deploy FD intellectual property to support our professional services

CREATING VALUE FOR OUR BUSINESS

- Services that support our customers' business-critical applications
- Implementation of technology solutions
- Ongoing support post-installation
- Repeat revenue, typically for many years
- Primarily a direct sales model through Master Service Agreements with leading banks globally
- Increased revenue visibility from near-shore contracts with clients, providing support for applications under multi-year contracts from FD's own premises

$520bn

IoT market value by 2021[4]

$232bn

IT services spend by banks in 2019[3]

1 As independently evaluated by the Securities Technology Analysis Center (STAC).
2 IDC estimate.
3 Gartner estimate.
4 Bain estimate.

Business environment and market potential

kx

Our Kx technology comprises a database (kdb+) and enterprise management layer that are data agnostic and can be deployed across industries to meet analytics challenges, together with applications targeted at specific industries and use cases.

Kx is independently verified as the world's best-performing in-memory, time-series database, originally developed to enable the financial industry to capture and analyse vast quantities of market data. The Group has succeeded in building a client list that contains all of the world's top ten investment banks and many leading finance institutions for both its database and applications. In recent years FD has sought to extend its presence into other markets that are challenged by large and increasing amounts of streaming data, particularly real-time data from sensors.

Due to its small code footprint, Kx can run seamlessly at the edge, on-premise or in the cloud. There are also flexible development options, ranging from the customer building everything from the kdb+ database upwards to the use of an application where the Group is fully responsible for its development and support.

STRATEGIC OBJECTIVES

The Group's strategy is: (i) to build on Kx's leading position in capital markets software; and (ii) to use Kx's performance advantages to target other markets.

Within capital markets the kdb+ database is widely deployed across banks, many of which have developed applications that utilise the data captured and analysed by our technology. The Group has also built a range of applications, such as surveillance, foreign exchange platforms and regulatory reporting. We see considerable potential to cross and upsell these applications and to develop new applications that will resonate with clients.

In digital marketing our MRP Prelytix platform is gaining increasing traction as we increase its functionality and the return on investment it demonstrates is compelling. We continue to increase the platform's capabilities as we seek to drive growth in high-quality subscription revenue.

In other markets the Group is at an early stage of commercialisation of its technology and has identified automotive, utilities and Industrial IOT as markets that are both high value and have a pressing need for the ultra-high performance Kx delivers. Recognising its lack of domain

MANAGED SERVICES AND CONSULTING

FD recruits and trains its own consultants, providing them with a combination of technical and domain skills in capital markets that enables us to help our financial services clients build and manage mission-critical systems. We operate a number of practices, including third-party system deployment and support, managed system services, regulatory sand compliance services and programme support. Our consultants typically work on site with our clients or from a remote location such as our headquarters.

STRATEGIC OBJECTIVES

The Group's strategic objective is to become a leading capital markets practice.

ADDRESSABLE MARKET

In managed services and consulting, Gartner estimates the total spend on IT services in banking in 2019 was $232 billion. In addition, Gartner states that banks spent a further $102 billion on internal services, which represents an additional addressable market as the banks outsource application support. The size of these opportunities provides vast potential for the Group to grow its revenues. The capability to exploit these opportunities is not constrained by the Group's ability to recruit and train suitable staff – for every graduate FD recruited during the year, there were in excess of 20 suitably qualified applicants.

The Group operates in several large addressable markets and is involved in many of the leading developments within the technology sector.

expertise outside capital markets, as well as direct sales into these markets to create a beach head, the Group works with partners (both independent software vendors and systems integrators) to target the market opportunities.

The market outside finance in which Kx has enjoyed the greatest success to date is digital marketing, where we have developed a Software as a Service platform that enables clients to dynamically activate a range of sales and marketing techniques based on predictive analytics derived from billions of data points. This approach is rapidly becoming a mainstream element of sales and marketing efforts of global organisations.

ADDRESSABLE MARKET

The addressable market opportunity for Kx is the combination of the database market together with the market for applications built upon it across the markets which Kx is targeting.

IDC, an industry analyst, estimates that in 2020 the database addressable market will be $71 billion. The market for applications is considerably larger, as the potential use cases of Kx technology are wide and far ranging. For example, industry analyst Gartner estimated that banks would spend $100 billion on software applications in 2019, encompassing areas such as regulatory reporting, surveillance, trading and real-time risk where Kx solutions are building market share.

In MarTech, the addressable market for predictive analytics, which intensively leverages data, is estimated to reach $12.4 billion by 2022. HTF Market Analytics estimates that the market for analytics in manufacturing will reach $24 billion by 2025, with a compound annual growth rate of 28%. A range of other vertical markets such as automotive, utilities, pharma and telecoms are also increasing their use of data analytics and each represents tens of billions of dollars of annual opportunity.

The largest emerging opportunity for Kx technology is in the analysis of sensor data, particularly where dealing with enormous volumes of data in real time. Bain estimates that the IoT market alone will be valued at $520 billion by 2021, with analytics the fastest growing component accounting for more than a quarter of spending.

In summary, the total addressable market for Kx can be measured in the hundreds of billions of dollars per annum, covering a range of markets and use cases that provide both opportunity for growth and the potential to diversify the Group's revenue base.

SUMMARY

Combined, the addressable markets for the Group's software and services total hundreds of billions of dollars. Given the enormous potential demand for both its managed services and consulting propositions and its world-leading technology, the Group believes it remains in the early stages of commercial exploitation of these opportunities. It remains committed to a financially disciplined approach to expansion which strives to provide the optimum balance between risk and reward for shareholders.

"The largest emerging opportunity for Kx technology is in the analysis of sensor data, particularly where dealing with real-time and large volumes of data."

Measuring our progress

FD's strategy has been consistent – to position its software and services for continued and sustainable growth in the very large markets it addresses. These strategic priorities have been in place since 2014 and to meet them FD has to strike a balance between making the investment necessary to deliver them whilst also delivering the growth in profitability expected by its shareholders.

1 BUILD ON KX TECHNOLOGY'S LEADING POSITION IN FINTECH AND MARTECH

What this means

Core markets with enormous growth potential and providing strategic solutions for our growing client base of banks, hedge funds, exchanges and regulators

How we do it

BUILD AND CONVERT SOFTWARE PIPELINE

- Ensure high levels of client satisfaction to create market leading reference sites
- Increase penetration within existing clients across asset classes and geographies
- Work to increase routes to market and global reach

Progress

- Increased functionality in our applications and signed multiple new multi-year contracts

2 USE KX'S PERFORMANCE ADVANTAGES TO PENETRATE OTHER MARKETS

What this means

Develop and commercialise solutions providing competitive advantage to clients across multiple industries, utilising Kx's performance and total cost of ownership advantages

How we do it

INCREASE ROUTES TO MARKET

- Identify use cases across specific, high-value markets
- Work with customers and partners to develop compelling solutions
- Continue to invest in R&D, sales and marketing to deliver on significant opportunities
- Develop additional channels to market via systems integrators and OEM partnerships

Progress

- Added new systems integrators and OEM relationships
- Hosted Kx Innovation Day in conjunction with major partners and customers
- Signed enterprise license agreements with major new name accounts

3 BECOME A LEADING GLOBAL CAPITAL MARKETS PRACTICE

What this means

Provides vital support and enabling role for our Kx technology operations through FinTech domain expertise and data scientist resource pool

How we do it

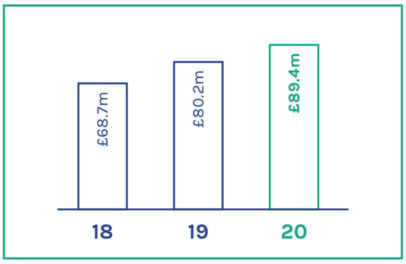
GROW KEY ACCOUNTS AND MANAGED SERVICES

- Leverage our unique combination of domain and technical skills
- Use our growing scale and reputation to increase our client base
- Exploit our near shore capabilities to deepen our relationships with key clients

Progress

- Key multi-year contract wins across our core areas of expertise – trading systems, regulatory reform and back-office efficiency

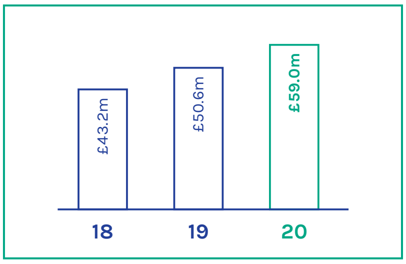
The first three KPIs relating to revenue growth all align with the strategy pillars.



GROWTH IN FINTECH SOFTWARE REVENUE

Strategic alignment 1 2 3

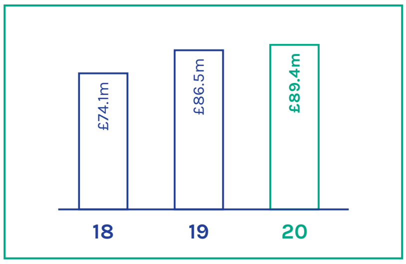
FinTech is the original market for Kx, where our brand is strong and the technology has been used for many years. However, we continue to believe we can use Kx's performance capabilities and brand awareness to generate accelerating growth, particularly through licensing applications that use the power of Kx to deliver additional value for our clients. We continued to grow rapidly during the year, including a flagship win to provide a next generation e-FX platform for Sumitomo Mitsui Banking Corporation.



GROWTH IN SOFTWARE REVENUE IN MARKETS OUTSIDE FINTECH

Strategic alignment 1 2 3

The Board recognises that this KPI is likely to be the least predictable of those it monitors, as it is starting from a low base and can be subject to differences around the timing of contract signature. However, over time the Board is increasingly convinced that the Group can generate meaningful returns for stakeholders from the investment it has made in multiple industries. In recent years FD has invested heavily in enabling the adoption of Kx across sectors and in its sales and marketing functions and expects to see accelerating growth as a result.

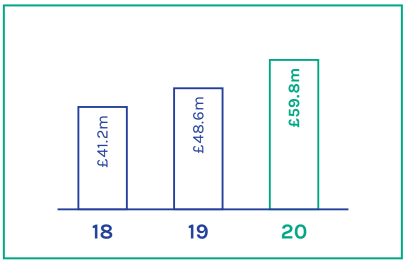


GROWTH IN MANAGED SERVICES AND CONSULTING REVENUE

Strategic alignment 1 2 3

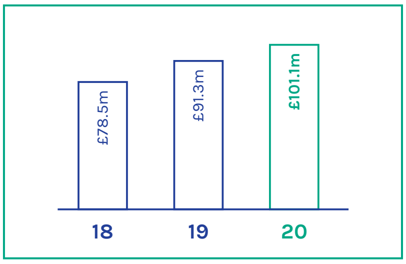
Our managed services and consulting revenue is derived from the FinTech market, principally from providing services requiring deep domain skills to large investment banks. We made good progress in our strategy during the year, winning a number of multi-year contracts with European clients that began to contribute to revenue in the second half of our financial year. Revenue delivered in the year grew to £89.4m, despite the impact of slower decision making within the UK market during the year.

The Board uses the following measures to assess growth and value delivered to stakeholders.



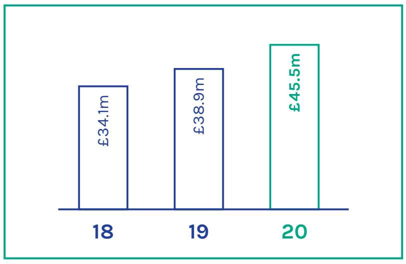
GROWTH IN RECURRING SOFTWARE REVENUE

FD prioritises recurring software sales under either pure Software as a Service contracts, where the service is provided remotely by FD to the client, or under annual licensing terms. This enables greater predictability of revenue and increases the Board's confidence to invest for future growth. During the year the Group had another strong performance in generating recurring revenue, with all of its software activities contributing to the result.



GROWTH IN GROSS PROFIT

To deliver on its strategic growth ambitions, FD has invested heavily across its operations, including delivery capability as well as research and development and sales and marketing. To continue to do so while also delivering growth in profitability measures requires strong growth in gross profit, and FY 2020 provided further progress in that regard.



ADJUSTED EBITDA GROWTH

The Board's strategy is to invest in a disciplined way that continues to deliver growth in profitability for stakeholders. Adjusted EBITDA is considered the best measure of underlying performance, stripping out costs that are considered to be non-operational in nature and to enable the Board and investors to most easily determine the impact of the Group's strategy on performance.

Engaging our stakeholders

To deliver our strategy requires engagement with, and the support of, a range of stakeholders relevant to the Group. To enable the Board to understand and thereby properly consider the views of these stakeholders as part of its decision-making processes it employs a range of strategies, as outlined below.

When making its decisions the Board takes into account the views and interests of its stakeholders, which are established by the means outlined in this section of the report.

The input gathered through this approach helped inform Board decisions through the year. Examples of decisions taken during the year and how stakeholder views were taken into account include:

1. **Appointment of Seamus Keating as CEO.** The Board was mindful that for customers and employees the Group's culture and values, including academic excellence, entrepreneurship, customer centricity and agility were vital. Similarly, the Group's investors value the clear strategic vision laid out by the business and were keen that the strategy should be maintained. In appointing Seamus, who has been a Director since 2012, it was clear that maintaining both culture and strategy would be among his priorities.
2. **Response to COVID-19.** The Board's top priorities were the health and wellbeing of its employees and supporting customers. When it became likely that COVID-19 would develop into a global pandemic affecting the geographies in which we operate, the Directors, working with Group management, developed and implemented a response that took into account the interests of employees but also ensured that the Group continued to meet the needs of its customers particularly in relation to mission-critical operations. This ensured consistent and fair treatment of our stakeholders and prompt resolution of challenges as they arose, enabling us to continue to support the essential operations of our customers, many of whom have congratulated us on our response.

PARTNERS

A key element of the Group's focus is working with partners, particularly where it seeks to enter new markets where the partner can provide domain expertise. We engage actively with these partners to understand both the opportunities available to the Group and to support the partner's engagement with end customers, with the feedback from partners regarding our technology and working practices provided to the Board to better inform strategy:

1. Identifying and working with potential new partners to explain the performance advantages of our technology and, where appropriate, to integrate Kx with the partner's technology, ensuring the offer to end clients is comprehensive and compelling.
2. Working with existing partners to identify and respond to market and customer-specific opportunities, including Proof of Concept work, ensuring that our commercial models are aligned to maximise the potential for success.

EMPLOYEES

Our employees play a crucial role in helping us pursue our strategic goals and uphold the core values that underpin our organisation. We engage, equip and support them to achieve their full potential while building our business. Throughout the year we encouraged open dialogue across the business with the focus on improving working environments and processes for the benefit of all employees. Some of the initiatives to drive this change included:

1. During the year we ran well-attended "Meet the Board" events which gave our Non-Executive Directors and Chairman the opportunity to engage with our employees across the UK, the US, Ireland and Canada. This was a key initiative as the Board was keen to meet with employees and hear what they think and use this feedback to influence change across the organisation.
2. This year there was a focus on enhancing employee communication at all levels across the business. We introduced CEO video updates to all staff and held townhalls across all our major locations. The Board received regular updates from the HR Director following employee engagement events such as townhalls and "Meet the Board" events.
3. Our inaugural employee engagement survey provided valuable insight on the issues that matter to our employees and our culture. For more information see the Corporate responsibility report.

CUSTOMERS

In addition to working with partners, the Group employs a direct sales model and provides professional services including implementation, development, support and managed services to its customers. These activities provide deep engagement with our customers and support our strategy to have high levels of repeat and recurring revenue, with feedback incorporated into Board reports and strategic planning.

1. We have dedicated sales teams across industries and regions that regularly interact to understand existing needs and how they may change in future and how FD can support their plans.
2. We run events for customers throughout the year, including regular meetups in major cities around the world, where customers can meet and share their own ideas and feedback. This includes an annual customer meeting and during the past year an Innovation Day at which customers and partners explained how they were using Kx to change the game.

INVESTORS

The Group maintains regular and constructive dialogue with institutional investors, both those who already hold a stake in the Company and those who are potential shareholders. During the past year this interaction included:

1. The CEO, the CFO and Board and executive team members have all taken part in one-to-one meetings with investors and potential investors to communicate the Group's investment case.
2. The Company has attended multiple investor conferences and has conducted roadshows in the UK, continental Europe and North America.

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. FD regularly interacts with these stakeholders to understand their views and communicate the Group's strategy and policies.

Change the Game

Our clients tell us that Kx enables them to generate new revenue streams, provide competitive advantage, increase their operational efficiency and meet the requirements of industry regulators. Across industries, our technology and data science expertise change the game.

FINTECH

Sumitomo Mitsui Banking Corporation (SMBC) committed to build its next generation foreign exchange trading platform on Kx, to deliver superior electronic execution, algorithmic trading and effective risk management, supported by advanced real-time pre- and post-trade analytics. Phase 1 of the project is live and SMBC's clients are already benefiting from tighter spreads, deeper liquidity and higher fill rates.

MARTECH

Thomson Reuters engaged MRP for its advanced data insights and omnichannel Account-Based Marketing capabilities. Tapping into nearly 1.5 trillion data signals per month, MRP, powered by Kx, monitored 1,500 topic streams for 4,300 of their top target accounts. These data insights fuelled interaction across those targets, engaging them across a range of marketing channels, and resulted in nearly 30% of them advancing into sales pipeline opportunities.

INDUSTRY

A world-leading oilfield services company selected Kx to provide a new system able to analyse sensor data in remote locations, where compute resources are limited. Doing so provides actionable intelligence that enables them to increase the efficiency of their operations, giving them competitive advantage.

A year of solid execution

The Group has delivered another year of solid growth, in which revenue increased by 9% to £237.8m and adjusted EBITDA increased by 17% to £45.5m. This growth was driven by good progress in the execution of our strategy, although we also faced challenges, including the loss of our CEO and founder, Brian Conlon, and dealing with the impact of COVID-19.

In line with our continuity planning Seamus Keating was appointed as Executive Chairman in July 2019 and, following a selection process, as Chief Executive Officer in January 2020. Donna Troy, previously a Non-Executive Director, was appointed Chairman in January 2020. Throughout the year, our strategy has remained unchanged while our execution has evolved to focus more sharply on the most compelling commercial opportunities across the business. These include:

- In FinTech, by combining the performance of Kx with our domain expertise to focus on achieving market leadership for our core solutions. This includes, for example, building out the capabilities of our surveillance platform to cover multiple asset classes in a single platform.
- In software markets outside FinTech, by focusing on those markets where Kx provides the greatest competitive advantage. This typically means enabling streaming analysis of data from machines, including at the edge.
- In managed services and consulting, by focusing on commercialising our expertise in middle and front-office trading systems, risk and regulatory reform and back-office efficiency programmes.

Across our business, as our customers increasingly pivot to the cloud, we are directing our efforts to ensure that Kx and our data expertise are in pole position to help them obtain the benefits of agility and flexibility by enabling easy access to the competitive advantages Kx provides. The recent launch of serverless kdb+ is an important initiative to accelerate this process.

Kx streaming analytics is a game changer, enabling new ways of working that deliver operational efficiency and generate new revenue streams for our clients. Examples include analysing streaming data from machines in precision manufacturing to improve yields and reduce waste; mining vast volumes of intent data to deliver sales leads that convert at higher rates than competing methods; and streaming analytics on F1 cars to increase safety and improve lap times.

We are harnessing all of our R&D and sales and marketing efforts to support our focus on these key areas, which represent enormous market opportunities. Our aim over the medium term is to ensure that our targeted investment in these areas enables us to scale our business and create value for all stakeholders.

KX STREAMING ANALYTICS

Kx enables the analysis of vast quantities of data, both streaming and historical, at cost and performance levels unmatched by competing solutions. At its core, the technology comprises the kdb+ database, with its highly efficient 800kb footprint, and an enterprise layer designed to maximise analytic performance while providing vital functions such as security, control and visualisation.

Kx streaming analytics delivers considerable competitive advantage. In addition to being orders of magnitude faster than competing solutions, Kx delivers hardware, space, cooling and power savings of 80–90%, based on the results of head-to-head testing during proof of concept projects with potential clients. Flexibility is another differentiator, with the ability to deploy at the edge, on-premise, and in any cloud architecture. The stability of our platform, which is tried and tested across some of the most demanding industries in the world, is also important to clients, providing competitive advantage against emerging technologies that cannot demonstrate the resilience achieved by Kx.

To harness the power of Kx, the Group has developed a number of applications specific to FinTech and MarTech, while third parties, such as an OEM partner or a direct customer, have integrated Kx into their own solutions and built new applications using our development tools. This approach enables these third parties to deliver a solution that meets their specific business needs while benefiting from Kx's performance advantages.

RESEARCH AND DEVELOPMENT

Our R&D initiatives are designed to further our strategy, by building on our leading position in FinTech and by enabling Kx to penetrate other target markets. We also continue our ongoing focus to ensure that the significant performance advantages Kx holds over competing solutions are maintained, if not enhanced. Taken together, our R&D efforts are crucial to our ability to change the game for customers and therefore for our long-term competitiveness.

Over the course of the past year we picked up the pace of our technology development, adopting an agile product development strategy that resulted in major improvements to Kx's performance and over 250 separate features across our platform and application products. We also increased support for Kafka and Python, aiding our push to make Kx a leading platform for machine learning and AI.

We also set a roadmap for Kx streaming analytics which we believe will further enhance our market position in FinTech and provides the foundation for growth across our target markets.

Building on our leading position in FinTech. Our enterprise customers across financial services use our technology for its performance, enabling them to capture, store and analyse millions of data points per second in streaming market data and enormous volumes of historical data. We augmented this capability with improved real-time visualisation functionality, enhanced security features and by making our developer tools available to our enterprise customers as part of their existing license agreements.

Penetrating other target markets using the performance advantages of Kx. To increase awareness and promote our technology we released a number of our software tools as free and open source versions, including tools that make it easier to integrate Kx with other enterprise technology platforms as well as tools aimed at the developer community at large. Our aim is to increase adoption of Kx and enable as wide a community as possible to understand its potential to solve the toughest data challenges.

Another key focus of our recent R&D work has been on boosting Kx's performance and ability to operate in cloud environments:

- The recent launch of version 4.0 delivers major performance improvements by taking advantage of all the processing capability inherent in modern computing systems, which builds on the work we have done over the years with partners such as Intel. We anticipate that 4.0 will set new benchmarks that will further extend Kx's performance leadership.
- Kx has long been able to run in the cloud, whether public, private or hybrid, and we are extending that capability to deliver serverless kdb+, removing the need for users to run and manage physical infrastructure. This approach significantly accelerates development effort and allows users to pay only for the time they use for functional workloads. This reduces the operational cost of Kx solutions and as a result broadens the addressable market for our technology. The initial launch of serverless Kx will be on the Amazon Web Services Lambda platform.
- Kx is the only database that offers native support for Intel's Optane, a high-performance storage and memory technology that Amazon and Google are deploying across their data centres.

Taken together, our R&D initiatives are supporting our strategy by boosting our technology's performance, enabling us to increase our total addressable market and ease the adoption and integration of Kx within our clients' technology infrastructure, with the goal of driving revenue and profit growth.

BUSINESS DEVELOPMENT

FinTech

FinTech software continued to deliver strong growth, with revenue up by 11% to £89.4m (2019: £80.2m). This growth was driven by continued demand for solutions such as regulatory and risk reporting, market surveillance and trade analytics. Combining the power of our Kx platform with our domain expertise within capital markets enables us to develop applications that have both the power and functionality to lead the market.

During the year we signed several new multi-year contracts, including:

- One of our largest ever deals, developing a next generation FX trading platform for SMBC Bank, where Kx will become an integral component of the bank's global FX trading.
- A multi-asset class surveillance solution for a North American bank.
- A contract for Kx to power an AI-based pricing engine and trading platform, using our data refinery product for rapid deployment.
- The displacement of a competitor at a European bank for the capture of fixed income and FX data.

We are well positioned to continue to grow our solution revenue as market trends move increasingly in favour of our technology. The introduction of serverless kdb+ comes at a time when banks are accelerating their plans to move their data and applications to the cloud, driven by development agility and business flexibility demands. We expect this will be a multi-year structural shift that will drive growth across our business, as banks seek to standardise on best-in-class technologies.

We also see an increase in regulatory demands, leading banks to implement powerful solutions to demonstrate compliance to their industry regulators across asset classes. Given this backdrop we have enhanced our powerful and flexible trade surveillance software, to enable banks to achieve a holistic solution. This encompasses communications surveillance, launched during the year with a reference customer, and multi-asset class surveillance within a single platform. This is a unique offering that simplifies the process of surveillance and enables new insights across the bank's activities.

We have a growing base of recurring revenue within FinTech and a pipeline of opportunities across our solutions and the geographies in which we operate.

MarTech

Revenue from MarTech increased by 14% to £47.3m (2019: £41.4m). Our solution, powered by Kx and branded as MRP Prelytix, changes the game for organisations by enabling them to identify and engage potential customers earlier and more effectively, driving greater revenue and market share. It does so using predictive analytics derived from billions of data points, enabling clients to dynamically activate a wide range of sales and marketing tactics informed by real-time insights, in an approach known as Account Based Marketing (ABM).

Industry analyst Forrester recently forecast that by 2025 ABM would become the mainstream approach for business-to-business marketing, as organisations adopt an account-centric view to identify, plan, manage and measure their activities. In its report Forrester recognised MRP Prelytix as a "leading, established" ABM vendor.

We provide our platform on a subscription basis, supported by engagement services to assist lead management and conversion. Our clients report that we generate a return on investment for them that is considerably higher than competing solutions. Global technology companies currently form the core of our client base, as exemplified through significant new client wins during the year including Advanced Micro Devices, a cloud-based communications provider and several leading hardware providers. We continue to seek to diversify our MRP Prelytix client base, with financial services and management consultancy representing particularly attractive markets that delivered important new clients in the year.

KX STREAMING ANALYTICS *CONTINUED*
BUSINESS DEVELOPMENT *CONTINUED*

MarTech *continued*

During the year we continued to add new functionality to extend our market leadership. We increased the advanced analytics available in our platform, enabling our customers to build their own AI-driven models to optimise results, and delivered a new configurable dashboard that provides a single view of the customer using all the available data. We also introduced content syndication, which extends our reach deeper into clients by working with their agency partners to capture more of their total sales and marketing spend.

The unique insights provided by MRP Prelytix and our constant technical innovation resulted in growing industry recognition. In addition to securing 'Best Overall ABM Solution' at the 2019 MarTech Breakthrough Awards, analyst Research in Action categorised our solution as 'Market Leader' and noted that it scored highest in customer satisfaction in its market review.

We ended the year with good momentum in MarTech, as our investment in innovation drives industry recognition and increasing use of MRP Prelytix is proving the value it delivers for customers. Our priorities for the current year are to further differentiate our platform by building on its functionality, to drive awareness of our platform to generate new direct and agency customers, and to penetrate deeper within our existing customers by demonstrating the return on investment we generate for them.

Industry

Revenue from industry grew by 26% to £11.7m (2019: £9.3m). The performance of Kx streaming analytics and the operational efficiency it enables make it of considerable interest across multiple high-value markets where the volume and velocity of data present significant challenges. Having evaluated these opportunities, we are focusing on the markets where our competitive advantage is most compelling in terms of the return on investment it delivers for our customers. These are:

- **Automotive** – The initial deployments of Kx in automotive were in F1, notably with Aston Martin Red Bull Racing where in our role as Innovation Partner we provide analytics both in the wind tunnel and in-race telemetry through streaming analytics on sensor data. We have added further contract wins with F1 teams for similar applications of Kx and we have a growing pipeline of opportunities across motor sport. Our capabilities have attracted the attention of global automotive companies and we are engaged with them on different initiatives around the design and production of vehicles. We are also engaged with vendors in the connected car ecosystem, where the capability of Kx to operate at the edge and in real time is particularly attractive. We see a growing opportunity for Kx streaming analytics to be a key element of the automotive ecosystem.
- **Energy** – Analysing data from the vast number of smart meters and sensors attached to production, transmission and distribution systems is increasingly challenging for energy market participants. Based on working with a range of partners and customers we believe Kx is the ideal platform for use cases across efficiency, regulation, and innovative services. Working alongside our partner CGI, which counts many of the world's leading utilities as customers, we are on track to deliver a next generation electricity information exchange for Fingrid, the transmission system operator for Finland. We expect this to act as a reference site, with numerous utilities due to upgrade their systems in the coming years. In February 2020 we signed an agreement with a global oilfield services company to provide operational intelligence at the edge, where compute resources are limited, while aggregating data centrally. These use cases are illustrations of the many ways in which Kx can provide high returns on investment across the energy market.
- **Manufacturing** – Maximising yield and reducing waste are key goals for manufacturers and Kx has demonstrated its ability in both these areas through multiple contract wins and partner agreements. During the year we announced a partnership agreement with Keysight Technologies, to integrate Kx within its PathWave Manufacturing Analytics platform, adding to prior agreements with global semiconductor manufacturing companies including BISTel and a Fortune 500 company that are expected to contribute to our growth in this market. After the year-end we signed a global partnership agreement with Tata Consultancy Services (TCS) under which it will develop and deploy solutions based on Kx streaming analytics, targeted at its customer base across multiple industries. We see manufacturing as a very large and attractive market and expect to continue to sign customer and partnership agreements.

Our strategy is to seek predictable, long-term revenue streams, such as OEM and revenue share agreements, while securing direct sales that establish a beach head in these markets. We are pleased with the high level of interest we are seeing across industries in the adoption of our software, from both potential customers and partners. We also have a significant pipeline of direct sales opportunities across these markets.

MANAGED SERVICES AND CONSULTING

Revenue from managed services and consulting was £89.4m, an increase of 3% on the prior year (2019: £86.5m). FD has more than 20 years of experience providing services to leading capital markets firms, training and developing our consultants in-house through industry-recognised programmes to equip them with technology skill sets and domain expertise within capital markets.

Our strategy is to become a leading global capital markets practice and to achieve that we are focused on building out and scaling up the services we provide supporting middle and front-office trading systems, delivering risk and regulatory reform programs, and using AI and automation to increase efficiency in back-office systems. Our clients tell us that our highly skilled and motivated consultants change the game for them – they set the pace, direct others in their organisation and challenge the ways things are done.

We seek long-term relationships with our clients, working as a trusted partner to deliver under managed services contracts and multi-year assignments. This approach provides high levels of revenue visibility, with a typical expectation that at any point in time at least 80% of current revenue will repeat during the next 12 months.

Growth during the period, while ahead of the market in which we operate, was below that delivered in recent years. This was due to a combination of slower client decision making throughout the year and timing issues relating to roll-on and roll-off on several third-party vendor implementation projects. Despite this we believe that we have made good progress in delivering our strategic objective during the year, with important new multi-year contract wins across our target markets including:

- A European bank selected us to deliver the multi-year implementation of a third-party trading and risk management system, which will transition to support and development when the implementation is complete.
- A North American bank selected us to deliver a programme of regulatory-driven projects coupled with an application upgrade.
- A Japanese bank selected us to implement Robotic Process Automation for recurring back-office tasks.
- A UK financial institution selected us to assist with its cloud strategy.

LEADERSHIP AND PEOPLE

FD founder and CEO Brian Conlon passed away in July 2019. Brian stamped his culture and values throughout FD, and this will ensure his legacy will live on, even though Brian will be sorely missed.

Under the Group's succession planning, Non-Executive Chairman Seamus Keating was appointed Executive Chairman in July 2019 and, following a search process led by the Non-Executive Directors, appointed Chief Executive Officer in January 2020. Seamus has extensive leadership expertise in the global technology sector, including executive roles in both finance and operations within multi-national technology companies, notably at Logica, and is a qualified accountant.

Donna Troy, who has been a Non-Executive Director since January 2018, was appointed Non-Executive Chairman in January 2020. She has held CEO, division general management and sales leadership roles in organisations including IBM, Partnerware, McAfee, SAP, Dell and Epicor, delivering revenue and margin growth and implementing global go-to-market strategies.

More than 2,400 people work for FD, broadly unchanged from last year as we have focused on consolidating our position following record levels of recruitment in recent years. We provide outstanding career opportunities, driven by our graduate recruitment process that attracts motivated, high-achieving individuals and our training programme that equips them with high levels of in-demand skills.

During the year we recruited 291 graduates, while retention rates remain in line with prior periods and are significantly higher than the industry average. We are committed to providing our employees with continued training and development programmes, a rewarding career path and a fair remuneration and reward system.

The past year has seen considerable change and challenge, including new leadership and the current COVID-19 pandemic towards the end of our financial year. The talent and work ethic of FD employees has been a key driver of the Group's success over the years and their flexibility and determination has ensured another period of success. The Board would like to thank them all for their efforts.

POST YEAR-END EVENT: COVID-19

Towards the end of our financial year, we successfully implemented our pandemic plan in response to COVID-19, protecting the health and wellbeing of our employees and supporting our customers. The Group issued a trading statement on 9 April 2020 relating to the impact of COVID-19 and the mitigating actions it has taken to maintain productivity and ensure financial liquidity.

In summary, by transitioning employees to remote working the Group has not seen any material financial impact on revenue to date. Sales cycles across the Group have lengthened, and we continue to monitor the impact of this on the likely financial performance for the current year. We have conducted a scenario testing exercise with a range of assumptions including a severe, extended downturn in economic activity which showed that even in this scenario the Group remains profitable and cash generative.

Notwithstanding the comfort provided by our scenario testing, the Group has acted to mitigate any future potential impact of COVID-19, including suspending non-essential business travel and deferral of the summer graduate intake. The Executive Directors will not receive a bonus payment relating to the financial year to 29 February 2020 and as noted above, the Board has determined not to recommend a final dividend payment for the year. To ensure liquidity, on 24 March 2020 we drew down £35m from our available finance facility. These funds have been placed on deposit and the Group has significant headroom on its covenants, with a further £15m of undrawn revolving credit facilities available to it.

CURRENT TRADING AND OUTLOOK

We entered the current financial year with a strong pipeline, good momentum and a clear strategy that provided confidence in delivering a year of strong growth. While COVID-19 has had no material financial impact to date, we have seen a lengthening of sales cycles, although it remains too early to determine the probable impact on our full year performance. We have a robust balance sheet and high levels of financial liquidity which leave us well positioned to weather the challenge and continue to invest and grow the business.

In the short term, our high levels of repeat and recurring revenue provide some mitigation from the impact of COVID-19. In the longer term, FD remains confident in its strategy and the growing demand for its world-class Kx streaming analytics from both potential customers and partners.

The table below details revenue growth by vertical market along with an analysis of gross profit and adjusted EBITDA.

REVENUE AND GROSS MARGIN ANALYSIS (£M)

2020	2019	Growth	2020	2019	Growth	2020	2019	Growth		2020	2019	Growth
Software by sector									Total software			
FinTech revenue			MarTech revenue			Industry						
7.8	9.7	(19%)	–	–	–	4.0	3.7	11%	Perpetual	11.9	13.3	(11%)
31.4	27.7	13%	25.6	19.3	33%	2.8	1.6	77%	Recurring/ subscription	59.8	48.6	23%
39.2	37.4	5%	25.6	19.3	33%	6.8	5.2	31%	Licenses	71.6	62.0	16%
									Cost of sales	(12.1)	(10.6)	14%
									Gross profit	59.6	51.4	16%
									Gross margin	83%	83%	–
50.2	42.8	17%	21.7	22.0	(2%)	4.9	4.1	20%	Services	76.8	68.9	11%
									Cost of sales	(55.1)	(48.9)	13%
									Gross profit	21.7	20.0	8%
									Gross margin	28%	29%	(1%)
89.4	80.2	11%	47.3	41.4	14%	11.7	9.3	26%	Revenue	148.4	130.9	13%
									Cost of sales	(67.2)	(59.5)	13%
									Gross profit	81.2	71.4	14%
									Gross margin	55%	55%	–
Managed services and consulting by sector									Total managed services and consulting			
FinTech revenue			MarTech revenue			Industry						
89.4	86.5	3%	–	–	–	–	–	–	Revenue	89.4	86.5	3%
									Cost of sales	(69.5)	(66.6)	4%
									Gross profit	19.9	19.9	–
									Gross margin	22%	23%	(1%)
Sector totals												
FinTech revenue			MarTech revenue			Industry						
178.8	166.7	7%	47.3	41.4	14%	11.7	9.3	26%	Revenue	237.8	217.4	9%
									Cost of sales	(136.6)	(126.1)	8%
									Gross profit	101.1	91.3	11%
									Gross margin	43%	42%	1%
EBITDA and net margin profit analysis												
									R&D	(13.1)	(10.7)	23%
									Sales expense	(35.4)	(32.3)	10%
									Adjusted operating expense	(17.5)	(18.0)	(3%)
									Adj. EBITDA ex cap	35.1	30.3	16%
									Capitalised R&D	10.4	8.6	22%
									Adj. EBITDA	45.5	38.9	17%
									Adj. EBITDA margin	19%	18%	1%

REVENUE AND MARGINS

Group revenue increased organically by 9% to £237.8m (2019: £217.4m) with software revenue increasing by 13% and managed services and consulting revenue by 3%. Software growth was led by growth in recurring and subscription license revenue, balanced by a reduction in perpetual license revenue. Gross margin increased slightly to 43% (2019: 42%) as growth was weighted to higher margin software revenue.

Our continued investment in the Group's operations resulted in an increase in R&D cost of 23% as we accelerated the pace of our development work. Sales and marketing costs increased by 10% as we added new sales and pre-sales staff to expand our market reach. Adjusted operating expense, reflecting the underlying operating cost of our business, fell by 3% reflecting continued control over these costs.

SOFTWARE

Total software revenue increased by 13% to £148.4m (2019: £130.9m) and represented 62% of Group revenue (2019: 60%). Software license and subscription revenue increased by 16%, reflecting an 11% fall in perpetual license revenue and a 23% increase in recurring license and subscription revenue as we focused on growing this high-quality revenue. Perpetual license revenue grew by 29% in H2 against the prior year period after a weak H1; however, it remains lumpy and difficult to predict. Software services revenue increased by 11% as our implementation, development and managed services continue to experience high demand as customers engage our technology services to maximise the value that Kx delivers across industries.

Software revenue from FinTech increased by 11% to £89.4m (2019: £80.2m), reflecting a 5% increase in license revenue (13% increase in recurring license revenue offset by a 19% decrease in perpetual licenses) and 17% growth in services revenue. Total revenue from MarTech was up by 14% to £47.3m (2019: £41.4m), driven by continued growth in subscription revenue, which was up by 33% to £25.6m (2019: £19.3m), and a 2% decline in services revenue as we focus on the utilisation by customers of our platform MRP Prelytix. Subscription represented 54% of MarTech revenue, up from 47% in 2019.

Software revenue from Industry increased by 26% to £11.7m (2019: £9.3m). Of note was the increasing proportion of recurring revenue in this segment, which now represents 24% of the total (2019: 17%). While perpetual license revenue represents 35% of the total, increasingly it is delivered via partner relationships with a growing pipeline of opportunities. We continue to add to our OEM and systems integrator partnerships and see their domain expertise as important to deliver solutions to customers with "Kx inside".

Software gross margin was maintained at 55%, with a significant weighting to H2 (57%) compared to H1 (52%) due to the higher proportion of license revenue in H2.

MANAGED SERVICES AND CONSULTING

Managed services and consulting revenue increased by 3% to £89.4m (2019: £86.5m) while delivering gross margins of 22%, down from 23% in the prior period. A number of factors impacted revenue and profitability, including slower client decision making through the year. During H2 we achieved several important contract wins, as discussed in the Business review; however, the start of two of these multi-year projects were delayed by several months, in each case for client-specific reasons, impacting both revenue and profit for the year. These projects are now underway.

PROFIT BEFORE TAX

Reported profit before tax increased by 9% to £18.3m (2019: £16.7m) and adjusted profit before tax decreased by 6% to £25.9m (2019: £27.5m). Both were held back by an increase of £2.2m in interest charges following the completion of the acquisition of the minority interest in Kx Systems Inc., with a further £1.0m of additional interest relating to IFRS 16 lease costs. The calculation of adjusted profit before tax is detailed below.

	2020 £m	2019 £m
Reported profit before tax	18.3	16.7
Adjustments for:		
Amortisation of acquired intangibles	3.7	3.8
Share based payment and related costs	3.1	2.4
Acquisition costs, associate disposal costs and changes in deferred consideration	2.0	4.0
(Profit)/loss on foreign currency translation	(1.0)	0.6
Share of profit of associate	(0.1)	–
Adjusted profit before tax	25.9	27.5

The Group continued to invest in research and development to maintain its technology lead, with total R&D up 23% to £13.1m.

	2020 £m	2019 £m	Movement
Research and development costs:			
Expensed during the period	2.7	2.1	29%
Capitalisation of product development costs	10.4	8.6	22%
Total research and development	13.1	10.7	23%
Amortisation of R&D	(8.7)	(7.2)	21%
Net capitalisation of R&D	1.7	1.4	28%

IFRS 16

The Group implemented IFRS 16, the accounting standard dealing with leases, using the cumulative catch-up method applied from 1 March 2019. The impact of the new standard is to move the charge on the income statement for operating leases from operating costs to depreciation and interest, while on the balance sheet there is an asset recognising the right-of-use and a future lease liability within both current and non-current liabilities.

EARNINGS PER SHARE

Reported profit after tax increased by 13% to £14.9m (2019: £13.2m) and reported diluted earnings per share also increased by 13% to 54.2p per share (2019: 47.9p).

The adjusted profit after tax for the year was £21.3m (2019: £22.9m), a decrease of 7%. The major factors impacting earnings per share were the higher interest charge referred to above and an increase in the Group's adjusted tax rate to 17.8% (2019: 16.8%).

The calculation of adjusted profit after tax is detailed below:

	2020 £m	2019 £m
Reported profit after tax	**14.9**	13.2
Adjustments from profit before tax	**7.6**	10.8
Tax effect of adjustments and US tax reform	**(1.3)**	(1.1)
Adjusted profit after tax	**21.3**	22.9
Weighted average number of ordinary shares (diluted)	**27.5m**	27.5m
Adjusted EPS (fully diluted)	**77.4p**	83.2p

The fully diluted average number of shares in issue was maintained at 27.5m resulting in adjusted fully diluted earnings per share of 77.4p, representing a decrease of 7% for the year (2019: 83.2p).

BALANCE SHEET

Total assets increased by 21% to £335.8m (2019: £277.8m). The purchase of the non-controlling interest (NCI) in Kx Systems for $53.8m in cash in June 2019 impacted the balance sheet following settlement of the NCI forward liability. The result of this transaction saw interest costs increase in the period as new loans were drawn in US dollars. This transaction, along with the implementation of IFRS 16, saw an increase in non-current loans and borrowings of £94.0m.

Other financial assets, which includes equity investments, increased to £15.8m (2019: £13.7m).

Deferred revenue at the period end was up 11% at £21.8m (2019: £19.5m), arising from the continued focus on growing our recurring revenue.

CASH GENERATION AND NET DEBT

The Group generated £34.4m of cash from operating activities before taxes paid (2019: £27.3m) representing 75% conversion of adjusted EBITDA (2019: 84%).

At the period end, net debt (excluding finance leases) was £49.4m (2019: £16.5m). The factors impacting the movement in net debt are summarised in the table below:

	2020 £m	2019 £m
Opening net debt (excluding lease liabilities)	**(16.5)**	(16.2)
Operating cash flow	**34.4**	27.3
Deferred consideration paid (IAS 19 remuneration)	**–**	5.3
Operating cash flow before impact of IAS 7 for deferred consideration paid	**34.4**	32.7
Taxes paid	**(3.0)**	(3.5)
Dividends paid	**(7.4)**	(6.3)
Capital expenditure: property, plant and equipment	**(2.3)**	(4.1)
Capital expenditure: intangible assets	**(11.0)**	(9.2)
Deferred consideration paid	**–**	(5.3)
Acquisition of subsidiaries	**–**	(0.6)
Settlement of NCI forward	**(42.9)**	–
Investments	**(1.6)**	(4.6)
Issue of new shares	**10.1**	3.2
Interest, foreign exchange and other	**(9.2)**	(2.5)
Closing net debt (excluding lease liabilities)	**(49.4)**	(16.5)

CASH GENERATION AND NET DEBT *CONTINUED*

The Group assists innovative start-up and scale-up businesses seeking to use the power of Kx to change the game, in return for a revenue share. In some cases, we inject seed capital to help launch the business and bring solutions to market quickly. The table below summarises the investments made in such companies to date as well as the maximum future commitment and the revenue generated for the Group. Future commitments to these businesses are typically payable only if certain pre-determined challenging performance milestones are achieved. In 2020 the Group advanced £2.3m in equity and loans to its new and existing venture agreement companies with a maximum further commitment of up to £1.8m across all 27 venture agreements.

	2020	2019	Total to date
Number of venture agreements in period	**9**	9	27
Equity and loans advanced (£m)	**2.3**	7.8	18.9
Outstanding commitment (£m)	**1.8**	2.3	
Revenue share agreements	**9**	9	20
Revenue recognised for software services (£m)	**2.8**	2.1	8.0
Licenses recognised under revenue share agreements (£m)	**0.8**	0.4	1.5

DIVIDEND

The Board has determined not to recommend a final dividend for the year, as communicated in the trading update issued on 9 April 2020. As a result, the total distribution relating to the year is the interim dividend of 8.50p per share (2019 total dividend: 27.00p per share).

Managing risk

Effective risk management is a key factor in the successful delivery of the Group's strategy. The Board, advised by the Audit Committee, is responsible for assessing and managing risk and setting policies and procedures to monitor and mitigate against the Group's exposure to it.

The Group operates in a constantly changing economic and technological environment and as a result is exposed to a spectrum of risks and uncertainties. The risks discussed below could have a material effect separately, or in combination, on our day-to-day operations and our earnings, cash flows and financial position. Accordingly, investors should carefully consider these risks. The Board's responsibility for identifying, evaluating and managing these risks and the measures in place to monitor and mitigate against them are assessed regularly by the Audit Committee and formally reviewed by the Board. The framework supporting this process and the major risks as currently identified are discussed in more detail below.

RISK FRAMEWORK

The Group seeks to mitigate exposure to all forms of strategic, financial and operational risk, both external and internal. There is a structure in place to achieve this, as well as identify emerging risks and assess and mitigate their impact. The risk framework structure is outlined below:

BOARD

Responsible for the oversight and effectiveness of the Group's risk management and financial control systems in line with risk appetite

LEADERSHIP TEAM

Manages risk on a day-to-day basis, implements and monitors risk management processes and identifies emerging risks

AUDIT COMMITTEE

Supports the Board in assessing and managing risk and setting policies and procedures to monitor and mitigate against its impact

REMUNERATION COMMITTEE

Ensures the remuneration strategy is aligned to the management of risk and the Group's strategic objectives

SENIOR AND MIDDLE MANAGEMENT

Assists the Executive Committee and the Board through the design, implementation and operation of risk management systems and processes; and promulgates the risk awareness and safety culture to ensure it is ingrained throughout the business

STRATEGIC

Define risk appetite, set policies and implement risk mitigants in accordance with that appetite

OPERATIONAL

Monitor and report on identified risk and assess emerging risk at the operational level

Principal risks and uncertainties *continued*

RISK FACTORS

Risk	Potential impact	Mitigation
ATTRACTING AND RETAINING TALENT IN A COMPETITIVE ENVIRONMENT As a software and consultancy provider, the Group is dependent on the skill, experience and commitment of its employees, particularly on the recruitment and retention of key staff.	The long-term performance of the Group would be adversely affected if the required staffing levels of sufficient calibre are not achieved and sustained. There is also the potential for short-term revenue impact if staffing levels fall below the level required to service customer demand.	The Group 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. The Group consistently achieves attrition rates below industry levels, attesting to the effectiveness of these policies. It also has systems in place that have operated successfully over many years to forecast demand requirements and the level of recruitment required to meet them, which provides assurance against short-term impacts. Should a mismatch occur, the Group has plans to take mitigating steps that would cover the period until sufficient additional staff could be recruited and trained. **Change over prior year:** unchanged ⟶
MARKET RISK The Group operates in a competitive and cyclical market environment which makes it more difficult to forecast future demand from clients.	The Group's resourcing decisions could lead to excess staff levels, reducing profitability in the short term, or underinvestment, leading to missed commercial opportunities and/or client dissatisfaction.	The Group addresses this risk by seeking to increase the certainty and diversity of its revenues and through seeking, wherever possible, to secure long-term client engagements. It does this by targeting consulting assignments which have the potential to be multi-year assignments; by seeking annual license agreements for software contracts; and by expanding and diversifying its portfolio of software and services offerings. In particular, the Group's expansion into new industries reduces its exposure to sector-specific impacts. **Change over prior year:** unchanged ⟶
TECHNOLOGICAL CHANGE Technology in the software industry can change rapidly, resulting in potential obsolescence or increased competition.	In order to remain competitive, it is essential 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 proactively develop new and enhanced capabilities within our software. This process also allows for the identification of, and adaptation to, any technological changes that do occur externally, thereby ensuring that the Group's 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. **Change over prior year:** unchanged ⟶
PANDEMIC A global health issue has the potential to disrupt current contract delivery and business generation activity.	The financial performance of the Group in the short term could be impacted, while prolonged impact could lower future growth rates due to an inability to effectively implement sales and marketing activities.	The Group has a pandemic policy which was first initiated in early February 2020 as the COVID-19 virus showed signs of developing into a pandemic. The policy requires measures to be implemented across the Group to protect our employees, customers and partners in accordance with official government advice in the regions in which we operate. It also ensures that we communicate that the policy is in effect to customers and employees and put in place mitigating measures, including self-isolation for at-risk employees and remote working where required. During a pandemic, a global team representing the Group's operations forms two-way communication from and to employees across the Group and co-ordinates the response across the business. **Change over prior year:** New risk ↑

Risk	Potential impact	Mitigation
BREXIT There is potential for disruption caused by legislation or new working practices resulting from the UK exiting the European Union including the possibility that no new trade deal is secured.	Depending on (a) the final form of any trade agreement between the UK and the EU and (b) whether such agreement can be concluded during 2020, Brexit could result in temporary and/or enduring adverse impacts for the Group because of its impact on the business activities of our customers, on our ability to recruit non-UK nationals to work in the UK and on the staffing and conduct of long-term customer projects in the EU by UK-based staff.	FD is a global company with operating subsidiaries based around the world, and as such seeks growth in those geographical markets where its technology and consultancy services are most in demand. The impact of Brexit has been assessed and considered by the Board and is currently not deemed to be a significant issue. The Group produces no physical goods, nor does it rely on suppliers that may be subject to disruption. Within its consultancy business FD has assisted many of its capital markets clients with their Brexit preparations and in doing so has assisted in developing best practice. As well as being a threat, Brexit could be an opportunity as we assist our customers to deal with its consequences for their business. The Group is confident that it has the flexibility in its operations to mitigate the impact of Brexit and is continually monitoring and preparing for potential changes to the UK's relationship with the European Union. **Change over prior year:** unchanged →
RETENTION OF KEY CLIENT RELATIONSHIPS Through its world-class software products and associated services coupled with high-calibre managed services and consulting, FD strives to maintain successful relationships with all clients. A small number of these are particularly important to the success of the Group.	Events outside of the Group's control such as changes in ownership or business priorities could adversely affect future revenues from existing client 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 limiting this risk. The Group continues to increase those markets in which it operates, for example in manufacturing, utilities and automotive, which is helping to reduce customer concentration. This has reduced the potential impact of the loss of an individual key client. **Change over prior year:** decreased ↓
MANAGEMENT OF GROWTH The Group has experienced several years of strong growth which it expects to continue and therefore needs to manage this growth effectively.	If the correct level of investment in people and technology is not maintained it is possible that the quality of the Group's client offering will drop and/or cost control and operational effectiveness will deteriorate.	The Group has a programme of 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. **Change over prior year:** unchanged →
MANAGEMENT OF INFORMATION TECHNOLOGY SECURITY The Group is at risk of financial loss and reputational damage relating to breaches of IT security policy, including unauthorised access to confidential data or technology disruption undertaken by third parties.	These risks have implications in terms of potential litigation and regulatory action as well as commercial implications as a result of loss of customer confidence and negative publicity.	As a provider of software to leading financial services organisations around the world, FD is required to operate stringent IT and cybersecurity practices. The Group has extensive documented policies to mitigate risk in these domains covering areas such as access control, environmental controls, IT system architecture, remote access policies, password protection policies, data communication protocols, back-up policies, quality assurance, application change controls and system support. To provide assurance on the effectiveness of these policies, the Group has adopted SSAE 18 SOC1, a standard from the American Institute of Certified Public Accountants, on the effectiveness of the IT security controls covering some of our hosted trading products such as Kx for Flow. The latest SSAE 18 SOC1 audit report covering the year to March 2019 found that the Kx for Flow systems were fully compliant for the 28 separate IT security controls it has in place. **Change over prior year:** unchanged →

Focused on responsibility

> Responsibility is at the heart of everything we do. The Board has endorsed ambitious targets for continuous improvement in relation to our operations which is good for the Company, for our employees and for the environment. I am very pleased to support these efforts, working with colleagues across the Group."

Keith MacDonald
Non-Executive Director

At FD we believe that acting responsibly is key to delivering long-term success. It goes right to the heart of our values and culture as an organisation – for example, our people strategy, which is centred around health, fair rewards, diversity and inclusion, is critical to attract, develop and retain the best talent. As the Director appointed to ensure the views of our employees are taken into account, I am particularly conscious of the need to ensure we build on our strong record of engagement.

We are also acutely conscious of the importance of safeguarding the environment to protect our planet and we are committed to augmenting the efforts below to ensure we adopt best practices across the entire spectrum of our activities.

Delivering on these matters means developing and executing policies that empower and develop our people, ensure we operate responsibly, protect the environment and safeguard data.

These aims are baked into our operations through a range of policies that are set and monitored by the Board to ensure not just that we comply with the relevant legislation but that we go beyond that to assure all our stakeholders that we are acting with their long-term interests at heart.

Keith MacDonald
Non-Executive Director
18 May 2020

OUR PRIORITIES

Our people
- Training, development and recruitment
- Diversity and inclusion

→ Read on page **27**

Privacy and security
- Policies
- Training

→ Read on page **28**

Responsible operations
- Policies
- Code of conduct

→ Read on page **28**

Environment
- Innovation
- Carbon reduction initiatives

→ Read on page **29**

Our priorities

OUR PEOPLE

Given the nature of our activities, people are vital to the success of our business. We are proud of our track record of attracting and retaining the best talent and of our industry-leading training and development programmes, both of which enable the Group to develop and deliver software and services that exceed the expectations of our clients. We continue to seek ways to improve and during the year we initiated our first employee engagement survey, with the aim of identifying ways to increase our employee satisfaction and retention. We are in the process of using the results of the survey to further enhance our people strategy and the way we communicate with employees.

RECRUITMENT

The HR team at FD is tasked with attracting and retaining the best people. As well as an extensive engagement programme which encompasses more than 100 universities, we also have a successful employee referral programme which, together with our increasing brand awareness, led to 8,880 people applying for a job with FD during the year. From these applications, we selected 446 people to commence employment with us during the year, of which 291 were new employees at graduate level and 155 were experienced hires.

DEVELOPMENT

We equip our people with the right skills. We expanded our investment in external training during the past year, which included 35 employees pursuing a machine learning qualification and 250 employees studying for a risk management certification. Internally we have 713 employees currently participating in our industry-recognised, two-year Capital Markets Training Programme (CMTP). These employees have already completed 8,780 modules across finance, technical and consulting streams. The CMTP is primarily designed for, and focused on, our graduate intakes but many of those joining us as experienced hires have also benefited from the extensive knowledge base we have developed. This year we also partnered with Thomson Reuters to enhance our compliance training for all staff and to provide access to a library of over 400 training courses which all employees can access. During the year 10,519 training courses were completed by 1,899 staff across all the geographies in which we operate. Across the Group we invested £0.5m in the provision of our training and development programmes and provided 93,120 hours of training.

REWARD

At FD we value effort and excellence. We recognise that we have an exceptionally talented and diligent team, which cares passionately about the work it does and the service it provides to clients. Our reward system is intended to be competitive in the market to assist recruitment and retention and all employees benefit from healthcare, pension and life assurance. Over the past year FD has extended its family-friendly policies to cover maternity, paternity and adoption pay and has supported employees through flexible working arrangements. The benefits package is designed to underpin our collegiate culture, and all benefits help support and care for employees and their families.

SUPPORT

We care about the people who work for us. We have a 24-hour, 365-day employee assistance programme in place for all employees and we provide complementary healthcare plans and private health insurance. During the year we launched an enhanced health and wellbeing strategy, with a particular focus on mental health. This incorporated support of global awareness days, a calendar of events in locations globally which allowed employees to engage proactively in the programmes and our first mental health awareness campaign entitled #MindMatters. The #MindMatters initiative involved sharing key information and resources on various factors that have an impact on mental health wellbeing and, uniquely, employees shared personal stories on coping with mental health illnesses. In addition, we embedded our Employee Assistance Programme (EAP) in each location which enables our employees to benefit from many health and personal wellbeing services provided by external professionals. Utilisation of EAP was positive and was the support underpinning our #MindMatters campaign on mental health. In April 2019 we ran a training seminar on mental health first aid for line managers. We also partnered with a health care provider to host practical sessions assigning mental health first aid contacts across the business.

DIVERSITY

At FD we are proud of the diverse, inclusive and vibrant team that we have built. Our success to date has been built on bringing together high-performing teams of talent from across the globe to service our client base. We continue to diversify our business and create a culture of inclusion, mutual respect and equal opportunity which contributes to improved employee wellbeing and engagement and increases the quality of our service to clients. During the year we launched both FD Pride, our LGBT+ network, and FDWN, our women's network. We also constantly strive to offer employment opportunities to people with physical disabilities. Our employees have embraced these networks enthusiastically and we look forward to continuing to influence the FD culture going forward. At 29 February 2020, 72% of our employees were male and 28% female, with those identified at Manager level or above split 80% male/20% female. Of our graduate intake in the year, 42% were female and 58% male.

EMPLOYEE ENGAGEMENT

In 2019 the Board approved the launch of FD's inaugural employee engagement survey.

The survey was conducted with the assistance of Willis Towers Watson (WTW), an independent organisation providing broking, advisory and technology solutions to clients worldwide. We worked closely with it to design and implement a bespoke survey, utilising its engaging, confidential and user-friendly online survey.

With 13 separate categories identified, we developed a robust set of survey questions to capture valuable feedback. Survey confidentiality was a key requirement and we maintained the anonymity of employee survey results via WTW's end-to-end platform.

OUR PEOPLE *CONTINUED*

EMPLOYEE ENGAGEMENT *CONTINUED*

In September 2019 the survey was issued to all permanent employees across the globe. We achieved a 66% participation rate, which according to WTW research is above the average for UK organisations. This provided a statistically robust dataset upon which to base our decision making.

The global participation rate and initial survey results were announced to all employees by our CEO, Seamus Keating. Our business leaders then led the dissemination of results and feedback for each part of the organisation. We are pleased that employee engagement was a top scoring category with 78% favourable. Our top scoring question was "The people I work with usually get along well together" with a remarkable 92% favourable. The survey confirmed top scoring results in the following three categories:

Category	Favourable
Employee engagement	78%
Work organisation and conditions	77%
Innovation and quality	71%

The three categories the survey identified that we must improve are:

Category	Favourable
Reward and benefit	54%
Senior leadership	50%
Performance management	50%

The survey results helped us understand what employees' value most in the workplace and provided invaluable data to inform our decision making.

Employee engagement continues to be a priority for the executive team and is a cornerstone of our people strategy. Following the dissemination of results, a Survey Actions Working Group was formed with leaders drawn from each of our business divisions. The Group is meeting regularly to implement a programme of change across the Group.

PRIVACY AND SECURITY

The Group is committed to the highest standards of security and privacy, and is conscious that these matters are of great importance to stakeholders such as customers, employees and partners.

SECURITY

We work with many large organisations that manage sensitive and confidential data and as such our adherence to high levels of IT and cybersecurity is essential. All of our employees receive training on IT security and are provided with a copy of the Group's IT security policy, which is multi-layered to cover areas such as access control, environmental controls, IT system architecture, remote access policies, password protection policies, data communication protocols, back-up policies, quality assurance, application change controls and system support.

The Group operates a cybersecurity awareness programme to help to establish a security-conscious culture, making sure users understand what cyber threats are, the potential impact a cyber-attack could have and the steps required to reduce risk and prevent cyber-crime infiltration.

As well as cybersecurity training it is mandatory for each employee to complete the following courses: Anti-Money Laundering and Counter-Terrorist Financing, Anti-Bribery and Anti-Corruption, General Data Protection Regulation (GDPR) and FD's Global Code of Conduct.

PRIVACY

The Group operates a privacy policy, which includes ensuring compliance with the GDPR, to protect the personal information held by the Group relating to stakeholders including clients, partners, prospective employees and digital/mobile visitors. Such information is only collected and used when the individuals have provided their consent and only for the purposes for which that consent was provided. Such information is kept confidential and access is limited to those required to process it or provide a product or service, and FD does not sell or trade such information. Information held is reviewed annually and only retained if required unless legal or regulatory requirements dictate a longer holding period.

FD is a "Data Processor" under GDPR. This means that FD is responsible for processing data on behalf of a "Data Controller" e.g. a client of the Group. FD adheres to the six key principles of data processing under the legislation and all staff or others who process or use any personal data must ensure that they follow these principles at all times.

The Group also has an appointed Privacy Officer to whom all queries on the operation of our privacy policy can be addressed. Any individual can contact the FD Privacy Officer with a request to view or edit their personal information and FD will respond to that request within ten days from receipt of the request.

RESPONSIBLE OPERATIONS

The Group takes seriously its responsibilities to operate ethically and responsibly and to ensure it has a range of policies in place, with further details provided below.

MODERN SLAVERY POLICY

Our statement on modern slavery is available on the Group website here: https://www.firstderivatives.com/modern-slavery-statement.

We believe our risk of encountering modern slavery is low, but our policy is designed to prevent it occurring, reflecting our commitment to acting ethically and with integrity in all our business relationships. We choose suppliers and contractors who we believe share our commitment. We comply with all applicable employment legislation and we invest heavily in the health and wellbeing of our employees, and provide modern slavery awareness training for our procurement, human resources, finance, legal and facilities teams along with other individuals.

ANTI-BRIBERY AND CORRUPTION POLICY

As well as meeting its obligations under the Bribery Act 2010, 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.

WHISTLEBLOWING

The Group has a whistleblowing 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. No such matters arose during the year in question.

COMMUNITY SUPPORT

The Group does not make charitable donations directly but actively encourages its staff to become involved in charitable pursuits. To co-ordinate these activities, it has established a charity policy with the aim of being a good neighbour in the communities in which it operates and to use the energies and talents of its employees in charitable fundraising activities. A team comprising employees from across the Group has been formed to co-ordinate these activities.

Employee-organised charitable events during the year raised more than £21,000 for more than 30 separate charities, with a further 15 charities supported globally through the donation of goods and services. Employees participated in volunteering activities including "green" community clean-up campaigns in New York and Newry. Investment in our youth has been continually supported via employees providing mentoring, careers advice and student seminars on careers in business, finance and technology.

In addition to fundraising events, the Group also encourages individual employees to contribute to charities of their choice through a payroll giving scheme under which donations are taken tax free from their monthly salary.

The Group also engages with its local communities by supporting initiatives to train and develop talent. Examples include support at both school and University level to assist developing business and technology skills and to shape curricula to ensure they are relevant to modern business requirements.

ENVIRONMENT

FD is committed to minimising the impact of its operations on the environment and the importance of reporting on that impact through recognised corporate responsibility standards.

ENVIRONMENTAL IMPACT

As a provider of software and professional services, the Group's direct operations have minimal impact on the environment, broadly limited to its own energy use. The Group does not manufacture or mine and does not transport goods and so consequently its operations have no impact in terms of land, water or air emissions. The Group does not provide company vehicles to employees or Directors and does not operate its own datacentres. Nonetheless the Group does seek to minimise the limited impact its operations have on the environment through a range of policies focused on environmental, corporate social responsibility and ethical and sustainable business.

Our environmental policy details measures that we take to minimise our impact on the environment, while encouraging suppliers and customers to do the same. They include compliance with the letter and spirit of environmental regulations in the geographies in which we operate; continuous monitoring to improve our environmental performance; evaluating the environmental impact of business decisions; measures to reduce waste produced and recycle where possible; incorporating energy efficiency measures in our buildings to reduce electricity consumption; participation in initiatives such as Cycle to Work; employee training and awareness; and other ad hoc measures.

We continue to put in place measures designed to minimise our impact on the environment. For example, within the past year within our offices we have installed advanced heating and cooling systems, banned the use of disposable coffee cups and optimised our business travel policy to eliminate unnecessary travel and minimise the environmental impact of necessary travel.

KX TECHNOLOGY

We are also proud of the undoubted environmental benefits that our Kx technology delivers through its energy and environmental efficiency. The International Energy Agency (IEA) reports that datacentres alone currently account for 1% of the world's electricity consumption. We believe that Kx has a part to play in ensuring that the explosion in data widely predicted to occur in the coming years does not lead to a rapid increase in this electricity requirement.

The environmental benefits in terms of power consumption, cooling, space and hardware requirements delivered by Kx are key messages to existing and potential customers. Currently, there are no independent benchmarks that measure these impacts definitively; however in conjunction with potential customers we conduct head-to-head comparisons against other streaming analytics technologies in which we have demonstrated reductions in electricity, cooling, space and hardware requirements in the range of 80–90% when compared to competing solutions.

ENERGY USE AND EMISSIONS

FD is required to report its energy use and impact under the Streamlined Energy and Carbon Reporting (SECR) regulations. For the year ended 29 February 2020 the UK energy used was 1,130,686 kWh. Using the UK government's 2019 GHG Conversion Factors Guidance to calculate the quantity of emissions provides scope 2 emissions of 287 tonnes of carbon dioxide equivalent. The SECR regulations require a statement of relevant intensity ratios, which are an expression of the quantity of emissions in relation to a quantifiable factor of the business activity. FD has identified two such intensity ratios, set out below.

Intensity ratios for the year to 29 February 2020 (tonnes of CO_2e per unit)

Total revenue	Employees
0.00	0.12

Board of Directors

DONNA TROY
Chairman

Committee membership

N R ◆

Donna joined the Board of FD in January 2018 and was appointed Chairman in January 2020. She has extensive experience in both senior executive and non-executive roles within multi-national technology companies. She is based in Austin, Texas.

Donna has held CEO, division general management and sales leadership roles in organisations including IBM, Partnerware, McAfee, SAP, Dell and Epicor, delivering revenue and margin growth and implementing global go-to-market strategies.

Other appointments

Donna is currently on the board of directors at TIBCO, Aptean and Curvature.

Skills matrix

Technology industry, strategy, listed company executive, international experience

SEAMUS KEATING
Chief Executive Officer

Committee membership

Seamus was appointed as CEO in January 2020. He was first appointed to the Board as an independent Non-Executive Director in December 2012 and was appointed Non-Executive Chairman in July 2013. He has over 20 years' experience in the global technology sector in finance and operational roles and has held a number of non-executive roles since 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 in senior finance roles in the UK and Italy.

Other appointments

Seamus is currently a non-executive director of BGL (Holdings) Limited. He is a non-executive director of Sionnach Ltd, where he has indicated his intention to resign on the appointment of a successor during 2020.

Skills matrix

Technology industry, finance industry, strategy, listed company executive, accounting qualifications, international experience

GRAHAM FERGUSON
Chief Financial Officer

Committee membership

Graham joined the Board of FD in September 2008 and has responsibility for the Group's financial operations. During his career he has worked on numerous corporate acquisitions and restructuring projects and has experience in business and acquisition finance.

He formerly held senior roles with KPMG, Bank of Ireland and Silverwood Property Developments Limited and is a qualified Chartered Accountant.

Other appointments

None.

Skills matrix

Technology industry, strategy, listed company executive, accounting qualifications

KEY TO COMMITTEE MEMBERSHIP

A Audit Committee

N Nomination Committee

R Remuneration Committee

■ Committee chair

◆ Independent

KEITH MACDONALD

Senior Independent Director, Designated Workforce Engagement Director

Committee membership

A N ◆

Keith has been a Director of FD since June 2012. He is a Chartered Director, a fellow of the Institute of Chartered Accountants in Ireland and an Associate of the Irish Taxation Institute.

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 Banking 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.

Other appointments

Keith is a director of several other listed and private companies across a number of industries and geographies including the NYSE-listed Seadrill Partners, Unit DX Ltd, which is a UK science incubator, and the MAPS Group of aircraft leasing entities.

Skills matrix

Finance industry, strategy, listed company executive, accounting qualifications, international experience

VIRGINIA GAMBALE

Non-Executive Director

Committee membership

A N R ◆

Virginia joined the Board of FD in March 2015. A US citizen, she is managing partner of Azimuth Partners LLC, which assists its clients 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.

Other appointments

Virginia is currently a director of JetBlue Airways Corporation, Virtu Financial and Regis Corporation, and is chair of the executive advisory board for Nutanix (a public company and leading cloud computing provider).

Skills matrix

Finance industry, strategy, international experience

SKILLS MATRIX

Technology industry: 60%

Finance industry: 60%

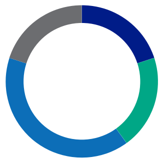
Strategy: 100%

Listed company executive: 80%

Accounting qualifications: 60%

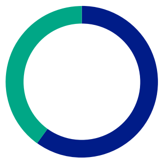
International experience: 80%

BOARD COMPOSITION



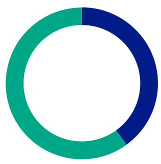
Length of tenure

- 1–3 years: 20%
- 4–6 years: 20%
- 7–9 years: 40%
- 9 years+: 20%



Gender diversity

- Male: 60%
- Female: 40%



Balance of Executive/ Non-Executive

- Executive: 40%
- Non-Executive: 60%

In memoriam

Brian Conlon

CEO AND FOUNDER

1966–2019

For more than 20 years Brian was a trailblazer for FinTech, taking FD from formation in his home town of Newry to the global business it is today. His ability to spot market opportunities and focus on ensuring customer success delivered rapid growth over a sustained period, while his inspiring management style commanded the respect of employees, customers and partners alike.

Brian's background was in the capital markets sector where, following training with KPMG, he joined the risk management team in Morgan Stanley International, London and then SunGard, a major global derivatives software house. Having spotted a niche in the market, Brian brought his expertise, ambition and entrepreneurial flair to launch FD in 1996. From there his drive and determination built a global technology business that he set on track to become an industry leader.

Brian stamped his culture and values throughout the organisation and this will ensure his legacy will live on, even though Brian will be sorely missed. Despite numerous awards recognising his success, Brian was a humble, private man who thought little of the trappings of his success and enjoyed nothing more than spending time with his family and closest friends.

FD is committed to honouring Brian's legacy in a tangible way. We will be naming our headquarters in Newry after Brian and will have multiple events starting in 2020 (which will run annually), across the themes that he personified – investment in youth, sport, charity and entrepreneurship. Possibly the most fitting memorial will be the newly initiated "Spirit of Brian Conlon" staff awards, rewarding employees across the Company whose actions, behaviours and attitude most reflect the values he instilled.

Meeting our objectives

> We have set high goals for the Group; it is my firm belief that achieving these goals requires the highest standards of governance and culture."

Donna Troy
Chairman

On behalf of the Board, I am pleased to present FD's Corporate Governance Report for the year ended 29 February 2020. The Board is responsible for setting and ensuring delivery of the Group's strategic objectives and it is my responsibility to ensure that the Board operates effectively and that it sets and upholds high standards of corporate governance. As I outlined in my review earlier in this report, we have set high goals for the Group; it is my firm belief that achieving these goals requires the highest standards of governance and culture. In my role I seek to demonstrate objective judgement and promote constructive relations between Board members, while ensuring that Directors continue to receive accurate, timely and clear information that enables them to perform their roles effectively.

The year has seen significant changes to the Board in light of the illness and subsequent passing of Brian Conlon, the Group's Founder and CEO, in July 2019. I am grateful to my Board colleagues, and all FD employees, for the commitment and fortitude they have shown during this period. Brian stamped his culture and values on the Group and this has enabled the business to grow to become a global technology leader.

The Board considers the culture of the business to be a key strength and is mindful of the need to protect it. During the year we initiated an annual employee engagement survey (for details see page 27) which assists the Board to assess and monitor the culture of the business and impact on employees.

STRATEGY

The Board has outlined its strategy for the business within this Annual Report and during the year has debated its appropriateness and effectiveness, taking into account views from across its stakeholders. The Board continues to exercise its judgement to determine appropriate levels of resource allocation to achieve these strategic objectives, while also ensuring processes are in place to identify and manage risk. Having debated these issues regularly in our meetings during the year, the Board continues to believe that the Group's strategy is proving effective.

FD is a dynamic business which provides stimulating careers for its employees. The Group continues to grow rapidly, primarily through organic growth that requires detailed planning and strong execution to deliver. In the management of this environment we adopt a disciplined approach towards our operations, structures and resources.

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Company is listed on AIM and is committed to ensuring the operation of high standards of corporate governance. It has adopted the 2018 UK Corporate Governance Code (the "Code") as its governance framework and has put in place procedures and policies to comply.

During the year, the Company has complied with all of the provisions of the Code except that, as discussed in the Report of the Audit Committee, it does not have a formal internal audit function. Instead, the Group has in place a range of measures that provide the necessary assurance to the Board that its internal controls and risk management strategies are effective.

Governance framework

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 objectives 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; and
- 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. The Board is acutely aware that good governance is a pre-requisite to successful execution of Group strategy on a sustained basis and constantly strives to ensure that its policies and practices in this area are regularly reviewed and, where necessary, updated to reflect the evolution of the Group's operations. This has been particularly important in recent years as the range of customers we serve, the scale of our operations and the number of business locations have increased significantly.

Matters reserved for a decision of the Board include approval of the Group's commercial strategy, annual operating and capital expenditure budgets, business plans, acquisitions, oversight of the recruitment of key executives, significant contracts, Annual Reports and interim statements and any substantial funding and capital expenditure plans.

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

In addition to the Board meetings, there is regular communication between Executive and Non-Executive Directors 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.

RESPONSIBILITIES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is responsible for the leadership of the Board, ensuring the efficient discharge of its principal responsibilities described above. The CEO is responsible for implementing the Group's strategy and for the financial performance, risk management, people development and other key components of ongoing operations.

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.

These matters are discussed more fully in the report of the Nomination Committee, which details the changes to Board composition during the year. Board composition is regularly reviewed to ensure the requisite mix of skills and business experience is maintained and to ensure the proper functioning of the Board. A search has been initiated for additional Non-Executive Directors with the skills and experience to support the Group's growth strategy.

When a new appointment to the Board is proposed, consideration is given to the 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.

ROLE OF THE SENIOR INDEPENDENT DIRECTOR

The Senior Independent Director:

- provides support to the Chairman on governance issues;
- works with the Chairman and other Directors to resolve significant issues should they arise, particularly where stakeholders have concerns that are not being addressed by the Chairman or Chief Executive; and
- takes the lead in evaluating the performance of the Chairman and serve as an intermediary and sounding board for Directors.

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 is kept fully apprised 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 rotates the venue for its meetings between the major operating centres of the Group to encourage two-way communication between the Board and employees across its operations.

The Board recognises its overall responsibility for the Group's system of internal control and for monitoring its effectiveness. All activity is organised within a defined structure with formal lines of responsibility and delegation of authority. The Group produces information packs on a weekly and monthly basis detailing key financial and marketplace information. The Group also produces regular information packs which are distributed to Directors to enable the Board to monitor operational performance and the cash position and as a result allocate the Group's resources.

Adherence to high standards in the areas of health and safety and corporate social responsibility is also monitored by the Board on a regular basis.

RE-ELECTION

Under the Code, Directors should offer themselves for re-election at regular intervals. The Board has decided that all Directors will offer themselves for re-election annually.

BOARD COMMITTEES

The Group has an Audit Committee, a Remuneration Committee and a Nomination Committee. These Committees consist of Non-Executive Directors and have written constitutions and terms of reference which can be found on the Group's website.

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 as and when required. The auditor attends 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 meets periodically to determine the remuneration of the senior executives. Remuneration levels 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.

The Nomination Committee ensures that there is an appropriate balance of skills, experience, diversity, independence and knowledge on the Board and its Committees, reviews the size and composition of the Board and makes recommendations to the Board. The Committee receives reports from and provides input on the CEO's plans for executive succession and development. The Committee also considers and agrees: (i) appointments to and removals from the Executive Committee and changes in other executive direct reports to the CEO; and (ii) proposals to restructure the Executive Committee, should the need arise.

CONFLICTS OF INTEREST

In order to identify and manage conflicts of interest, all members of the Board are required to promptly notify the Chairman and Company Secretary in advance of any matters where there is a reasonable likelihood that such matter could give rise to an actual or perceived conflict of interest. This would include, but is not limited to, other executive roles and directorships, material shareholdings in companies that may compete with FD or which may have a customer or supplier relationship with the Group or which may benefit from investment by the Group. In such circumstances, Board members would withdraw from any consideration of the matter by the Board and, in the event that the matter related to competition, may be required to resign from the Board. In the year in question, as set out in note 30, the only such matter related to rental payments to the Company's former CEO, the late Brian Conlon, and subsequently to his estate and independent verification of the arm's-length nature of the rental level was obtained.

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. The Board is also responsible for maintaining a sound system of risk management and internal control that is sufficient 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, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. It is regularly reviewed by the Board and is in accordance with the guidance included in the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Further information can be found in the Risk Management report.

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

BOARD EFFECTIVENESS REVIEW

In order to evaluate its effectiveness, the Board developed a series of criteria based on the Code and generally accepted views of the role and responsibilities of a Board, assessed its behaviour and performance against these criteria and has implemented changes based on these findings. This is an iterative process that will be developed further in the future.

MEETING ATTENDANCE

	Board	Audit Committee	Remuneration Committee	Nomination Committee	Total
S Keating	6	1*	1*	1*	**9***
K MacDonald	6	3	–	–	**9**
V Gambale	6	3	3	2	**14**
D Troy	6	–	3	2	**11**
B G Conlon	3	–	–	–	**3**
R G Ferguson	6	–	–	–	**6**
Number of meetings	**6**	**3**	**3**	**2**	**14**

* Seamus Keating was appointed Executive Chairman on 29 July 2019 and ceased to be a member of the Board Committees from that date.

Report of the Audit Committee

DEAR SHAREHOLDERS

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, internal control and risk monitoring.

Keith MacDonald
Non-Executive Director
18 May 2020

> Both members of the Committee have significant experience of financial matters through their past and present business careers."

COMPOSITION

The composition of the Audit Committee changed during the year as a result of the Board changes discussed in this report. It is chaired by Keith MacDonald, who is both a Chartered Director and a Chartered Accountant and who has held senior management positions within global financial services companies including Lloyds Banking Group and Citigroup. The other Committee member is Virginia Gambale, who has previously held senior management positions at firms including Deutsche Bank and Merrill Lynch. Both members of the Committee have significant experience of financial matters developed during their past and current business careers. The composition of the Committee is reviewed on an annual basis and it is expected that an additional Non-Executive Director will be added to the Audit Committee during the year to 28 February 2021.

ROLE AND ACTIVITIES

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

RISK MANAGEMENT FRAMEWORK

The Audit Committee is responsible to the Board for ensuring the Company has appropriate systems and procedures for the identification and monitoring of risk. Further details are provided in the report on operating risks on page 23 of this report.

GOVERNANCE

The Committee sets its own agenda in line with best practice and although only Committee members have the right to attend its meetings, the Committee has from time to time invited other parties to attend. On several occasions during the year the Committee has interacted with the external auditor and senior financial management of the Group to review matters under its remit.

BUSINESS DURING THE YEAR

Issues considered by the Committee during the year that are considered to be significant include:

Subject: Change in IFRS accounting standards
See note 1a to the financial statements.

Issue: Impact of IFRS 16
During the year the Group adopted IFRS 16, replacing IAS 17, on accounting for leases. Under IFRS 16, an asset comprising the right to use the leased item and a liability for future lease payments is recognised for all leases, subject to exemptions for short-term leases and low-value lease assets.

How the Audit Committee addressed the issue:
The Committee reviewed an analysis prepared by the CFO on the implications for the reported results and considered the options on how to report the impact in the Group's interim and full year financial statements. It was resolved to use the modified retrospective 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 2019.

Subject: Investments
Ensuring the appropriate carrying value of investments made by the Group.

Issue: Unlisted investments

Within its Kx Ventures activities, the Group promotes the use of its Kx technology by start-up and scale-up businesses and can choose to assist these partners by providing debt and equity funding to accelerate their growth.

How the Audit Committee addressed the issue:

The Committee members receive regular reports on any proposed new or incremental investments, the progress of the investee companies and any revaluation exercises as they occur. It was noted that the rate of new investments made during the year had decreased and that no revaluations were required during the period.

Subject: Capital structure

Ensuring that the Group has an appropriate capital structure.

Issue: Finance facilities

The Audit Committee monitors the financial position of the Group and ensures it has sufficient access to funding and has the requisite financing flexibility to execute its strategy.

How the Audit Committee addressed the issue:

The Committee noted that new financing facilities were drawn down in March 2019 to replace the Group's prior loans, with a further drawdown to complete the acquisition of Kx Systems Inc. in June 2019. There is considerable headroom in the available facilities and the Committee resolved to continue to monitor the level of excess facility to ensure it was appropriate.

OTHER BUSINESS INSURANCE

The Group is required to have sufficient insurance in place to protect its operations against the impact of insurable events. Where possible and cost effective, the Group seeks to insure itself against the risks it faces.

Both the risks and the insurance in place to mitigate their effects where possible were reviewed by the Audit Committee during the year. The Committee reviewed the Group's insurance cover in light of the continued increasing scale of its operations. It received a report with recommendations following a review with the Group's insurance brokers and noted that the Group is continuing discussions with its brokers on the most appropriate level of cover for its next policy renewal.

RISK IDENTIFICATION

A report on the key ongoing and emerging risks identified for the Group was provided to the Committee, which discussed these risks and the processes that were in place to mitigate them. A more detailed discussion was held on the IT and information security risks with a view to gaining ISO accreditation for the Group in these areas.

REVIEW OF EFFECTIVENESS

FD has established systems, procedures and controls designed to establish an ongoing process for identifying, evaluating and managing the principal risks faced by the Group and they have been in place for the period under review and up to the date of approval of the Annual Report. The effectiveness of those systems, procedures and controls are regularly reviewed by the Board, which, through the Audit Committee, reviewed the effectiveness of these risk management and internal control systems during the year. It was considered that the procedures in place to identify and manage risk were appropriate and that the Group's plans to mitigate these risks remain effective.

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 cybersecurity.

INTERNAL AUDIT FUNCTION

As noted in the Chairman's Governance Statement, the Group does not comply with the UK Code in respect of the requirement for an internal audit function. Instead, the Group has policies and procedures in place to ensure the integrity of its systems, which it believes to be appropriate and which provide the necessary assurances to satisfy the Board of this integrity:

- The Group operates an audit programme which forms part of its information security certification. As part of this process FD undergoes a biannual assessment to ensure that all relevant controls are robust and assets are appropriately protected. Information security risks are assessed and reviewed regularly in IT steering meetings with the Group's senior management.
- FD also participates in additional third-party assessments for private sector customers to ensure that associated security controls are effective and address any related risks. Through the various external assessment activities and the close control of operations exercised by the Executive Directors as well as the centralisation of financial management in Newry, the Group does not require these activities to be separated into a standalone audit function.
- The Audit Committee reviews enterprise risk on an annual basis and reviews the internal control framework and procedures on an ongoing basis, giving consideration to whether certain areas should be examined more closely.

Taking all the above factors into consideration, the Audit Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures, without the need for an internal audit function. The Audit Committee again considered during the year whether the establishment of an internal audit function was desirable and concluded it was not; the Committee will continue to evaluate and report accordingly to the Board.

REVIEW OF EFFECTIVENESS *CONTINUED*

GOING CONCERN

The Group's business activities, strategy and operational review are set out in the Strategic Report, while its financial position, including cash flows, liquidity position and borrowing facilities (including the new finance facilities announced in February 2019) are detailed in the financial statements. Having undertaken a rigorous assessment of the Group's financial forecasts as detailed in the viability statement, the Board has concluded that the Group will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due.

In response to COVID-19, we have conducted a scenario testing exercise with a range of assumptions including a severe, extended downturn in economic activity which showed that even in this scenario the Group remains profitable and cash generative.

Having given due consideration to all of these matters and the nature of the Group's business, the Directors consider that the Company and the Group are going concerns and the financial statements are prepared on that basis. This treatment reflects the reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future and the consideration of the various risks set out in this Annual Report.

VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the Directors have considered the Group's current financial position and future prospects and have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment.

In reaching this conclusion, considerations that impact this assessment include the Group's current financial position and available financial resources, the Group's business model as outlined in this Annual Report and budgetary projections presented to the Board.

The annual budget process involves input from all relevant business heads on a region-by-region basis and the impact of strategic initiatives, together with consideration of key risks. This results in a detailed twelve-month outlook which includes cash flow projections and capital expenditure requirements. The budget is reviewed and approved by the Board on an annual basis and performance against budget is reviewed throughout the year, including at each Board meeting. In addition to the detailed twelve-month budget, a three-year forecast is prepared using assumptions of future growth and the costs required to support the Group's strategy through this period.

Given the technology-based nature of the Group's business, the Directors consider that three years is an appropriate period over which to provide a viability statement and believe this provides the readers of the Annual Report with a reasonable degree of confidence. The Directors have no reason to believe that the Group will not be viable over a longer period.

In addition to considering the above, the Group also monitors performance against pre-defined budget expectations and risk indicators, which included this year assessing the potential impact of COVID-19. Along with strategic progress updates, which provide early warning to the Board, allows management action to be taken where required including the assessment of new opportunities.

EXTERNAL AUDITOR EFFECTIVENESS, INDEPENDENCE AND APPOINTMENT

The Committee reviews and makes recommendations regarding the appointment of the external auditor. In making these recommendations the Committee reviews the performance, effectiveness and independence of the external auditor. The Committee holds regular meetings with the external auditor to review matters of interest.

The external auditor performs testing of operating effectiveness of key controls together with substantive testing, focusing on the most significant assessed risks for material misstatement including revenue recognition, the valuation of goodwill and intangible assets and the assessment of the fair value and appropriate capitalisation of internally developed software. The results of the audit provided the Committee with confidence with regard to the overall quality of the audit. In addition, feedback on the audit was obtained from management and the finance team.

At the Annual General Meeting in June 2019 shareholders approved the Board's recommendation to appoint Deloitte (NI) Limited as its auditor, replacing KPMG, the prior external auditor. This change of auditor was primarily in recognition of the benefits derived from a periodic change in auditor rather than any disagreements or other issues between the Company and KPMG. The fees paid to the external auditor during the year are detailed in note 8. The Committee received confirmation from the auditor that it is independent of the Group under the requirements of the Financial Reporting Council's Ethical Standards for Auditors.

DEAR SHAREHOLDERS

The Nomination Committee (the "Committee") ensures that there is an appropriate balance of skills, experience, diversity, independence and knowledge on the Board and its Committees, reviews the size and composition of the Board and makes recommendations to the Board. The Committee receives reports from, and provides input on, the CEO's plans for executive succession and development. The Committee also considers and agrees: (i) appointments to and removals from the Executive Committee and changes in other executive direct reports to the CEO; and (ii) proposals regarding the composition and structure of the Executive Committee.

The Committee oversees and monitors the Group's governance framework, endorses governance policies and makes recommendations to the Board.

Virginia Gambale

Virginia Gambale
Non-Executive Director
18 May 2020

"During the year the Committee reviewed succession plans for key executives in the business. The outcome of this review identified a number of actions which the executive management is in the process of implementing."

COMPOSITION

The Committee is chaired by Virginia Gambale, following a number of Board changes this year, and all of the Non-Executive Directors are members of the Committee.

ROLE AND ACTIVITIES

The Nomination Committee has responsibility for ensuring that the Board has a diversity of skills, background and personal strengths and that succession planning supports the progressive refreshing of the Board. It has been a busy and productive year for the Nomination Committee.

The Group is proud of its track record on diversity, including gender, ethnicity, nationality, skills and experience, which has resulted in the formation of a diverse, inclusive and vibrant team. While not in favour of setting specific targets, in the event that a Board position requires filling, during succession planning it will proactively ensure that the search process is sufficiently inclusive to encourage applications from diverse candidates with relevant skills, experience and knowledge, and that the selection process is fair and transparent.

The Committee also advises the Board on succession planning for all Board members, taking into account the skills and experience needed on the Board, and receives reports from the CEO on succession and development planning for the Executive Committee.

The Committee meets at least three times a year to consider the matters under its remit.

GOVERNANCE

The Committee sets its own agenda and while 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. For matters to do with the succession of the chairmanship of the Board, the Committee is chaired by the Senior Independent Director. The composition of the Committee is reviewed on an annual basis.

BUSINESS DURING THE YEAR

The key focus was appointing a successor to Brian Conlon, who sadly passed away in July 2019. Seamus Keating was initially appointed to the role of Executive Chairman to lead the Group during the search for a new CEO, in line with the Group's succession planning.

APPOINTMENT OF A NEW CHIEF EXECUTIVE OFFICER

The Nomination Committee led the search and selection process for a new CEO, working with an external executive search consultant, Heidrich & Struggles. A number of candidates were interviewed and during this process Seamus Keating, Executive Chairman, indicated he would like to be considered for the role. A shortlist of potential candidates was produced and following this process the Nomination Committee agreed that Seamus was the most suitable candidate. His appointment as CEO was announced with effect from 15 January 2020.

APPOINTMENT OF A NEW CHIEF EXECUTIVE OFFICER *CONTINUED*

Seamus has extensive leadership expertise in the global technology sector, including executive roles in both finance and operations in multi-national technology companies. A qualified accountant, Seamus held a number of senior roles at Logica plc until its acquisition in 2012 by CGI Group, including chief financial officer, chief operating officer, president of the Benelux region and chair of its worldwide Financial Services practice. Since 2012 he has worked with a number of growing technology businesses in the private and public markets as chairman and non-executive director. He was appointed a Non-Executive Director of FD in December 2012 and Chairman in July 2013.

Following his appointment as CEO, Seamus Keating has stepped down from the Board Committees of which he was a member and resigned from all except one external directorship.

APPOINTMENT OF A NEW CHAIRMAN

The appointment of Seamus Keating as CEO created a vacancy for the role of Chairman, and in January 2020 we announced that Non-Executive Director Donna Troy had been appointed Chairman of the Group.

Donna has a depth of experience in both senior executive and non-executive roles within multi-national technology companies. She has held CEO, division general management and sales leadership roles in organisations including IBM, Partnerware, McAfee, SAP, Dell and Epicor, delivering revenue and margin growth and implementing global go-to-market strategies. She currently holds non-executive roles at TIBCO, Aptean and Curvature and was appointed a Non-Executive Director of FD in January 2018.

TIME COMMITMENTS AND INDEPENDENCE

The Committee has reviewed the time commitments for the Chairman and received assurance that she has the capacity to fulfil her role. It has also been established that there are no conflicts of interest. The Committee also reviews the time commitment of each Non-Executive Director on at least an annual basis. This is to ensure that they have sufficient time to fulfil their responsibilities and are able to be fully engaged and actively involved with the Group's business throughout the year. The Committee is satisfied that all Non-Executive Directors are independent Non-Executive Directors in accordance with the UK Corporate Governance Code's recommendations.

NON-EXECUTIVE DIRECTOR SEARCH

A search has been initiated for additional Non-Executive Directors with the skills and experience to support the Group's growth strategy. A key focus of the Nomination Committee is to ensure that we have the appropriate balance of skills, experience, diversity and capability on the Board. To ensure this, we have worked with independent consultants to develop a skills matrix, mapping the skills required to align with our strategy and future market needs.

INCLUSION AND DIVERSITY

The Nomination Committee is committed to achieving diversity in its broadest sense in the composition of the Board and senior management. Our approach to inclusion and diversity on the Board is set out in the Board's diversity policy which is reviewed annually by the Committee.

As we embarked on a search for new NEDs we discussed the Board's policy with the external search consultancies to ensure that diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths were promoted in the selection of candidates. With Donna Troy's appointment as Chairman on 15 January 2020 and Virginia Gambale's appointment as Nomination Committee Chair, 40% of the plc Board roles are held by women. The Nomination Committee is also responsible for overseeing the inclusion and diversity strategies across the Group. We are developing our senior talent pipeline and culture to support career progression and improve the representation of women, specifically in senior management positions. We have been encouraged by the enthusiasm and progress made during the year. The Committee looks forward to taking on a more active role in setting and meeting diversity objectives and strategies for the wider Group, and in monitoring the impact of such initiatives, as is required by the 2018 Code.

GENDER PAY GAP

In April 2020, we published our gender pay gap data which detailed the Group's commitment to gender equality and that its gender pay gap was significantly lower than the industries in which we operate.

More information on the gender pay gap analysis results is available on our website. The Committee's role was to review the results and also review the strategies underway to improve the representation of women throughout our business and narrow the gender pay gap.

LEADERSHIP AND TALENT PIPELINE

A key area of focus for the Committee has been ensuring the Group has a diverse leadership and talent pipeline. Our Graduate Options Programme, now in its eleventh year, is an important way of introducing talent into the business and the Committee tracks the diversity of all graduate entrants. The Committee recognises that, in addition to developing our own people, identifying external talent fulfils a vital role in improving organisational effectiveness and it is important that we continue to attract high-calibre and diverse talent into senior roles both in the UK and internationally.

DEAR SHAREHOLDERS

This report is intended to provide insight into the roles and responsibilities of the Committee and to demonstrate how it has carried out this work. The Committee is constituted by the Board to assist it in meeting its responsibilities regarding the determination and implementation of the Group's remuneration policy, including the remuneration of the Chairman, Executive Directors and senior management, as well as overseeing the arrangements for the wider workforce.

Donna Troy
Non-Executive Chairman
18 May 2020

"A key element of the Group's policy is to align the interests of managers with those of shareholders through the total compensation package."

COMPOSITION

The Remuneration Committee is chaired by Donna Troy, following a number of Board changes this year. The other member is Non-Executive Director Virginia Gambale.

REMUNERATION POLICY

The Group's remuneration policy is outlined below. The policy is designed to provide levels of remuneration to attract, retain and motivate Directors and key staff. The remuneration packages are designed to be competitive in value to those offered at similarly 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 total compensation package including the grant of options under the Group's Share Option Plan. These incentives are structured to reward performance, encourage retention and deliver the strategic objectives of the Group over the longer term.

The components of the Executive Directors' remuneration packages are basic salary, bonus, money purchase pension contributions and other benefits and participation in the Share Option Plan. The Non-Executive Directors' remuneration packages do not include bonus or share option elements.

EXECUTIVE DIRECTORS

BASIC SALARY

Basic salary is set by the Committee and reviewed annually. Salary levels, which are benchmarked to market rates for roles of similar scope in comparable listed companies, take into account a range of factors which include the Director's role and responsibilities; their skills, experience and performance; and pay and conditions elsewhere in the Group.

PENSION AND OTHER BENEFITS

The Group operates a defined contribution scheme for Executive Directors and provides private health care insurance and life assurance which are treated as benefits in kind, in line with those offered to the workforce generally. The CFO receives a Company pension contribution equal to 10% of his base salary, while the CEO does not receive a Company pension contribution.

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 bonus plan for the Executive Directors includes an on-target bonus in the range of 50%–70% of basic salary with a maximum of up to 100% being achievable. Performance targets are calibrated to be challenging and the criteria are reviewed annually and aligned to the key financial and strategic objectives of the Group. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect its assessment of overall performance; however, the exercise of any such discretion shall not result in a bonus payment in excess of 100% of basic salary.

REMUNERATION POLICY *CONTINUED*

SHARE OPTION PLAN

The Directors believe it is important to incentivise key management and employees and accordingly the Executive Directors are able to participate in the Company's Share Option Plan. Any awards made under this plan will be granted on a conditional basis, with exercise permitted not less than three years from the date of award and with performance conditions attached to them that are relevant to their impact on the Group's strategy.

The outstanding options granted to Executive Directors had a performance condition solely related to absolute total shareholder return (TSR). The Committee has agreed that future awards will be based 50% on absolute TSR and 50% on growth in earnings per share.

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 or cash bonuses. Non-Executive Directors may elect to receive payment in their home currency if based outside the UK and receive part payment of their remuneration in Group shares. In such circumstances, 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.

FY 2020 REMUNERATION REPORT

Given the growth and increasing complexity of the Group, the Remuneration Committee initiated a review of its compensation structures across Executive, Non-Executive and senior management roles, with the assistance of independent external consultant Pearl Meyer.

CEO AND CFO REMUNERATION

Pearl Meyer provided recommendations of appropriate remuneration packages which reflected that the remuneration packages were below those offered by a selection of comparable peer companies. As a result, the Committee concluded:

1. To increase the base salary of the CFO from £200,000 per annum to £250,000 per annum, effective 1 September 2019.
2. That performance conditions attaching to the vesting of share option awards made to the CEO and CFO continue to be of equal weight: growth in earnings per share and total shareholder return.

On appointment of Seamus Keating as Executive Chairman the Committee recommended and the Board approved his remuneration package, based on a CEO benchmarking review conducted earlier in the year by compensation specialists Pearl Meyer. Effective from 1 August 2019, his base salary was set at £450,000 per annum with participation in the Company healthcare and life assurance schemes but no entitlement to cash bonus. Upon appointment as CEO on 15 January 2020 the base salary was maintained, with participation in the bonus scheme possible in FY 2021 under the criteria laid out above. Upon appointment the CEO elected not to participate in the Group pension scheme. No discretion has been applied to remuneration outcomes during the year under review.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Committee reviewed a benchmarking report by Pearl Meyer on remuneration of the Non-Executive Directors. It was noted that while awarding equity to Non-Executive Directors in the US was extremely common, this was not a widespread practice in the UK. It was noted that FD's Non-Executive remuneration was broadly in line with the median of a blended peer group; however, evidence was presented that the Committee should consider moving towards the median of upper quartile and US software companies. Accordingly, the Committee resolved to recommend, and the Board subsequently approved, an amendment to the terms of the Non-Executive Directors total annual reward such that the Chairman's total annual reward is £200,000 per annum while Non-Executive Directors receive £150,000, effective from 1 September 2019. Total rewards comprise a cash payment (67%), with the remainder in FD shares. 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.

SENIOR EXECUTIVE REMUNERATION

The Committee also examined compensation levels of members of the existing senior executive team, particularly those who received promotions and took on additional roles and responsibilities, together with new senior hires recruited during the year. The Committee discussed and set levels of remuneration considered necessary to attract, retain and reward.

ALIGNMENT OF REMUNERATION AND PERFORMANCE

The Committee believes the historical growth performance of the business is reflective of the Group's effective remuneration policy. The Committee is committed to an open and transparent dialogue with shareholders and where appropriate will engage with shareholders and their representative bodies, seeking views which it may take into account when setting remuneration policy.

Details of each Director's remuneration is set out in the table below (audited).

		Salary and fees £'000	Benefits £'000	Annual bonus £'000	Share based payment £'000	Pension £'000	Total remuneration £'000
Executive Directors							
B G Conlon	**2020**	**163**	**1**	**–**	**–**	**8**	**172**
	2019	332	–	177	–	33	542
R G Ferguson	**2020**	**225**	**1**	**–**	**193**	**23**	**442**
	2019	200	–	100	193	20	513
S Keating	**2020**	**263**	**–**	**–**	**–**	**–**	**263**
	2019	–	–	–	–	–	–
Non-Executive Directors							
K MacDonald	**2020**	**80**	**–**	**–**	**25**	**–**	**105**
	2019	60	–	–	–	–	60
D Troy	**2020**	**92**	**–**	**–**	**48**	**–**	**140**
	2019	45	–	–	30	–	75
V Gambale	**2020**	**77**	**–**	**–**	**39**	**–**	**116**
	2019	49	–	–	27	–	76
S Keating	**2020**	**42**	**–**	**–**	**–**	**–**	**42**
	2019	100	–	–	–	–	100
Total	**2020**	**942**	**2**	**–**	**305**	**31**	**1,280**
	2019	786	–	277	250	53	1,366

* Details in the above table reflect the passing of Brian Conlon and the appointment of Seamus Keating as an Executive Director in July 2019.

No bonus payments were made to the Executive Directors in line with the trading update issued on 9 April 2020.

The Executive Directors did not receive any award of share options during the year, and there was no exercise of existing share options awarded in prior years.

SERVICE CONTRACTS

The Executive Directors have entered into service contracts with the Group that are terminable by either party on not less than six 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	
	29 February 2020	28 February 2019
S Keating	**25,314**	25,314
R G Ferguson	**100,000**	100,000
V Gambale	**7,717**	13,831
K MacDonald	**45,741**	45,741
D Troy	**1,289**	90

SHARE OPTIONS

There were no share option awards to Directors during the year. The awards currently outstanding to Directors are as follows:

	1 March 2019	Granted during the year	Vested during the year	Lapsed during the year	Exercised during the year	**29 February 2020**
R G Ferguson	200,000	–	194,000	6,000	–	**194,000**

The Remuneration Committee set TSR performance conditions for the share options granted to Graham Ferguson on 18 July 2016. In line with these targets, 194,000 options vested and 6,000 lapsed during the year.

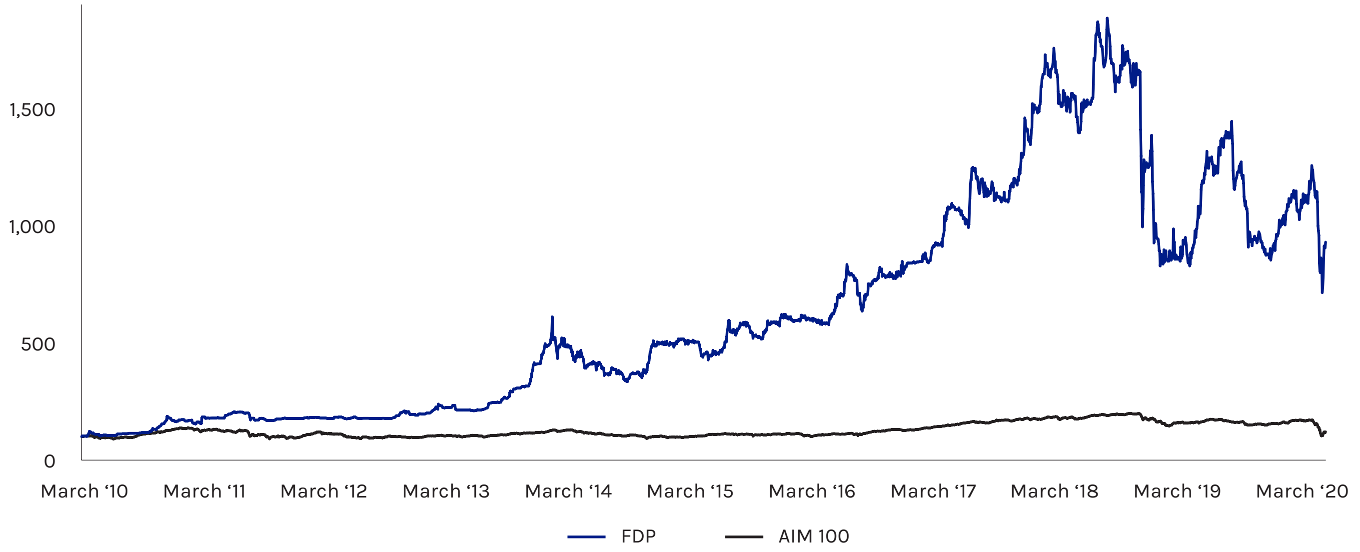
The Company recognised total expenses of £1,645k (2019: £1,452k) related to equity-settled share-based payment transactions during the year. Expenses of £193k (2019: £193k) related to share options granted to the Directors. There were no share options exercised by the Directors during the year (2019: nil).

TRANSACTIONS WITH DIRECTORS

The Directors' interests in contracts with the Company are disclosed in note 30.

PERFORMANCE GRAPH

The chart below shows the Group's TSR performance over the past ten years compared to the AIM 100, an index of which the Group is a constituent.



CEO REMUNERATION

The table below shows the total remuneration and annual bonus for the Chief Executive Officer over the past nine years. During this period the CEO has not received any long-term incentive remuneration.

	2012	2013	2014	2015	2016	2017	2018	2019	**2020**
Total remuneration (£'000)	231	277	276	165	311	657	693	542	**435**
Annual bonus as a % of maximum opportunity	40%	62%	63%	–	97%	100%	100%	53%	**–**
Long-term incentives as a % of maximum opportunity	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**

The 2020 CEO remuneration figure is the total of the remuneration paid to Brian Conlon and also remuneration paid to Seamus Keating for the period in which he was an Executive Director.

The Group is also required to report on its CEO pay gap ratio, which is detailed in the table below.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020 CEO total remuneration	Option A	10.0	17.3	33.7
2020 CEO base salary	Option A	9.8	17.0	33.1

Option A was selected as the basis for the calculations above as it was considered to be the most accurate. The total remuneration for all of the Company's UK employees was calculated, and those employees were then ranked from high to low, based on their total remuneration, with the employees whose remuneration places them at the 25th, 50th and 75th percentile points identified. The date by which these calculations were made was 29 February 2020 and no component of pay has been omitted from the calculations.

The Directors have pleasure in submitting to the shareholders their Annual Report and the audited financial statements of the Group and Company for the year ended 29 February 2020.

RESULTS AND DIVIDEND

The Group's profit after taxation attributable to shareholders for the year to 29 February 2020 was was £14,893k (2019: £13,175k).

The Directors do not propose the payment of a final dividend for the year, as communicated in the trading update issued on 9 April 2020. As a result, the total distribution relating to the year is the interim dividend of 8.50p per share (2019 total dividend: 27.00p) per share.

Dividends paid during the year comprised a final dividend of 19.30p per share for the year ended 28 February 2019 and an interim dividend of 8.50p per share for the six months ended 31 August 2019.

The price of the Company's shares at close of business on 29 February 2020 was £27.65 (2019: £21.90) and the high and low share prices during the year were £35.55 (2019: £48.00) and £21.00 (2019: £20.10) respectively. The average share price during the year was £27.17 (2019: £33.96).

DIRECTORS

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

B G Conlon (until 28 July 2019)
R G Ferguson
V Gambale
S Keating
K MacDonald
D Troy

DIRECTORS AND THEIR INTERESTS

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

SUBSTANTIAL SHAREHOLDINGS

At 20 May 2019, the Group had received notification of interests in 3% or more of the ordinary share capital from Juliana Conlon (23.7%), Kabouter Management (8.2%), Columbia Threadneedle Investments (7.3%), T Rowe Price (6.9%), Aberdeen Standard Investments (6.8%), Baillie Gifford & Co (4.8%), Octopus Investments (5.8%), Invesco (4.4%) and Metzler Asset Management (3.0%).

RESEARCH AND DEVELOPMENT

The Group's policy is to invest in product innovation and engage in research and development activities geared towards the enhancement of its software products. During the year costs of £10,431k (2019: £8,573k) 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 £2,701k (2019: £2,089k) were expensed during the year.

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 adviser 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 Advisers, 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. AIM Rule 26 also requires the Company to adopt a corporate governance code and it has chosen the UK Corporate Governance Code 2018, against which the Directors are responsible for reporting the Company's compliance.

SECTION 172 COMPLIANCE STATEMENT

The Directors have acted in good faith to promote the success of the Company for the benefit of its members as a whole. In doing so, they have given regard, amongst other matters, to the following matters set out in Section 172(1)(a) to (f) of the Companies Act 2006:

a) The likely consequences of any decision in the long term

b) The interests of the Company's employees

c) The need to foster the Company's business relationships with suppliers, customers and others

d) The impact of the Company's operations on the community and the environment

e) The desirability of the Company maintaining a reputation for high standards of business conduct

f) The need to act fairly as between members of the Company

An explanation of how the views of stakeholders have been taken into account in the Board's decision making during the year is provided in the stakeholder engagement section of this report.

FAIR, BALANCED, UNDERSTANDABLE

The Board of Directors has combined the knowledge and experience derived by each of them from other board positions with a review of the annual reports of other similar enterprises in order to satisfy themselves that the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

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. A Group-wide employee satisfaction review was recently conducted by an independent third-party organisation, as detailed in the Corporate responsibility section, with the results being utilised to inform the Group's push to make it an employer of choice in the sector.

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.

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 which reduces the risk of default. The Group is also exposed to the impact of fluctuations in exchange rates as it generates income and incurs expenses in currencies other than sterling (GBP). The Group's main exposure is to the US dollar (USD), euro (EUR), Australian dollar (AUD) and Canadian dollar (CAD). 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, as well as exposure to movements in fair value of equity investments and convertible loans. 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 US dollars the acquisitions of Market Resource Partners LLC (MRP), Reference Data Factory Inc. (RDF) Prelytix Inc. and Kx Systems Inc., 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 (2019: £nil).

FUTURE DEVELOPMENTS

As highlighted in the Chairman's Review and the Business 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.

The Group has adapted its working practices in order to deal as effectively as possible with COVID-19. Within this report details are provided on these actions which affect all its stakeholders. The Board is continuously monitoring the situation and is ready to act to meet changing requirements as they arise. Further information is contained in the Financial review.

DISCLOSURE OF INFORMATION TO AUDITOR

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 they 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.

AUDITOR

The Board has recommended the reappointment of Deloitte (NI) Limited and a resolution to that effect will be proposed at the forthcoming Annual General Meeting.

OTHER INFORMATION

The other information required under Section 414C (ii) of the Companies Act 2006 to be disclosed in respect of the review of the Group's business is given in the Chairman's Review, the Business Review and the Financial Review.

By order of the Board

J J Kearns
Secretary
18 May 2020

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

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under 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 they have elected to prepare the parent Company financial statements on the same basis. This reporting framework is also consistent with the requirements of the Irish Stock Exchange, trading as Euronext Dublin, where the Company's shares are also listed.

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 parent Company and of their profit or loss for that period. In preparing each of the Group and parent 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 parent 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 parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 comply 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.

We consider the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

J J Kearns
Secretary
18 May 2020

Independent auditor's report

To the members of First Derivatives plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

1. OPINION

In our opinion:

- the financial statements of First Derivatives plc (the 'Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Company's affairs as at 29 February 2020 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 (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

We have audited the financial statements which comprise:

- the Consolidated statement of comprehensive income;
- the Consolidated and Company balance sheets;
- the Consolidated and Company statements of changes in equity;
- the Consolidated and Company cash flow statements; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. SUMMARY OF OUR AUDIT APPROACH

First Year Audit Transition and Key audit matters

This is the first year we have been appointed as auditors to the Group. We undertook a number of transitional procedures to prepare for the audit. Before we commenced our audit, we established our independence of the Group. We used the time prior to commencing our audit to meet key members of management to gain an understanding of the business, its challenges and the environment in which it operates.

The key audit matters that we identified in the current year were:

- Revenue recognition relating to accrued and deferred income;
- Carrying value of goodwill; and
- Capitalisation of internally developed software costs

Key audit matters considered by the Group's predecessor auditor in the prior year were broadly aligned with the items identified above. The Key audit matter presented by the predecessor auditor relating to the 'Assessment of Fair Value and Accounting of Investments' has been removed based on our independent assessment of the most significant assessed risks of material misstatement.

Materiality

The materiality that we used for the Group financial statements in the current year was £912k which was determined on the basis of 5% of profit before taxation. In 2019, the predecessor auditor determined materiality at £775k based on 5% of profit before taxation.

The materiality for the Company that we used in the current year was £744k based on a percentage of revenue but capped at approximately 80% of Group materiality. In 2019, the predecessor auditor determined materiality at £500k, on the basis of 5% of Company profit before tax.

3. SUMMARY OF OUR AUDIT APPROACH *CONTINUED*

Scoping	We determined the scope of our Group audit by obtaining an understanding of the Group and its environment and assessing the risks of material misstatement at the Group level. Our audit scoping provides full scope audit coverage of 99% of revenue, 98% of profit before tax and 99% of total assets. In 2019, audits for Group reporting purposes were performed based on identified key reporting components which represented principal activities of the Group. The predecessor auditors scoping for Group reporting purposes was 97% of revenue, 97% of profit before tax and 98% of total assets.

4. CONCLUSIONS RELATING TO GOING CONCERN, PRINCIPAL RISKS AND VIABILITY STATEMENT

4.1. GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

4.2. PRINCIPAL RISKS AND VIABILITY STATEMENT

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 24 and 25 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 17 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 38 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the directors.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

5. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

Independent auditor's report *continued*

To the members of First Derivatives plc

5. KEY AUDIT MATTERS *CONTINUED*

5.1. REVENUE RECOGNITION RELATING TO ACCRUED AND DEFERRED INCOME

Key audit matter description

The Group has £12.1m of accrued revenue and £21.8m of deferred revenue at 29 February 2020 (2019 £7.2m and £19.5m respectively) with £237.8m of revenue recognised in the year (2019: £217.4m)

The delivery of licensing or service revenue may occur over multiple accounting periods such that revenue is misstated at the balance sheet date due to incorrect recognition of accrued or deferred revenue.

- Revenue could be misstated where the correct revenue recognition policies may not have been applied to contracts primarily due to the following factors;
- Multi-element contracts may not have been correctly unbundled where they contain separable deliverables;
- Accrued income balances recorded at year end may not reflect the appropriate level of revenue to be recognised at the balance sheet date.
- Revenue may not be deferred over the appropriate period for services contracts or where the related billed service has not yet been performed.

This key audit matter is also discussed on page 36 in the Report of the Audit Committee and is disclosed in the significant accounting policies as an area where critical judgement has been applied in accounting policies in note 1 and in the significant accounting policies on page 66.

How the scope of our audit responded to the key audit matter

In order to address the key audit matter, we performed the following procedures:

- obtained an understanding of the process and relevant controls for ensuring appropriate recognition of revenue and evaluated the design and determined the implementation of the controls relating to accrued and deferred revenue;
- carried out a review of the appropriateness of revenue recognition policies adopted under IFRS including disclosures in the financial statements;
- evaluated a sample of contracts including a recalculation of revenue to be recognised based on the contract terms and comparing this to actual revenue, with each contractual element reviewed to challenge the appropriateness of revenue recognition;
- evaluated accrued income and deferred income to challenge the appropriateness of accrued or deferred revenue as at the balance sheet date; and
- evaluated fixed price contracts to assess whether the revenues recognised to date were appropriate; this work included reviewing stage of completion by reference to post year end data and understanding budget versus actual variances where applicable and the impact on revenue to be recognised by reference to the stage of completion.

Key observations

Based on the evidence obtained, we consider the recognition of accrued and deferred revenue at year-end to be appropriate.

5. KEY AUDIT MATTERS *CONTINUED*

5.2. CARRYING VALUE OF GOODWILL

Key audit matter description

The carrying value of goodwill at 29 February 2020 was £110.6m (2019: £107.4m), representing 68% of consolidated net assets.

Goodwill requires significant management judgements in assessing the carrying value of the asset, as an impairment review must be undertaken annually, using forecasted discounted future cash flows, at a cash generating unit level. This requires various assumptions and estimates, which can be complex and subjective to determine.

Management have determined the recoverable amount based on a value-in-use model calculated from cash flow projections based on management's assumptions and estimates of future trading performance.

Estimating a value-in-use is inherently judgemental, and a range of assumptions can reasonably be applied in determining the estimates applied therein. The key judgements in assessing goodwill for impairment are the discount rate, long-term growth rate, and the short-term projected cash flows. The value-in-use model is sensitive to changes in these estimates, all of which must reflect a long-term view of underlying growth in the respective economies within which these businesses operate and the reasonableness of projected cash flows.

This key audit matter is also disclosed in the significant accounting policies as a key source of estimation uncertainty in note 1 and in the significant accounting policies on page 72. Information on the Group's assessment of carrying value of goodwill is included in note 16.

How the scope of our audit responded to the key audit matter

In order to address the key audit matter, we performed the following procedures:

- We evaluated the design and determined the implementation of the relevant controls in place for ensuring impairment reviews are prepared appropriately
- We challenged the underlying assumptions and obtained audit evidence to test those assumptions within the Group's impairment model, including cash flow projections, discount rates and growth rates, which we compared to relevant industry data. We performed a sensitivity analysis on the underlying assumptions noted above to determine if there were any scenarios whereby a reasonably possible expectation of impairment could be present.
- We considered the adequacy of the disclosures in relation to goodwill and whether they meet the requirements of the relevant accounting standards.

Key observations

We have no observations that impact on our audit in respect of the carrying value of goodwill.

5.3. CAPITALISATION OF INTERNALLY DEVELOPED SOFTWARE COSTS

Key audit matter description

At 29 February 2020, the Group held internally developed software costs with a net book value of £31.9m (2019: £29.9m). Costs in relation to internally generated intangible assets are capitalised when all of the criteria as set out in IAS 38 "Intangible Assets" are met.

There is a risk that additions are made to capitalised development costs before all the required capitalisation criteria are met. Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and in determining the amount to be capitalised, management make judgements regarding expected future cash generation of the asset.

This key audit matter is also disclosed in the significant accounting policies on page 72.

How the scope of our audit responded to the key audit matter

In order to address the key audit matter, we performed the following procedures:

- We obtained an understanding of the process and related controls for ensuring appropriate capitalisation of development costs.
- We evaluated the design and determined the implementation of the relevant controls in place to separately identify when development activities meet recognition criteria.
- We reviewed the capitalised project register and completed procedures to determine whether the expenditure was recorded accurately and whether it met the required capitalisation criteria in accordance with IAS 38.
- We agreed the amount of development costs capitalised to underlying documentation detailing cost per project, including timesheet data.

Key observations

We have no observations that impact on our audit in respect of the capitalisation of internally developed software costs.

Independent auditor's report *continued*

To the members of First Derivatives plc

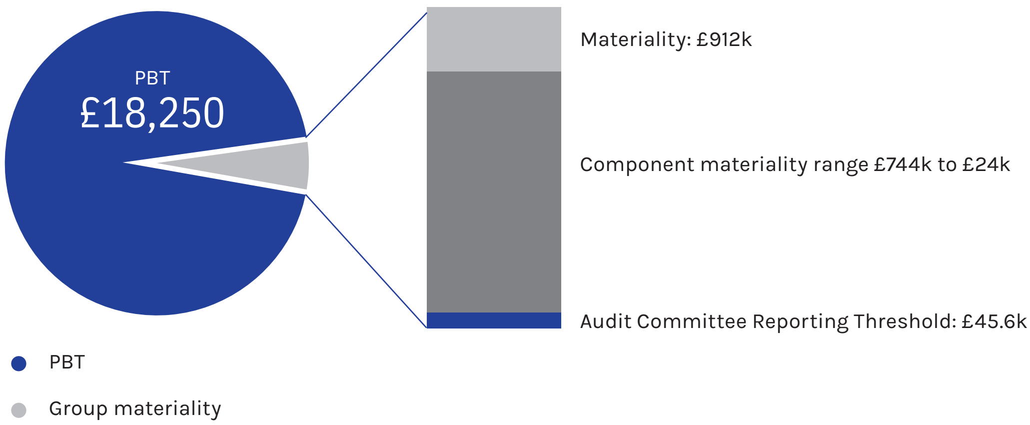
6. OUR APPLICATION OF MATERIALITY

6.1. MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Materiality	£912k (2019: £775k)	£744k (2019: £500k)
Basis for determining materiality	5% of profit before tax. In 2019, the predecessor auditor determined materiality at £775k, on the basis of 5% of Group profit before tax.	Company materiality equates to 0.3% of revenue and is capped at approximately 80% of Group materiality. In 2019, the predecessor auditor determined materiality at £500k, on the basis of 5% of Company profit before tax.
Rationale for the benchmark applied	Profit before tax is a key performance measure for management, investors and the analyst community. This metric is important to the users of the financial statements (investors and analysts being the key users for a listed entity) because it portrays the performance of the business and hence its ability to pay a return on investment to the investors.	Revenue was considered to the most appropriate measure for the Company given it is a key performance measure for management and the analyst community as a trading company. As this was higher than Group materiality, we capped Company materiality at 85% of Group materiality.



6.2. ERROR REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £45.6k (2019: £39k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT

7.1. IDENTIFICATION AND SCOPING OF COMPONENTS

The Group operates in 15 locations across 4 continents with the largest footprint being in North America and Europe. We determined the scope of our Group audit by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level. Based on that assessment, we focused our Group audit scope on the audit work at the Newry location, where the Group entities finance functions are centrally managed.

There were no component audit teams, with the entire audit including the testing of the consolidation being conducted by one central audit team.

Of the Group's 25 components, we subjected 10 of the Group entities to full audit scope and specified audit procedures were undertaken on a further three components. Our full scope and specified audit procedures covered 99% of total Group revenue; 98% of Group profit before tax and 99% total Group assets.

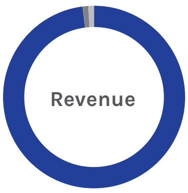
7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT *CONTINUED*

7.1. IDENTIFICATION AND SCOPING OF COMPONENTS *CONTINUED*

In 2019, the predecessor auditor subjected 8 components to a full audit and 1 component was subject to specified audit procedures. The audits for Group reporting purposes were performed based on identified key reporting components which represented principal activities of the Group. The predecessor auditors scoping for Group reporting purposes was 97% of revenue, 97% of profit before tax and 98% of total assets.

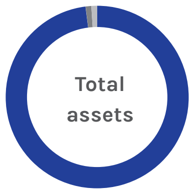
These components were selected based on the level of coverage achieved and to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work for all components was executed at levels of materiality applicable to each individual unit which were lower than Group materiality and ranged from £24k to £744k.

At the Group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.



- Full audit scope: 98%
- Specified audit procedures: 1%
- Review at group level: 1%

- Full audit scope: 96%
- Specified audit procedures: 2%
- Review at group level: 2%



- Full audit scope: 98%
- Specified audit procedures: 1%
- Review at group level: 1%

8. OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Independent auditor's report *continued*

To the members of First Derivatives plc

9. RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

10. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity (or where relevant, the Group) to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation (i.e. gives a true and fair view).
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Group to express an opinion on the consolidated financial statements. The Group auditor is responsible for the direction, supervision and performance of the Group audit. The Group auditor remains solely responsible for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

For listed entities and public entities, the auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, including the FRC's Ethical Standard, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Where the auditor is required to report on key audit matters, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements.

11. OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

12. MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

12.1. ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

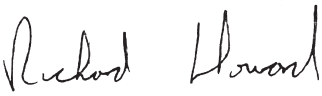
12.2. DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

13. USE OF OUR REPORT

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.



Richard Howard (Senior Statutory Auditor)
for and on behalf of Deloitte (NI) Limited, Statutory Auditor
Chartered Accountants
19 Bedford Street
Belfast
BT2 7EJ
18 May 2020

Consolidated statement of comprehensive income

Year ended 29 February 2020

	Note	2020 £'000	2019 £'000
Revenue			
Software licenses and services	3 & 4	148,401	130,888
Managed services and consulting	3 & 4	89,389	86,463
Total revenue		237,790	217,351
Cost of sales			
Software licenses and services	3	(67,184)	(59,465)
Managed services and consulting	3	(69,458)	(66,594)
Total cost of sales		(136,642)	(126,059)
Gross profit		101,148	91,292
Operating costs			
Research and development costs		(13,132)	(10,662)
– Of which capitalised		10,431	8,573
Sales and marketing costs	6	(35,399)	(32,273)
Administrative expenses	7	(41,818)	(38,455)
Impairment gain/(loss) on trade and other receivables	31	336	(19)
Other income	5	179	277
Total operating costs		(79,403)	(72,559)
Operating profit		21,745	18,733
Acquisition costs and changes in contingent deferred consideration	7	1,990	3,975
Share based payment and related costs	32	3,119	2,473
Depreciation and amortisation	15 & 16	14,984	9,958
Amortisation of acquired intangible assets	16	3,684	3,799
Adjusted EBITDA		45,522	38,938
Finance income	10	26	37
Finance expense	10	(4,666)	(1,478)
Gain/(loss) on foreign currency translation	10	1,019	(592)
Net finance costs		(3,621)	(2,033)
Share of gain/(loss) of associate, net of tax	17	126	(23)
Profit before taxation		18,250	16,677
Income tax expense	11	(3,357)	(3,502)
Profit for the year		14,893	13,175

Consolidated statement of comprehensive income *continued*

Year ended 29 February 2020

	2020 £'000	2019 £'000
Profit for the year	**14,893**	13,175
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Equity investments at FVOCI – net change in fair value	**–**	3,587
Items that will or may be reclassified subsequently to profit or loss		
Net exchange gain on net investment in foreign subsidiaries	**1,394**	2,958
Net (loss) on hedge of net investment in foreign subsidiaries	**(2,920)**	(728)
	(1,526)	2,230
Other comprehensive income for the period, net of tax	**(1,526)**	5,817
Total comprehensive income for the period attributable to owners of the parent	**13,367**	18,992

	Note	Pence	Pence
Earnings per share			
Basic	14a	**55.9**	50.9
Diluted	14a	**54.2**	47.9

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

Consolidated balance sheet

As at 29 February 2020
Registered company number: NI 30731

	Note	2020 £'000	2019 £'000
Assets			
Property, plant and equipment	15	**37,143**	10,162
Intangible assets and goodwill	16	**154,416**	151,965
Equity accounted investee	17	**2,937**	2,711
Other financial assets	18	**15,750**	13,706
Trade and other receivables	19	**5,000**	5,720
Deferred tax assets	24	**14,982**	15,352
Non-current assets		**230,228**	199,616
Trade and other receivables	19	**76,330**	57,915
Current tax receivable	25	**3,142**	1,461
Cash and cash equivalents	20	**26,068**	18,798
Current assets		**105,540**	78,174
Total assets		**335,768**	277,790
Equity			
Share capital	21	**136**	131
Share premium		**91,002**	79,726
Merger reserve		**8,118**	8,118
Share option reserve		**13,775**	10,744
Fair value reserve		**3,587**	3,587
Currency translation adjustment reserve		**2,418**	3,944
Retained earnings		**44,125**	36,560
Equity attributable to owners of the Company		**163,161**	142,810
Liabilities			
Loans and borrowings	22	**94,311**	289
Trade and other payables	23	**2,610**	3,300
Deferred tax liabilities	24	**10,585**	10,827
Non-current liabilities		**107,506**	14,416
Loans and borrowings	22	**10,868**	34,998
Trade and other payables	23	**47,719**	77,546
Current tax payable	25	**312**	1,004
Employee benefits	26	**6,202**	5,945
Contingent deferred consideration	27	**–**	1,071
Current liabilities		**65,101**	120,564
Total liabilities		**172,607**	134,980
Total equity and liabilities		**335,768**	277,790

These financial statements were approved by the Board of Directors on 18 May 2020.

Donna Troy
Chairman

Seamus Keating
Chief Executive Officer

Graham Ferguson
Chief Financial Officer

Company balance sheet

As at 29 February 2020
Registered company number: NI 30731

	Note	2020 £'000	2019 £'000
Assets			
Property, plant and equipment	15	16,492	4,726
Intangible assets and goodwill	16	26,394	23,994
Investment in subsidiaries	17	133,464	133,464
Other financial assets	18	12,914	12,776
Trade and other receivables	19	34,902	21,658
Deferred tax assets	24	8,541	8,484
Non-current assets		232,707	205,102
Trade and other receivables	19	62,910	52,942
Current tax receivable	25	1,826	1,337
Cash and cash equivalents	20	21,656	14,760
Current assets		86,392	69,039
Total assets		319,099	274,141
Equity			
Share capital	21	136	131
Share premium		91,002	79,726
Merger reserve		8,118	8,118
Share option reserve		13,866	10,898
Fair value reserve		3,733	3,733
Retained earnings		24,094	28,046
Equity attributable to shareholders		140,949	130,652
Liabilities			
Loans and borrowings	22	80,254	–
Trade and other payables	23	1,779	1,527
Deferred tax liabilities	24	4,473	4,406
Non-current liabilities		86,506	5,933
Loans and borrowings	22	8,151	34,909
Trade and other payables	23	78,143	96,457
Employee benefits	26	5,350	5,119
Contingent deferred consideration	27	–	1,071
Current liabilities		91,644	137,556
Total liabilities		178,150	143,489
Total equity and liabilities		319,099	274,141

The Company's profit for the year ended 29 February 2020 was £3,376k (2019: £8,779k).

These financial statements were approved by the Board of Directors on 18 May 2020.

Donna Troy
Chairman

Seamus Keating
Chief Executive Officer

Graham Ferguson
Chief Financial Officer

Consolidated statement of changes in equity

Year ended 29 February 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2019	131	79,726	8,118	10,744	3,587	3,944	36,560	142,810
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	14,893	14,893
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	–	–	–	–	–	1,394	–	1,394
Net exchange loss on hedge of net investment in foreign subsidiaries	–	–	–	–	–	(2,920)	–	(2,920)
Total comprehensive income for the year	–	–	–	–	–	(1,526)	14,893	13,367
Transactions with owners of the Company								
Tax relating to share options	–	–	–	1,411	–	–	–	1,411
Exercise of share options	4	10,123	–	–	–	–	–	10,127
Issue of shares	–	58	–	–	–	–	–	58
Issue of shares as contingent deferred consideration	1	1,095	–	–	–	–	–	1,096
Share based payment charge	–	–	–	1,645	–	–	–	1,645
Transfer on forfeit of share options	–	–	–	(25)	–	–	25	–
Dividends to owners of the Company	–	–	–	–	–	–	(7,353)	(7,353)
Balance at 29 February 2020	**136**	**91,002**	**8,118**	**13,775**	**3,587**	**2,418**	**44,125**	**163,161**

Consolidated statement of changes in equity *continued*

Year ended 28 February 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2018	128	73,168	8,118	14,341	–	1,714	39,628	137,097
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	13,175	13,175
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	–	–	–	–	–	2,958	–	2,958
Net exchange loss on hedge of net investment in foreign subsidiaries	–	–	–	–	–	(728)	–	(728)
Net change in fair value of equity investments at FVOCI	–	–	–	–	3,587	–	–	3,587
Total comprehensive income for the year	–	–	–	–	3,587	2,230	13,175	18,992
Transactions with owners of the Company								
Tax relating to share options	–	–	–	(4,292)	–	–	–	(4,292)
Exercise of share options	2	3,829	–	(684)	–	–	–	3,147
Change in measurement of NCI put	–	–	–	–	–	–	(9,932)	(9,932)
Issue of shares	–	29	–	–	–	–	–	29
Issue of shares as contingent deferred consideration	1	2,700	–	–	–	–	–	2,701
Share based payment charge	–	–	–	1,452	–	–	–	1,452
Transfer on forfeit of share options	–	–	–	(73)	–	–	73	–
Dividends to owners of the Company	–	–	–	–	–	–	(6,384)	(6,384)
Dividends to NCI	–	–	–	–	–	–	–	–
Balance at 28 February 2019	131	79,726	8,118	10,744	3,587	3,944	36,560	142,810

Company statement of changes in equity

Year ended 29 February 2020

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2019	131	79,726	8,118	10,898	3,733	28,046	130,652
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	3,376	3,376
Other comprehensive income							
Net change in fair value of equity investments at FVOCI	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	3,376	3,376
Transactions with owners of the Company							
Income tax relating to share options	–	–	–	1,348	–	–	1,348
Exercise of share options	4	10,123	–	–	–	–	10,127
Issue of shares	–	58	–	–	–	–	58
Issue of shares as contingent deferred consideration	1	1,095	–	–	–	–	1,096
Share based payment charge	–	–	–	1,645	–	–	1,645
Transfer on forfeit of share options	–	–	–	(25)	–	25	–
Dividends to owners of the Company	–	–	–	–	–	(7,353)	(7,353)
Balance at 29 February 2020	**136**	**91,002**	**8,118**	**13,866**	**3,733**	**24,094**	**140,949**

Company statement of changes in equity *continued*

Year ended 28 February 2019

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2018	128	73,168	8,118	14,070	146	25,578	121,208
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	8,779	8,779
Other comprehensive income							
Net change in fair value of equity investments at FVOCI	–	–	–	–	3,587	–	3,587
Total comprehensive income for the year	–	–	–	–	3,587	8,779	12,366
Transactions with owners of the Company							
Income tax relating to share options	–	–	–	(3,867)	–	–	(3,867)
Exercise of share options	2	3,829	–	(684)	–	–	3,147
Issue of shares	–	29	–	–	–	–	29
Issue of shares as contingent deferred consideration	1	2,700	–	–	–	–	2,701
Share based payment charge	–	–	–	1,452	–	–	1,452
Transfer on forfeit of share options	–	–	–	(73)	–	73	–
Dividends to owners of the Company	–	–	–	–	–	(6,384)	(6,384)
Adjusted balance at 28 February 2019	131	79,726	8,118	10,898	3,733	28,046	130,652

Consolidated cash flow statement

Year ended 29 February 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Profit for the year	14,893	13,175
Adjustments for:		
Net finance costs	3,621	2,033
Depreciation of property, plant and equipment	6,291	2,744
Amortisation of intangible assets	12,377	11,013
Increase in deferred consideration	–	3,230
Equity-settled share based payment transactions	1,645	1,452
Grant income	(179)	(277)
Share of loss of associate	(126)	23
Deferred consideration paid (IAS 19 remuneration)	–	(5,317)
Tax expense	3,357	3,502
	41,879	31,578
Changes in:		
Trade and other receivables	(18,869)	(6,468)
Trade and other payables	11,340	2,230
Cash generated from operating activities	34,350	27,340
Taxes paid	(2,957)	(3,462)
Net cash from operating activities	31,393	23,878
Cash flows from investing activities		
Interest received	26	37
Increase in loans to other investments	(604)	(1,944)
Acquisition of subsidiaries, net of cash acquired	–	(591)
Settlement of NCI forward	(42,874)	–
Acquisition of other investments and associates	(1,044)	(2,652)
Acquisition of property, plant and equipment	(2,295)	(4,105)
Acquisition of intangible assets	(10,972)	(9,238)
Net cash used in investing activities	(57,763)	(18,493)
Cash flows from financing activities		
Proceeds from issue of share capital	10,127	3,147
Drawdown of loans and borrowings	76,933	8,900
Repayment of borrowings	(36,751)	(3,558)
Payment of lease liabilities (2019: finance lease liabilities)	(4,531)	(48)
Interest paid	(3,482)	(1,457)
Dividends paid	(7,397)	(6,336)
Net cash generated in financing activities	34,899	648
Net increase in cash and cash equivalents	8,529	6,033
Cash and cash equivalents at 1 March	18,798	12,365
Effects of exchange rate changes on cash held	(1,259)	400
Cash and cash equivalents at 28 February	26,068	18,798

Company cash flow statement

Year ended 29 February 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
Profit for the year	3,376	8,779
Adjustments for:		
Finance expense and foreign exchange loss	6,826	2,956
Depreciation of property, plant and equipment	2,756	1,093
Amortisation of intangible assets	6,074	5,161
Dividends from associate and subsidiary	(1,308)	(8,000)
Equity-settled share based payment transactions	1,645	1,452
Grant income	(179)	(300)
Tax expense	1,781	368
	20,971	11,509
Changes in:		
Trade and other receivables	(21,746)	(8,187)
Trade and other payables	22,582	17,378
Cash generated from operating activities	21,807	20,700
Taxes paid	(2)	432
Net cash from operating activities	21,805	21,132
Cash flows from investing activities		
Interest received	24	–
Acquisition of subsidiaries	–	(762)
Settlement of NCI forward	(42,874)	–
Increase in loans to other investments	(220)	(338)
Acquisition of other investments	(138)	(1,844)
Acquisition of property, plant and equipment	(318)	(2,055)
Acquisition of intangible assets	(8,474)	(6,579)
Net cash used in investing activities	(52,000)	(11,578)
Cash flows from financing activities		
Proceeds from issue of share capital	10,127	3,147
Drawdown of loans and borrowings	76,933	8,900
Repayment of borrowings	(36,751)	(3,558)
Payment of finance lease liabilities	(1,824)	–
Interest paid	(3,006)	(1,457)
Dividends paid	(7,397)	(6,336)
Net cash generated from financing activities	38,082	696
Net increase in cash and cash equivalents	7,887	10,250
Cash and cash equivalents at 1 March	14,760	4,013
Effects of exchange rate changes on cash held	(991)	497
Cash and cash equivalents at 29 February	21,656	14,760

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 accounts for the Group's interest in its 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 18 May 2020.

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
- equity investments that are in the scope of IFRS 9.

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.

Changes in accounting policies

The following standards, amendments and interpretations were effective for accounting periods beginning on or after 1 March 2019 and these have been adopted in the Group and Company financial statements where relevant:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRSs 2015 – 2017 Cycle Prepayment features with Negative Compensation (Amendments to IFRS 9)

The effects of applying IFRS 16 is described in further detail below. The other changes listed above did not result in material changes to the Group and Company financial statements.

IFRS 16 Leases

The Group adopted IFRS 16 from 1 March 2019 using the cumulative catch-up method with the effect of initially applying the standard reflected as an adjustment to the opening balance of retained earnings as of 1 March 2019. As such, comparative information has not been restated to reflect the new requirements.

IFRS 16 changed lease accounting mainly for lessees and replaced the existing standard IAS 17. An asset for the right to use the leased item and a liability for future lease payments is recognised for all leases, subject to limited exemptions for short-term leases and low-value lease assets. The costs of leases are 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 accounting for finance leases under IAS 17, but substantively different to the accounting treatment for operating leases under which no lease asset or lease liability was recognised. IFRS 16 also includes an election which permits a lessee not to separate non-lease components (e.g. maintenance) from lease components and instead capitalise both the lease cost and associated non-lease costs.

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

A) BASIS OF PREPARATION *CONTINUED*

Changes in accounting policies *continued*

IFRS 16 Leases *continued*

The standard primarily affected the accounting for the Group as a lessee under operating leases. The application of IFRS 16 resulted in the recognition of additional assets and liabilities in the Group balance sheet and in the consolidated statement of comprehensive income and it replaced the straight-line operating lease expense with a depreciation charge for the right-of-use asset and an interest expense on the lease liabilities. The Group availed of the recognition exemption for short-term and low-value leases. The Group also elected to use the following practical expedients available on transition to IFRS 16:

- not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered into or modified before 1 March 2019;
- use hindsight in determining the lease term;
- apply a single discount rate to portfolios of leases with reasonably similar characteristics; and
- not to separate non-lease components, instead accounting for any lease and associated non-lease components as a single arrangement.

All right-of-use assets were measured at the amount of the lease liability on adoption. The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 March 2019 is 3.75%.

Impact of conversion

The following table summarises the impact of transition to IFRS 16 on retained earnings at 1 March 2019.

	Impact of adopting IFRS 16 at 1 March 2019	
Retained earnings	Group £'000	Company £'000
a Property, plant and equipment: Recognition of property, plant and equipment	24,964	14,204
b Trade and other payables: Rent accruals adjustment	1,109	–
c Loan and borrowings non-current: Recognition of long-term lease liability	(22,906)	(12,945)
c Loan and borrowings current: Recognition of short-term lease liability	(3,167)	(1,259)
Impact at 1 March 2019	**–**	**–**

When measuring lease liabilities for leases that were classified as operating leases, the Group and Company discounted lease payments using its incremental borrowing rate at 1 March 2019. The weighted-average rate applied is 3.75% for Group and 3.75% for Company.

	1 March 2019	
	Group £'000	Company £'000
Operating lease commitments as at 28 February 2019 adjusted to include service charges as disclosed under IAS 17 in the financial statements	30,453	17,484
Discounted using the incremental borrowing rate at 1 March 2019	(5,489)	(3,280)
Lease incentives recognised as at 01 March 2019	1,109	–
Lease liabilities recognised at 1 March 2019	**(26,073)**	**(14,204)**

The adoption of IFRS 16 has also impacted the classification of associated cash flows in the consolidated cash flow statement – lease cash flows previously presented as operating cash flows are presented as financing cash flows split into payments of principal and interest (payment of finance lease liabilities and interest paid respectively).

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

A) BASIS OF PREPARATION *CONTINUED*

IFRSs not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 March 2019 and have not been applied in preparing these financial statements. The relevant standards and interpretations not adopted are outlined below and will be applied when mandatory:

Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current Non-Current	1 January 2022

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 predominantly in this currency.

Going concern

The financial statements are prepared on a going concern basis. The Directors consider the Group to have a resilient business model and has considerable financial resources. It meets its day-to-day working capital requirements through cash generated from its trading activities and has long term loan facilities that were agreed in February 2019. The Group's forecasts and projections, taking account of extreme downside conditions considered reasonably possible in changes in trading performance due to the impact of COVID-19 and in line with FRC guidance issued on 26 March 2020, show that the Group should be able to meet all obligations as they fall due and operate within the level of its facilities even in such conditions.

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 information regarding the Group and Company's loan facilities are discussed in note 22. Additionally note 2 to the financial statements includes the Group and Company's objectives, policies and processes for managing its capital, financial risk management objectives and 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:

- Development costs are capitalised in accordance with accounting policies in note 1 for assets which the Group considers positive future cash generation will occur.
- Management has assessed that in respect of equity investments, the Group does not hold significant influence over the investees' financial and operating policies.
- Management applies judgement in the recognition of revenue, determining when performance obligations are satisfied and control transferred. In particular, for software products provided as an annual license, including the right to regular upgrades, judgement is required when assessing whether the annual license is a separate performance obligation from the provision of upgrades to the customer. Management 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 are combined as one performance obligation and revenue is recognised over the life of the license as the service is delivered.

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

A) BASIS OF PREPARATION *CONTINUED*

Critical accounting estimates and judgements *continued*

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:

- Under IFRS goodwill on acquisitions is not amortised but is tested for impairment on an annual basis. Management has assessed goodwill for impairment based on the projected profitability of the individual cash-generating unit to which the goodwill relates. No impairments have been identified. Other intangibles are being amortised and tested for impairment if an indicator of impairment is identified.
- Management has estimated the fair value of equity investments and convertible loans. Management has reviewed recent market activity and has applied a discounted cash flow valuation technique to assess the fair value of the assets as at year end considering the forecast revenue and EBITDA, together with forecast exit value applying market multiples, discounted using a risk-adjusted discount rate.
- For financial assets held at amortised cost, management has estimated an expected credit loss allowance on a forward-looking basis. Loss rates for trade receivables and accrued income (contract assets) are based on; historical payment behaviours, current economic circumstances of customers and type of product purchased. For non-convertible loans and other receivables the Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information) and applying experienced credit judgement.

Management has 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.

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 has established a control framework with respect to the measurement of fair values and regularly reviews 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 use 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 31 – financial instruments; and
- note 32 – 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.

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.

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.

Deferred and contingent consideration arrangements in a business combination are assessed to determine if the amounts payable are consideration for the business or are payable for post-combination employee services. When arrangements are assessed as being consideration in a business combination, 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. Deferred and contingent consideration that is assessed as being payment for post-combination services (remuneration) is expensed as incurred in the post-combination period.

Payments to settle deferred and contingent consideration payable are recognised in the cash flow statement within investing activities if they relate to an arrangement assessed as being consideration in a business combination. Payments to settle arrangements assessed as being post-combination services are recognised in the cash flow statement within operating activities.

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

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. If a put option is held by NCI in a subsidiary undertaking, whereby the holder of the option can require the Group to acquire the NCI's shareholding in the subsidiary at a future date, the Group examines the nature of such a put option. The Group assesses whether the NCI continues to have a present ownership interest in the shares subject to the put option. Where the NCI does not have present ownership rights from the put option then the transaction is accounted for as if the Group had acquired the NCI at the date of entering into the put option and undertake what is referred to as the anticipated acquisition method. The acquisition of Kx Systems Inc and the associated put option held by NCI are accounted for under the anticipated acquisition method.

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

B) BASIS OF CONSOLIDATION *CONTINUED*

iii) Non-controlling interests (NCI) *continued*

The Group accounts for any put option on the shares of its subsidiary held by NCI shareholders that obliges the Group to purchase the shares for cash or another financial instrument (NCI put) at fair value on initial recognition. Any subsequent changes in the fair value of the NCI put, including changes due to foreign exchange movements, are recognised directly in equity. Following the exercise of the NCI put, the Group and Company account for the instrument as a forward contract with any subsequent changes in the fair value, including changes due to foreign exchange movements, recognised in finance income or expense.

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% 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 generally 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 (OCI) in the Group's financial statements; and
- differences arising from the retranslation of an interest in equity securities designated at FVOCI which are recognised in OCI.

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

ii) Foreign operations

The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated to GBP at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to GBP at the foreign exchange rates ruling at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the currency translation adjustment reserve in equity.

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.

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

C) FOREIGN CURRENCY *CONTINUED*

iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of foreign currency loans designated as a hedge of net investments in a foreign operation are recognised in other comprehensive income to the extent the hedge 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) 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.

iii) 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%
Right-of-use assets	— 6 - 50%

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) INTANGIBLE ASSETS AND GOODWILL

i) Goodwill

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

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

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.

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

E) INTANGIBLE ASSETS AND GOODWILL *CONTINUED*

ii) Research and development *continued*

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%

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

F) FINANCIAL INSTRUMENTS

Trade receivables are initially recognised when they are originated. All other financial instruments are recognised when the Group becomes a party to its contractual provisions.

On initial recognition a financial asset is classified as measured at: amortised cost; FVOCI; or FVTPL. The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows. Only when the business model for managing the assets changes reclassification is required. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or are transferred to a third party.

Financial liabilities are classified as measured at amortised cost or FVTPL. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

Trade and other receivables

Trade and other receivables in a held to collect business model 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 expected credit losses (see note 1(g)(i)).

Trade and other receivables not measured at amortised cost, as described above, are measured at FVTPL. This includes convertible loans.

Cash and cash equivalents

Cash and cash equivalents comprise 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.

Equity investments

Equity investments are recognised initially at fair value plus attributable transaction costs. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI and accumulated in the fair value reserve. This election is made on an investment-by-investment basis. When an investment is sold, the cumulative gain or loss in equity is transferred to retained earnings. Dividends from equity investments are recognised in profit or loss when the Group's right to receive payment is established.

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

F) FINANCIAL INSTRUMENTS *CONTINUED*

Derivative financial instruments

Derivatives are initially measured at fair value with any directly attributable transaction costs being recognised immediately in profit or loss. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are recognised in profit or loss.

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.

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.

G) IMPAIRMENT

i) Financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The Group measures loss allowances on a forward-looking basis, at an amount equal to lifetime ECLs.

The Group uses an allowance matrix to measure the ECLs of trade receivables and accrued income (contract assets). Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different business units based on the following common credit characteristics – historical payment behaviours, current economic circumstances of customers and type of product purchased.

For non-convertible loans and other receivables the Group measures loss allowances at twelve-month ECLs. The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions for agencies (Standard & Poor's). Exposures within each credit risk grade are segmented by industry classification. An ECL rate is calculated for each segment based on delinquency status and actual credit loss experience.

For the Company's intercompany receivable balances management has assessed the ECL as low risk based on the cash-generating ability of the relevant subsidiaries and latest forecasts and applies a twelve-month ECL model in calculating the estimated credit provision.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether this is a reasonable expectation of recovery.

ii) 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

H) 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-settled 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 historical volatility, particularly over the historical 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.

I) REVENUE

i) Products and services rendered

Revenue is measured based on the transaction price allocated to the performance obligation from the sale of goods or provision of services. Revenue is 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. 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 at the point in time when control is transferred 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 service is provided to the customer.
- 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 when control is transferred upon acceptance by the customer and when the collection of the resulting receivable is considered probable.
- Revenue from other services, including 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, a contract liability (deferred income) is recognised and the fair value of any significant obligations is deferred and recognised over the life of the contract; the remaining balance is recognised when control is transferred following delivery and when the resulting receivable is considered probable.

The Group recognises a contract asset (accrued income) when the value of satisfied performance obligations is in excess of the payment due to the Group or a contract liability (deferred income) when the amount of unconditional consideration is in excess of the value of satisfied performance obligations. Once a right to receive consideration is unconditional, that amount is presented as a receivable.

Costs incurred on the commission paid to employees relating to software sales are capitalised as contract costs within prepayments and recognised as an expense consistent with the transfer of the related goods or services to the customer and amortised over the life of the initial term of the contract. The Group applies the practical expedient in paragraph 94 of IFRS 15 and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the assets that the Group otherwise would have recognised is one year or less.

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

I) REVENUE *CONTINUED*

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

J) LEASES

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A lease conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception or upon reassessment of the arrangement, the Group allocates the consideration for lease and non-lease components on the basis of their relative fair values. However, for certain leases of properties the Group has elected not to separate non-lease components and instead accounts for the lease and non-lease components as a single arrangement. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made. It is remeasured, with a corresponding adjustment to the right-of-use asset, when there is a change in the future lease payments. The lease liability is presented within loans and borrowings in the consolidated balance sheet.

The right-of-use assets are initially measured at cost, comprising the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use asset is tested for impairment if there are any indicators of impairment. The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment.

For short-term leases and leases of low-value assets lease payments are recognised in profit or loss on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. This expense is presented within other operating expenses in the consolidated statement of comprehensive income.

Prior to 1 March 2019 the policy was as follows:

i) Operating lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the terms of the lease.

ii) Finance lease payments
Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iii) Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

K) 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. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. Financing expenses comprise 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; the net gain or loss on financial assets at fair value through profit or loss; the fair value loss on contingent consideration classified as a financial liability; and hedge ineffectiveness recognised in profit or loss. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

L) 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.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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

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

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

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

M) 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.

1. SIGNIFICANT ACCOUNTING POLICIES *CONTINUED*

N) 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 unless it relates to the fair value of the consideration given in excess of the nominal value of the ordinary shares issued on the acquisition of subsidiaries (interest of at least 90%) on share-for-share exchanges.

O) DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at the year end. Dividends paid include any discretionary dividends paid to the shareholders of NCI.

P) 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.

Q) 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 and gross margin split between the various consulting and software activities. 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.

R) 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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

Although the Group's client base is large multinational corporations, management separately assesses each new customer before the Group's standard payment and delivery terms and conditions are offered. This assessment includes a review of credit ratings, if available, financial statements, credit agency information and industry information.

Customer credit limits are managed by the Group's credit control team and are impacted by the previous matters and the customer historical credit characteristics. The credit control team makes regular contact 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 expected credit losses in respect of trade and other receivables.

The Group does not require collateral in respect of trade and other receivables.

The quantitative information on trade receivables and other receivables including concentration of credit risk is detailed in note 31.

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 profit or loss, other comprehensive 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 which provides exposure to market risk.

2. FINANCIAL RISK MANAGEMENT *CONTINUED*

MARKET RISK *CONTINUED*

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.

The Group's equity investments and convertible loans are being carried at their estimated fair value and the Group's maximum exposure to risks associated with these investments is represented by their carrying amounts. Further details on equity investments and convertible loans are disclosed in note 31 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 22 to the financial statements.

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 AIM and ESM, 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 32 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. OPERATING AND BUSINESS 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. In the current year the Group management accounts also contained cost of sales information. In this regard voluntary comparative information has been presented. 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 4.

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.

INFORMATION ABOUT REPORTABLE SEGMENTS

	Managed services and consulting		Software		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Revenue by industry						
Revenue	**89,389**	86,463	**148,401**	130,888	**237,790**	217,351
Cost of sales	**(69,458)**	(66,594)	**(67,184)**	(59,465)	**(136,642)**	(126,059)
Gross profit	**19,931**	19,869	**81,217**	71,423	**101,148**	91,292

3. OPERATING AND BUSINESS SEGMENTS *CONTINUED*

GEOGRAPHICAL LOCATION ANALYSIS

	Revenues		Non-current assets	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
UK	**66,878**	63,309	**56,485**	42,800
Rest of Europe	**42,862**	38,090	**15,218**	11,739
North America	**100,596**	94,511	**142,476**	129,584
Australasia	**27,454**	21,441	**1,067**	141
Total	**237,790**	217,351	**215,246**	184,264

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 2020 or 2019.

4. REVENUE

DISAGGREGATION OF REVENUE

	Managed services and consulting		Software		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Revenue by industry						
FinTech	**89,389**	86,463	**89,398**	80,239	**178,787**	166,702
MarTech	**–**	–	**47,299**	41,355	**47,299**	41,355
Industry	**–**	–	**11,704**	9,294	**11,704**	9,294
	89,389	86,463	**148,401**	130,888	**237,790**	217,351
Type of good or service						
Sale of goods – perpetual	**–**	–	**11,856**	13,348	**11,856**	13,348
Sale of goods – recurring	**–**	–	**59,789**	48,615	**59,789**	48,615
Rendering of services	**89,389**	86,463	**76,756**	68,925	**166,145**	155,388
	89,389	86,463	**148,401**	130,888	**237,790**	217,351
Timing of revenue recognition						
At a point in time	**–**	–	**11,856**	13,348	**11,856**	13,348
Over time	**89,389**	86,463	**136,545**	117,540	**225,934**	204,003
	89,389	86,463	**148,401**	130,888	**237,790**	217,351

5. OTHER INCOME

	2020 £'000	2019 £'000
Government grants	**179**	277

During the prior year the Group was in receipt of a government grant amounting to £3,880k, awarded in June 2014. The grant is conditional on the recruitment of additional staff for the period to 31 December 2019. No income was recognised on this grant in FY 2020. In December 2018, the Group was awarded a government grant amounting to £1,268k under the Skills Growth Programme. The grant is to be drawn down on the occurrence of approved training expenditure, for the period to June 2021. The income is recognised as the costs are incurred.

6. SALES AND MARKETING EXPENSES

	2020 £'000	2019 £'000
Payroll costs	**28,916**	27,453
Travel and subsistence	**2,515**	1,796
Marketing expenses	**3,968**	3,024
	35,399	32,273

7. ADMINISTRATIVE EXPENSES

	2020 £'000	2019 £'000
Rent, rates and insurance	2,898	6,420
Telephone	781	745
Accountancy, audit and legal expenses	1,579	1,569
Depreciation and amortisation	18,668	13,757
Payroll costs	13,320	10,742
Research and development credit	(1,312)	(995)
Listing expenses	314	270
Travel and subsistence	632	489
IT expenses	1,259	923
Acquisition-related costs and changes to contingent deferred consideration	1,990	3,975
Other	1,689	560
	41,818	38,455

	2020 £'000	2019 £'000
Changes to contingent deferred consideration (note 27)	–	3,230
Other acquisition-related costs	1,990	745
Acquisition-related costs and changes to contingent deferred consideration	1,990	3,975

8. EXPENSES AND AUDITOR'S REMUNERATION

Included in profit/(loss) are the following:

	2020 £'000	2019 £'000
Rents payable in respect of operating leases	–	3,528
Research and development costs expensed	2,701	2,089
Auditor's remuneration		
Audit of these financial statements	80	77
Amounts receivable by auditor and its associates in respect of:		
Audit of the subsidiary undertakings included in the consolidation	50	61
All other services	–	5
Taxation compliance services	–	82
Other tax advisory services	–	78
Expenses recharged	2	12
	132	315

9. PERSONNEL EXPENSES AND NUMBERS

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

	2020 £'000 Average no.	2019 £'000 Average no.
Administration	234	221
Sales	317	311
Technical	1,791	1,783
	2,342	2,315

9. PERSONNEL EXPENSES AND NUMBERS *CONTINUED*

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	**119,395**	112,855
Social security costs	**11,458**	10,390
Other pension costs	**4,733**	4,065
Share based payments (see note 32)	**1,645**	1,452
Less capitalised development costs	**(10,972)**	(8,573)
	126,259	120,189
Disclosed as:		
Cost of sales	**84,023**	81,994
Sales and marketing costs	**28,916**	27,453
Administrative expenses	**13,320**	10,742
	126,259	120,189

10. FINANCE INCOME AND EXPENSE

	2020 £'000	2019 £'000
Interest income	**26**	37
Finance income	**26**	37
Gain/(loss) on foreign currency translation of monetary assets	**1,019**	(469)
Change in fair value of NCI forward	**–**	(123)
Gain/(loss) on foreign currency translation	**1,019**	(592)
Financial liabilities measured at amortised costs		
– interest expense	**(3,649)**	(1,478)
– lease expense	**(1,017)**	–
Finance expense	**(4,666)**	(1,478)
Net finance expense recognised in profit or loss	**(3,621)**	(2,033)

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

A) INCOME TAX RECOGNISED IN THE INCOME STATEMENT

	2020 £'000	2019 £'000
Current tax expense		
Current year	**3,514**	4,547
Adjustment for prior years	**(19)**	(111)
	3,495	4,436
Deferred tax expense		
Origination and reversal of temporary differences	**(448)**	(1,091)
Adjustment for prior years	**310**	157
Change in tax rate	**–**	–
	(138)	(934)
Total tax expense	**3,357**	3,502

11. TAX EXPENSE *CONTINUED*

B) AMOUNTS RECOGNISED IN OCI

	2020			2019		
	Before tax £'000	**Tax expense/ (benefit) £'000**	**After tax £'000**	Before tax £'000	Tax expense/ (benefit) £'000	After tax £'000
Items that will not be reclassified to profit or loss						
Equity investments at FVOCI – net change in fair value	**–**	**–**	**–**	(4,322)	735	(3,587)
Items that are or may be reclassified subsequently to profit or loss						
Current tax impact of movement on hedge	**3,518**	**(598)**	**2,920**	876	(148)	728
Foreign currency translation differences	**(1,246)**	**(148)**	**(1,394)**	(3,077)	119	(2,958)
	2,272	**(746)**	**1,526**	(2,201)	(29)	(2,230)
	2,272	**(746)**	**1,526**	(6,523)	706	(5,817)

C) AMOUNTS RECOGNISED IN EQUITY

	2020			2019		
	Before tax £'000	**Tax expense/ (benefit) £'000**	**After tax £'000**	Before tax £'000	Tax benefit £'000	After tax £'000
Deferred tax on share based payments	**–**	**(39)**	**(39)**	–	5,483	5,483
Deferred tax on losses	**–**	**157**	**157**	–	(1,063)	(1,063)
Current tax on losses	**–**	**(1,529)**	**(1,529)**	–	(128)	(128)
	–	**(1,411)**	**(1,411)**	–	4,292	4,292

	2020 £'000	2019 £'000
Reconciliation of effective tax rate		
Profit excluding income tax	**18,250**	16,677
Income tax using the Company's domestic tax rate of 19.0% (2019: 19.0%)	**3,467**	3,169
Tax exempt income	**(1,052)**	(1,650)
Expenses not deductible for tax purposes	**554**	1,117
Adjustments for prior years	**291**	46
Other differences	**(743)**	210
Foreign tax rate differences	**359**	513
Unrelieved overseas taxes	**481**	97
Total tax expense	**3,357**	3,502

Reductions in the main rate of UK corporation tax to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were enacted on 26 October 2015. The Finance Act 2016 further reduced the 18% rate to 17% from 1 April 2020 following substantial enactment on 6 September 2016.

On 11 March 2020 the UK Government announced legislation in Finance Bill 2020 will set the UK corporation tax rate at 19% for the financial year beginning 1 April 2020, rather than the previously enacted reduction to 17%. Additionally, legislation will also be introduced in the Finance Bill 2020 to set the corporation tax rate to 19% for the financial year beginning 1 April 2021. The Finance Bill 2020 was substantively enacted on 17 March 2020. Deferred tax has been calculated at 17% as the increased rate of 19% was not enacted at the balance sheet date.

11. TAX EXPENSE *CONTINUED*

C) AMOUNTS RECOGNISED IN EQUITY *CONTINUED*

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 (EU). Parliament ratified the withdrawal agreement and the UK left the EU on 31 January 2020. This began a transition period which is set to end on 31 December 2020, during which the UK and EU will negotiate their future relationship. At this stage, there remains significant uncertainty about the outcome of the negotiations about the future arrangements between the UK and the EU. As a result, there is significant uncertainty as which EU 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.

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.

12. REMUNERATION OF DIRECTORS

The remuneration paid to the Directors was:

	2020 £'000	2019 £'000
Aggregate emoluments (including benefits in kind)	944	1,063
Company pension contributions	31	53
Share based payment	305	250
	1,280	1,366

During the period there were two Directors accruing benefits under a defined contribution pension scheme (2019: two).

The aggregate emoluments and Company pension contributions of the highest paid Director (excluding fees paid for provision of services) amounted to £419k and £23k respectively during the year (2019: £509k and £33k respectively).

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

Disclosures in respect of Directors' emoluments as required by AIM Rules, Directors' interests in shares and Directors' share options are set out in the Report of the Remuneration Committee.

13. DIVIDENDS

	2020 £'000	2019 £'000
Dividends paid to the owners of the parent		
Final dividend relating to the prior year	5,084	4,383
Interim dividend paid	2,269	2,001
	7,353	6,384

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 19.30p (previous year: 17.00p) per share and the interim dividend paid during the year amounted to 8.50p (previous year: 7.70p) per share. The cumulative dividend paid during the year amounted to 27.80p (previous year: 24.70p) 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.

	2020 £'000	2019 £'000
Nil p per ordinary share (2019: 19.3p)	–	5,049

14. A) EARNINGS PER ORDINARY SHARE

BASIC

The calculation of basic earnings per share at 29 February 2020 was based on the profit attributable to ordinary shareholders of 14,893k (2019: £13,175k), and a weighted average number of ordinary shares in issue of 26,628k (2019: 25,909k).

	2020 Pence per share	2019 Pence per share
Basic earnings per share	55.9	50.9

Weighted average number of ordinary shares

	2020 Number '000	2019 Number '000
Issued ordinary shares at 1 March	26,162	25,641
Effect of share options exercised	437	243
Effect of shares issued as purchase consideration	27	24
Effect of shares issued as remuneration	2	1
Weighted average number of ordinary shares at 29 February	26,628	25,909

DILUTED

The calculation of diluted earnings per share at 29 February 2020 was based on the profit attributable to ordinary shareholders of 14,893k (2019: £13,175k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 27,502k (2019: 27,523k).

	2020 Pence per share	2019 Pence per share
Diluted earnings per share	54.2	47.9

Weighted average number of ordinary shares (diluted)

	2020 Number '000	2019 Number '000
Weighted average number of ordinary shares (basic)	26,628	25,909
Effect of dilutive share options in issue	874	1,614
Weighted average number of ordinary shares (diluted) at 29 February	27,502	27,523

At 29 February 2020 18,885 shares (2019: 75) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. The average market value of the Group's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

14. B) EARNINGS BEFORE TAX PER ORDINARY SHARE

Earnings before tax per share are based on profit before taxation of £18,250k (2019: £16,677k). The number of shares used in this calculation is consistent with note 14(a) above.

	2020 Pence per share	2019 Pence per share
Basic earnings before tax per ordinary share	68.5	64.4
Diluted earnings before tax per ordinary share	66.4	60.6

14. B) EARNINGS BEFORE TAX PER ORDINARY SHARE *CONTINUED*

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

	2020 Pence per share	2019 Pence per share
Basic earnings per share	55.9	50.9
Impact of taxation charge	12.6	13.5
Basic earnings before tax per share	68.5	64.4
Diluted earnings per share	54.2	47.9
Impact of taxation charge	12.2	12.7
Diluted earnings before tax per share	66.4	60.6

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

14. C) ADJUSTED EARNINGS AFTER TAX PER ORDINARY SHARE

Adjusted earnings after tax per share is based on an adjusted profit after taxation of £21,283k (2019: £22,912k). The adjusted profit after tax has been calculated by adjusting for the amortisation of acquired intangibles after tax effect of £3,155k (2019: £3,370k), share based payment and related charges after tax effect of £2,526k (2019: £2,003k), acquisition costs after tax effect of £1,635k (2019: £3,838k), share of profit of associate after tax effect of £126k (2019: loss £23k), the gain on foreign currency translation after tax effect of £802k (2019: loss £503k). The number of shares used in this calculation is consistent with note 14(a) above.

	2020 Pence per share	2019 Pence per share
Adjusted basic earnings after tax per ordinary share	79.9	88.4
Adjusted diluted earnings after tax per ordinary share	77.4	83.2

15. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2019	5,092	16,151	1,201	–	22,444
Recognition of right-of-use asset on initial application of IFRS 16	–	–	–	24,964	24,964
Additions	124	1,767	404	5,612	7,907
Exchange adjustments	742	(755)	158	338	483
At 29 February 2020	**5,958**	**17,163**	**1,763**	**30,914**	**55,798**
Depreciation					
At 1 March 2019	2,099	9,425	758	–	12,282
Charge for the year	657	1,848	288	3,498	6,291
Exchange adjustments	95	(45)	50	(18)	82
At 29 February 2020	**2,851**	**11,228**	**1,096**	**3,480**	**18,655**

15. PROPERTY, PLANT AND EQUIPMENT *CONTINUED*

GROUP *CONTINUED*

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2018	3,622	12,840	869	–	17,331
Additions	1,470	3,378	331	–	5,179
Exchange adjustments	–	(67)	1	–	(66)
At 28 February 2019	5,092	16,151	1,201	–	22,444
Depreciation					
At 1 March 2018	1,696	7,357	564	–	9,617
Charge for the year	419	2,132	193	–	2,744
Exchange adjustments	(16)	(64)	1	–	(79)
At 28 February 2019	2,099	9,425	758	–	12,282
Carrying amounts					
At 1 March 2018	1,926	5,483	305	–	7,714
At 28 February 2019	2,993	6,726	443	–	10,162
At 29 February 2020	**3,107**	**5,935**	**667**	**27,434**	**37,143**

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

Property, plant and equipment includes right-of-use assets of £27,434k related to leased properties that do not meet the definition of investment property.

Leased equipment (classified as finance leases under IAS 17) – At 28 February 2019, the net carrying amount of plant and office equipment held under finance leases was £378k. During 2019, the Group did not acquire any equipment under a finance lease.

Details of security provided for borrowing in respect of property, plant and equipment are disclosed in note 22.

COMPANY

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2019	3,814	4,293	945	–	9,052
Recognition of right-of-use asset on initial application of IFRS 16	–	–	–	14,204	14,204
Additions	36	238	44	–	318
At 29 February 2020	**3,850**	**4,531**	**989**	**14,204**	**23,574**
Depreciation					
At 1 March 2019	1,193	2,662	471	–	4,326
Charge for the year	345	648	206	1,557	2,756
At 29 February 2020	**1,538**	**3,310**	**677**	**1,557**	**7,082**

15. PROPERTY, PLANT AND EQUIPMENT *CONTINUED*

COMPANY *CONTINUED*

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2018	2,462	3,918	617	–	6,997
Additions	1,352	375	328	–	2,055
At 28 February 2019	3,814	4,293	945	–	9,052
Depreciation					
At 1 March 2018	958	1,969	306	–	3,233
Charge for the year	235	693	165	–	1,093
At 28 February 2019	1,193	2,662	471	–	4,326
Carrying amounts					
At 1 March 2018	1,504	1,949	311	–	3,764
At 28 February 2019	2,621	1,631	474	–	4,726
At 29 February 2020	**2,312**	**1,221**	**312**	**12,647**	**16,492**

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

Property, plant and equipment includes right-of-use assets of £12,647k related to leased properties that do not meet the definition of investment property.

16. INTANGIBLE ASSETS AND GOODWILL

GROUP

	Goodwill £'000	Customer lists £'000	Acquired software £'000	Brand name £'000	Internally developed software £'000	Total £'000
Cost						
Balance at 1 March 2019	107,390	12,897	28,668	751	59,559	209,265
Development costs	–	–	541	–	10,431	10,972
Additions	–	–	–	–	–	–
Exchange adjustments	3,249	362	699	18	290	4,618
At 29 February 2020	**110,639**	**13,259**	**29,908**	**769**	**70,280**	**224,855**
Amortisation						
Balance at 1 March 2019	–	8,303	18,818	566	29,613	57,300
Amortisation for the year	–	1,315	2,315	54	8,693	12,377
Exchange adjustment	–	230	423	13	96	762
At 29 February 2020	**–**	**9,848**	**21,556**	**633**	**38,402**	**70,439**

16. INTANGIBLE ASSETS AND GOODWILL *CONTINUED*

GROUP *CONTINUED*

	Goodwill £'000	Customer lists £'000	Acquired software £'000	Brand name £'000	Internally developed software £'000	Total £'000
Cost						
Balance at 1 March 2018	103,903	12,539	27,375	738	51,293	195,848
Development costs	–	–	–	–	8,573	8,573
Additions	–	–	665	–	–	665
Exchange adjustments	3,487	358	628	13	(307)	4,179
At 28 February 2019	107,390	12,897	28,668	751	59,559	209,265
Amortisation						
Balance at 1 March 2018	–	6,783	16,186	505	22,630	46,104
Amortisation for the year	–	1,308	2,437	54	7,214	11,013
Exchange adjustment	–	212	195	7	(231)	183
At 28 February 2019	–	8,303	18,818	566	29,613	57,300
Carrying amounts						
At 1 March 2018	103,903	5,756	11,189	233	28,663	149,744
At 28 February 2019	107,390	4,594	9,850	185	29,946	151,965
At 29 February 2020	**110,639**	**3,411**	**8,352**	**136**	**31,878**	**154,416**

Leased intangible assets

At 1 March 2019 the Group had no assets 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.

Included within development costs capitalised in the year is £10,485k (2019: £8,573k) of capitalised employee costs for the year. Developed software includes £4,264k (2019: £5,774k) of software under development at 29 February 2020 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 goodwill allocated to each significant CGU is presented as follows:

	2020 £'000	2019 £'000
Subsidiaries		
Market Resource Partners LLC	**11,811**	11,389
Prelytix LLC	**6,044**	5,827
Kx Systems Inc.	**76,618**	74,106
	94,473	91,322
Multiple units without significant goodwill	**16,166**	16,068
	110,639	107,390

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 5–10% (2019: 5–10%) is applied for years two to five, followed by a growth rate of 2% (2019: 2%) thereafter. The pre-tax discount rates applied to cash flow projections of the CGUs was 12–17% (2019: 12–17%).

16. INTANGIBLE ASSETS AND GOODWILL *CONTINUED*

GROUP *CONTINUED*

Impairment testing of goodwill *continued*

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

	2020			2019		
	Market Resource Partners LLC	**Prelytix LLC**	**Kx Systems Inc.**	Market Resource Partners LLC	Prelytix LLC	Kx Systems Inc.
Discount rate	**14%**	**17%**	**15%**	14%	17%	15%
Terminal value growth rate	**2%**	**2%**	**2%**	2%	2%	2%
Early growth rate	**10%**	**7%**	**9%**	10%	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.

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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Subsidiaries				
Market Resource Partners LLC	**33,887**	24,428	**22,076**	11,098
Prelytix LLC	**38,343**	34,329	**28,571**	24,772
Kx Systems Inc.	**132,620**	116,713	**47,927**	32,093

Sensitivity analysis

There was no impairment charge for the year ended 29 February 2020 (2019: £nil). Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to equal the recoverable amount. The following table shows the amounts by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	Discount rate		Budgeted EBITDA growth rate	
	2020 %	2019 %	**2020 %**	2019 %
Change required for carrying value to equal recoverable amount				
Market Resource Partners LLC	**34.0**	7.4	**(59.0)**	(11.0)
Prelytix LLC	**52.0**	53.9	**(108.0)**	(71.6)
Kx Systems Inc.	**21.8**	4.6	**(43.0)**	(26.1)

16. INTANGIBLE ASSETS AND GOODWILL *CONTINUED*

COMPANY

	Goodwill £'000	Acquired software £'000	Internally developed software £'000	Total £'000
Cost				
Balance at 1 March 2019	1,947	482	42,617	45,046
Development costs	–	–	8,474	8,474
Balance at 29 February 2020	**1,947**	**482**	**51,091**	**53,520**
Amortisation and impairment losses				
Balance at 1 March 2019	–	211	20,841	21,052
Amortisation for the year	–	60	6,014	6,074
Balance at 29 February 2020	**–**	**271**	**26,855**	**27,126**
Cost				
Balance at 1 March 2018	–	482	36,038	36,520
Development costs	–	–	6,579	6,579
Addition from subsidiary	1,947	–	–	1,947
Balance at 28 February 2019	1,947	482	42,617	45,046
Amortisation and impairment losses				
Balance at 1 March 2018	–	151	15,740	15,891
Amortisation for the year	–	60	5,101	5,161
Balance at 28 February 2019	–	211	20,841	21,052
Carrying amounts				
At 1 March 2018	–	331	20,298	20,629
At 28 February 2019	1,947	271	21,776	23,994
At 29 February 2020	**1,947**	**211**	**24,236**	**26,394**

Leased intangible assets
No assets are held under leases.

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

Included within development costs capitalised in the year is £8,474k (2019: £6,579k) of capitalised employee costs. Developed software includes £3,538k (2019: £4,592k) of software under development at 29 February 2020 not yet commissioned.

Impairment testing of goodwill
The Company tests goodwill for impairment at each reporting date, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill 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 5–10% (2019: 5–10%) is applied for years two to five, followed by a growth rate of 2% (2019: 2%) thereafter. The pre-tax discount rates applied to cash flow projections of the goodwill was 12% (2019: 12%). There was no impairment charge for the year ended 29 February 2020 (2019: £nil).

17. 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 2020	Ownership 2019
Activate Clients Limited*	Ireland	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 South Korea	South Korea	Ordinary	100%	100%
First Derivatives US Inc	United States	Ordinary	100%	100%
Kx Systems Inc.*	United States	Ordinary	100%	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%	100%

* Owned directly by First Derivatives plc.

	Company 2020 £'000	Company 2019 £'000
Unlisted investments in subsidiaries at cost		
At 1 March	**133,464**	95,329
Additions	**–**	40,082
Transfers to Company goodwill	**–**	(1,947)
At end of period	**133,464**	133,464

On 18 June 2019 the Company settled the put exercised by the NCI shareholders in the prior year. During the prior year the Company's investment had increased by £39,911k following the NCI's shareholders' exercise of the NCI put which was to be settled by 29 June 2019. The NCI shareholders were considered to have in substance ceased to be shareholders of the subsidiary. In the prior year the Company had also recognised the fair value of the exercise price as a liability as detailed in note 23 which has now been settled.

17. INVESTMENT IN SUBSIDIARIES AND ASSOCIATE *CONTINUED*

ASSOCIATE

Group

	2020 £'000	2019 £'000
Investment in associate	**2,937**	2,711

At 29 February 2020, the Group had the following investment in an associate:

	Country of incorporation	Class of share held	Ownership at 29 February 2020
RxDataScience Inc.	United States	Ordinary	**36.66%**

The Group's share of gain in associates for the period to 29 February 2020 was £126k (2019: Loss £23k).

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.

	2020 £'000	2019 £'000
Percentage ownership interest	**36.66%**	36.66%
Non-current assets	**2,195**	2,253
Current assets	**847**	332
Non-current liabilities	**–**	–
Current liabilities	**(146)**	(134)
Net assets (100%)	**2,896**	2,451
Group's share of net assets (36.66%) (2019: 36.66%)	**1,062**	899
Goodwill	**1,709**	1,709
Exchange adjustments	**166**	103
Carrying amount of interest in associate	**2,937**	2,711

	2020 £'000	2019 £'000
Revenue	**3,708**	863
Profit/(Loss) from continuing operations (100%)	**344**	(63)
Other comprehensive income (100%)	**–**	–
Total comprehensive income (100%)	**344**	(63)
Total comprehensive income (36.66%)	**126**	(23)

At the year end the Group holds 56,142 (2019: 56,142) warrants which are exercisable on the occurrence of an exit event at an exercise price of $0.01 per warrant.

18. OTHER FINANCIAL ASSETS

	Group		Company	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Non-current investments				
Equity securities at FVOCI	**15,750**	13,706	**12,914**	12,776
	15,750	13,706	**12,914**	12,776

Information about the Group and Company's exposure to market risk and fair value measurement is disclosed in note 31(b).

No strategic investments were disposed of during the current year, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

18. OTHER FINANCIAL ASSETS *CONTINUED*

EQUITY SECURITIES DESIGNATED AT FVOCI

The Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

	Group fair value £'000	Company fair value £'000
Investment in Quantile Technologies Ltd	9,500	9,500
Investment in Copa Fin	3,276	3,276
Other investments not individually significant	2,974	138
	15,750	**12,914**

The Group and Company have not recognised dividend income from their investments (2019: £nil).

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current assets				
Trade receivables	**49,860**	38,519	**28,477**	24,368
Receivables from subsidiaries	**–**	–	**18,517**	19,643
Convertible loans	**2,087**	2,087	**–**	–
Other receivables	**2,415**	2,751	**2,238**	2,523
Accrued income	**12,120**	7,234	**5,701**	1,047
Prepayments	**8,553**	5,993	**7,625**	5,060
Grant income receivable	**1,295**	1,331	**352**	301
	76,330	57,915	**62,910**	52,942

	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Non-current assets				
Receivables from subsidiaries[1]	**–**	–	**31,109**	17,163
Convertible loans	**1,360**	1,376	**431**	376
Other loans	**1,188**	942	**954**	762
Trade and other receivables	**2,407**	3,357	**2,408**	3,357
Grant income receivable	**45**	45	**–**	–
	5,000	5,720	**34,902**	21,658

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

The Group's accrued income (contract asset) balance solely relates to revenue from contracts with customers. Movements in the accrued income balance was driven by transactions entered into by the Group within the normal course of business in the year.

Trade receivables, accrued income, non-current other receivables and non-convertible loans are shown net of an allowance for expected credit loss; this is disclosed in note 31.

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 31.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Bank balances	**26,068**	18,798	**21,656**	14,760

See note 31 for discussion of interest rate risk and sensitivity analysis.

21. SHARE CAPITAL

	Ordinary shares	
	2020 Number	2019 Number
In issue at 1 March	**26,162,258**	25,641,015
Exercise of share options (note 32)	**949,993**	393,100
Issued for settlement of contingent deferred consideration	**35,694**	127,400
Issued as remuneration	**2,248**	743
In issue at year end – fully paid	**27,150,193**	26,162,258

	2020 Number	**2020 £'000**	2019 Number	2019 £'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**27,150,193**	**136**	26,162,258	131

Shares increased in the year due to the exercise of 949,993 share options (2019: 393,100) for cash consideration of £10,127k (2019: £3,147k) together with an associated transfer from the share option reserve of £nil (2019: £684k), the issue of 35,694 shares (2019: 127,400) at £1,096k (2019: £2,701k) as settlement of contingent deferred purchase consideration and the issue of 2,248 shares (2019: 743) as remuneration of £58k (2019: £29k).

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.

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.

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.

Fair value reserve – The fair value reserve comprises the cumulative net change in the fair value of equity securities designated at. Additionally, 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.

Merger reserve – The merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued on the acquisition of subsidiaries (interest of at least 90%) on share-for-share exchanges.

22. 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 31.

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current liabilities				
Secured bank loans	**6,337**	34,909	**6,337**	34,909
Lease liabilities (2019: Finance lease liabilities)	**4,531**	89	**1,814**	–
	10,868	34,998	**8,151**	34,909
Non-current liabilities				
Secured bank loans	**69,156**	–	**69,156**	–
Lease liabilities (2019: Finance lease liabilities)	**25,155**	289	**11,098**	–
	94,311	289	**80,254**	–

TERMS AND REPAYMENT SCHEDULE

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

- £65,000k multi-currency loan (term loan); and
- £65,000k revolving cash loan (revolving loan).

The terms and conditions of outstanding loans were as follows:

				2020		2019	
	Currency	Nominal interest rate	Year of maturity	**Face value £'000**	**Carrying amount £'000**	Face value £'000	Carrying amount £'000
Facility 1	GBP	2.25%+LIBOR	2019	**–**	**–**	339	339
Facility 2	Multi	2.25%+LIBOR	2020	**–**	**–**	20,370	20,370
Facility 3	GBP	2.25%+LIBOR	2019	**–**	**–**	14,200	14,200
Bank overdraft	GBP	2.25%+LIBOR	2019	**–**	**–**	–	–
Term loan	Multi	2.75%+LIBOR[1]	2024	**63,996**	**63,529**	–	–
Revolving loan	Multi	2.75%+LIBOR[1]	2024	**12,432**	**11,964**	–	–
Lease liabilities	USD	3.78%	2020–2035	**29,686**	**29,686**	378	378
Total interest bearing				**106,114**	**105,179**	35,287	35,287

1 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 2.75%+LIBOR.

The term and revolving loans are secured by a fixed charge over certain subsidiaries of the Group and have interest charged at 2.75% above LIBOR.

FINANCE LEASE LIABILITIES

Finance lease liabilities are payable as follows:

	2019		
Group	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than one year	103	14	89
Between one and five years	335	46	289
More than five years	–	–	–
	438	60	378

22. LOANS AND BORROWINGS *CONTINUED*

RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

Group	2019 £'000	Recognition of lease liabilities on initial application of IFRS 16 £'000	New leases £'000	Cash flows £'000	Non-cash movement £'000	**2020 £'000**
Secured bank loans	34,909	–	–	40,267	317	**75,493**
Lease liabilities	378	26,073	5,612	(4,531)	2,154	**29,686**
Total liabilities from financing activities	35,287	26,073	5,612	35,736	2,471	**105,179**

	2018 £'000	New leases £'000	Cash flows £'000	Non-cash movement £'000	2019 £'000
Secured bank loans	28,544	–	5,342	1,023	34,909
Lease liabilities	7	419	(48)	–	378
Total liabilities from financing activities	28,551	419	5,294	1,023	35,287

Company	2019 £'000	Recognition of lease liabilities on initial application of IFRS 16 £'000	New leases £'000	Cash flows £'000	Non-cash movement £'000	**2020 £'000**
Secured bank loans	34,909	**–**	–	40,267	317	**75,493**
Lease liabilities	–	**14,204**	–	(1,824)	532	**12,912**
Total liabilities from financing activities	34,909	**14,204**	–	38,443	849	**88,405**

	2018 £'000	New leases £'000	Cash flows £'000	Non-cash movement £'000	2019 £'000
Secured bank loans	28,544	–	5,342	1,023	34,909
Lease liabilities	–	–	–	–	–
Total liabilities from financing activities	28,544	–	5,342	1,023	34,909

23. TRADE AND OTHER PAYABLES

CURRENT LIABILITIES

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade payables	**7,725**	6,638	**4,749**	4,727
Other payables	**9,235**	10,191	**6,620**	8,326
Accruals	**8,684**	699	**8,206**	661
Deferred income	**21,778**	19,537	**8,012**	6,186
Government grants	**297**	390	**136**	248
Payables to subsidiaries	**–**	–	**50,420**	36,218
NCI forward	**–**	40,091	**–**	40,091
	47,719	77,546	**78,143**	96,457

23. TRADE AND OTHER PAYABLES *CONTINUED*

NON-CURRENT LIABILITIES

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Government grants	**2,610**	2,597	**1,779**	1,527
Accruals	**–**	703	**–**	–
	2,610	3,300	**1,779**	1,527

The Group and Company held an NCI forward for the remaining NCI of 34.8% of Kx Systems Inc. which was settled in the current year. The Company previously held an NCI put for the remaining NCI of 34.8% of Kx Systems Inc. under which the holders could require the Company to purchase the remaining interest at a fixed price denominated in US Dollars up to 31 October 2021 for cash with a notice period of 366 days. During the prior year the Company renegotiated the agreement with the minority shareholders to include a premium of US$12m if the put was exercised before 28 June 2018. The put was exercised on 28 June 2018 and the transaction was subsequently completed on 29 June 2019. At the date of exercise, the Group recognised an adjustment to remeasure the NCI put to the fair value of the exercise price with a corresponding charge recognised directly in equity in accordance with the Group's accounting policy. The Group and Company recognised the forward contract as a liability as at 28 June 2018 at the fair value of the exercise price.

Following the exercise of the NCI put, the Group and Company accounted for the instrument as a forward contract with any subsequent changes in the fair value, including changes due to foreign exchange movements, recognised in finance income or expense.

The Group's deferred income (contract liability) balance solely relates to revenue from contracts with customers. Movements in the deferred income balance were driven by transactions entered into by the Group within the normal course of business in the year.

The Group and Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 31.

24. DEFERRED TAXATION

GROUP

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Property, plant and equipment	**–**	–	**(767)**	(770)
Share based payments	**1,936**	1,806	**–**	–
Trading losses	**10,926**	11,311	**–**	–
Other financial assets at fair value	**58**	58	**(793)**	(793)
Intangible assets	**152**	243	**(9,025)**	(9,264)
Short-term temporary differences	**1,634**	1,699	**–**	–
Other	**276**	235	**–**	–
Tax assets/(liabilities) before set-off	**14,982**	15,352	**(10,585)**	(10,827)
Set-off of tax	**–**	–	**–**	–
Net tax assets/(liabilities)	**14,982**	15,352	**(10,585)**	(10,827)

Movement in deferred tax balances during the year:

	Balance at 1 March 2019 £'000	Impact of change in accounting policy £'000	Recognised in income £'000	Recognised in equity £'000	Recognised in OCI £'000	**Balance at 29 February 2020 £'000**
Property, plant and equipment	(770)	–	40	–	(36)	**(766)**
Share based payments	1,806	–	91	39	–	**1,936**
Trading losses	11,311	–	(342)	(157)	113	**10,926**
Other financial assets at fair value	(735)	–	–	–	–	**(735)**
Intangible assets	(9,021)	–	343	–	(196)	**(8,874)**
Short-term temporary differences	1,699	–	(100)	–	35	**1,634**
Other	235	–	106	–	(65)	**276**
	4,525	–	138	(118)	(148)	**4,397**

24. DEFERRED TAXATION *CONTINUED*

GROUP *CONTINUED*

	Balance at 1 March 2018 £'000	Impact of change in accounting policy £'000	Recognised in income £'000	Recognised in equity £'000	Recognised in OCI £'000	Balance at 28 February 2019 £'000
Property, plant and equipment	(628)	–	(70)	–	(72)	(770)
Share based payments	7,269	–	20	(5,483)	–	1,806
Trading losses	9,345	–	905	1,063	(2)	11,311
Other financial assets at fair value	–	–	–	–	(735)	(735)
Intangible assets	(8,842)	–	(72)	–	(107)	(9,021)
Short-term temporary differences	1,461	–	187	–	51	1,699
Other	260	–	(36)	–	11	235
	8,865	–	934	(4,420)	(854)	4,525

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

As at 29 February 2020, the Group has losses carried forward generated in the United Kingdom, Ireland, Canada, Australia, and Spain which total £40m and have no expiration period.

The Group also has US federal and state income tax net operating loss (NOL) carry forwards of £18.9m and £15.7m which will expire, if not utilised, in the tax years 2030–2040.

No deferred tax liability is recognised on temporary differences of £520k (2019: £805k) relating to the unremitted earnings of overseas subsidiaries as the Group is able to control the timings of the reversal of these temporary differences and it is probable that they will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates are insignificant.

The Group has carry forward losses in a Hong Kong entity of £153k (2019: £153k) on which a deferred tax asset has not been recognised as the entity is not expected to generate taxable profits to utilise these losses. If there is a change and it is determined that the entity will be able to realise these losses, then additional deferred tax assets and a related income tax benefit of up to £25k could be recognised.

COMPANY

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Intangible assets	**–**	–	**(3,648)**	(3,581)
Share based payments	**1,860**	1,736	**–**	–
Trading losses	**6,079**	6,360	**–**	–
Other financial assets at fair value	**58**	58	**(825)**	(825)
Other	**544**	330	**–**	–
Tax assets/(liabilities) before set-off	**8,541**	8,484	**(4,473)**	(4,406)
Set-off of tax	**–**	–	**–**	–
Net tax assets/(liabilities)	**8,541**	8,484	**(4,473)**	(4,406)

24. DEFERRED TAXATION *CONTINUED*

COMPANY *CONTINUED*

Movement in deferred tax balances during the year:

	Balance at 1 March 2019 £'000	Impact of change in accounting policy £'000	Recognised in profit and loss £'000	Recognised in equity £'000	Recognised in OCI £'000	**Balance at 29 February 2020 £'000**
Intangible assets	(3,581)	–	(67)	–	–	**(3,648)**
Share based payments	1,736	–	91	33	–	**1,860**
Trading losses	6,360	–	–	(281)	–	**6,079**
Other financial assets at fair value	(767)	–	–	–	–	**(767)**
Other	330	–	137	77	–	**544**
	4,078	–	161	(171)	–	**4,068**

	Balance at 1 March 2018 £'000	Recognised in profit and loss £'000	Recognised in equity £'000	Recognised in OCI £'000	Balance at 28 February 2019 £'000
Intangible assets	(3,326)	(255)	–	–	(3,581)
Share based payments	6,888	34	(5,186)	–	1,736
Trading losses	5,161	–	1,199	–	6,360
Other financial assets at fair value	(32)	–	–	(735)	(767)
Other	308	22	–	–	330
	8,999	(199)	(3,987)	(735)	4,078

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

25. CURRENT TAX

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current tax receivable	**3,142**	1,461	**1,826**	1,337
Current tax payable	**312**	1,004	**–**	–

26. EMPLOYEE BENEFITS

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Accrued holiday pay	**1,391**	1,825	**903**	1,476
Employee taxes	**4,811**	4,120	**4,447**	3,643
	6,202	5,945	**5,350**	5,119

27. CONTINGENT DEFERRED CONSIDERATION

Contingent deferred consideration liabilities are payable as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
At 1 March	**1,071**	5,688	**1,071**	1,038
Increase in contingent deferred consideration	**–**	3,230	**–**	3,289
Settled in year	**(1,096)**	(8,018)	**(1,096)**	(3,259)
Foreign exchange impact	**25**	171	**25**	3
At end of period	**–**	1,071	**–**	1,071

During the year the remaining contingent deferred consideration, for which the earn-out period ended during the prior year, was settled.

During the prior year 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 a variable number of shares to the current value of the liability.

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Within one year	**–**	1,071	**–**	1,071
More than one year	**–**	–	**–**	–
	–	1,071	**–**	1,071

The amount of contingent deferred consideration was variable dependent on the future performance of the relevant subsidiary meeting specified turnover targets and is payable in cash 0% (2019: 0%) and shares 100% (2019: 100%).

28. COMMITMENTS

The adoption of IFRS 16 on 1 March 2019, resulted in the Group recognising right of use assets of £24,964k and corresponding lease liabilities of £26,073k on that date. The maturity analysis of these lease liabilities as at 29 February 2020 is as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Current lease liabilities	**4,531**	–	**1,814**	–
Non-current lease liabilities	**25,155**	–	**11,099**	–
	29,686	–	**12,912**	–

Maturity Analysis:

	Group
	2020 £'000
Year 1	**4,531**
Year 2	**3,895**
Year 3	**3,774**
Year 4	**3,268**
Year 5	**3,295**
Onwards	**10,924**
	29,686

As at 28 February 2019 the Group had non-cancellable operating lease rentals payable as follows (see note 1a for conversion under IFRS 16).

28. COMMITMENTS *CONTINUED*

	Group 2019 £'000	Company 2019 £'000
Less than one year	3,288	1,805
Between one and five years	12,898	7,344
More than five year	14,267	8,335
	30,453	17,484

As at 28 February 2019 the Group leased 17 premises under operating lease arrangements.

The Group has restated 2019 disclosures to include service charges in line with accounting policy. This has resulted in an increase from £27.4m to £30.5m.

The Group previously entered into a contingent loan commitment with an associate of up to £1.1m. As at 29 February 2020 this was settled in full (2019: £1.1m).

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

29. PENSION CONTRIBUTIONS

The Group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £4,733k (2019: £4,065k). Contributions amounting to £564k (2019: £584k) were payable to the schemes at the year end and are included in creditors.

30. RELATED PARTY TRANSACTIONS

PARENT AND ULTIMATE CONTROLLING PARTY

There is no one party which 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.

The Group was charged rent monthly for the business use of apartments located in London, Belfast and Rostrevor owned by Brian Conlon. The charge incurred during the financial year amounted to £33k (2019: £55k). Rent deposits of £28k (2019: £26k) had been paid to Brian Conlon in respect of these apartments. The balance owed to Brian Conlon at 28 July 2019 was £nil (28 February 2019: £nil).

A 15-year lease was previously 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 was a partner. A £76k (2019: £148k) rental charge was incurred in the year. The balance owed to Oncon Properties at 28 July 2019 was £nil (28 February 2019: £nil) and an amount of £168k (2019: £168k) had been prepaid.

A 15-year lease was previously entered into for the rental of additional office space in Newry. The lessor is Marcus Square Developments Limited, a private limited company in which Brian Conlon was a director. A £98k (2019: £199k) rental charge was incurred in the year. The balance owed to Marcus Square Developments Limited at 28 July 2019 was £nil (28 February 2018: £nil).

A 15-year lease was previously entered into for the rental of office space in Belfast. The lessor is Armagh House Limited, a private limited company in which Brian Conlon was a director and was acquired by Marcus Square Developments Limited during the prior year. A £211k (2019: £405k) rental charge was incurred in the year. The balance owed to Armagh House Limited at 28 July 2019 was £nil (28 February 2018: £nil) and an amount of £567k (28 February 2018: £567k) had been prepaid.

During the financial year the Group generated revenues of £553k from Nutanix for which Virginia Gambale is the chair of the executive advisory board. At the 29 February 2020 a trade debtor balance of £33k was due. All transactions were carried out at arms-length.

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

30. RELATED PARTY TRANSACTIONS *CONTINUED*

COMPANY

Other related party transactions

	Sales to subsidiaries		Costs charged by subsidiaries	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Subsidiaries	**22,874**	13,709	**30,068**	29,462

	Receivables outstanding		Payables outstanding	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Subsidiaries	**49,626**	36,806	**50,079**	36,218

Development costs of £2,768k (2019: £419k) were recharged from a subsidiary to the Company.

Interest is charged on intercompany loans at market rates.

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

	2020 £'000	2019 £'000
B G Conlon	**1,516**	1,940
R G Ferguson	**28**	25
K MacDonald	**13**	11
S Keating	**7**	6
V Gambale	**4**	3
D Troy	**–**	–
	1,568	1,985

31. 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. Furthermore, for the current year, the fair value disclosure of lease liabilities is also not required.

	Carrying value						
29 February 2020	FVTPL £'000	FVOCI £'000	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000	Fair value £'000	Level
Financial assets measured at fair value							
Equity securities	–	15,750	–	–	15,750	15,750	3
Warrants in associate[2]	–	–	–	–	–	–	
Convertible loans	3,447	–	–	–	3,447	3,447	3
	3,447	15,750	–	–	19,197	19,197	
Financial assets not measured at fair value							
Trade and other receivables	–	–	69,330	–	69,330	[1]	
Cash and cash equivalents	–	–	26,068	–	26,068	[1]	
	–	–	95,398	–	95,398		
Financial liabilities measured at fair value							
Other derivatives[2]	–	–	–	–	–	–	
	–	–	–	–	–	–	
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(75,493)	(75,493)	[1]	
Trade, accruals and other payables	–	–	–	(47,422)	(47,422)	[1]	
Employee benefits	–	–	–	(1,391)	(1,391)	[1]	
	–	–	–	(124,306)	(124,306)		

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

2 Derivatives assessed as having minimal value.

31. FINANCIAL INSTRUMENTS *CONTINUED*

FAIR VALUES *CONTINUED*

a) Accounting classifications and fair values *continued*

Group *continued*

28 February 2019	FVTPL £'000	FVOCI £'000	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000	Fair value £'000	Level
	Carrying value						
Financial assets measured at fair value							
Equity securities	–	13,706	–	–	13,706	13,706	3
Warrants in associate[2]	–	–	–	–	–	–	
Convertible loans	3,463	–	–	–	3,463	3,463	3
	3,463	13,706	–	–	17,169	17,169	
Financial assets not measured at fair value							
Trade and other receivables	–	–	54,179	–	54,179	[1]	
Cash and cash equivalents	–	–	18,798	–	18,798	[1]	
	–	–	72,977	–	72,977		
Financial liabilities measured at fair value							
Contingent deferred consideration	(1,071)	–	–	–	(1,071)	(1,071)	2
Other derivatives[2]	–	–	–	–	–		
	(1,071)	–	–	–	(1,071)	(1,071)	
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(34,909)	(34,909)	[1]	
Finance leases	–	–	–	(378)	(378)	[1]	
Trade, accruals and other payables	–	–	–	(58,322)	(58,322)	[1]	
Employee benefits	–	–	–	(1,825)	(1,825)	[1]	
	–	–	–	(95,434)	(95,434)		

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

2 Derivatives assessed as having minimal value.

31. 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.

	Carrying value						
29 February 2020	FVTPL £'000	FVOCI £'000	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000	Fair value £'000	Level
Financial assets measured at fair value							
Equity securities	–	12,914	–	–	12,914	12,914	3
Convertible loans	431	–	–	–	431	431	3
	431	12,914	–	–	13,345	13,345	
Financial assets not measured at fair value							
Trade and other receivables	–	–	90,187	–	90,187	[1]	
Cash and cash equivalents	–	–	21,656	–	21,656	[1]	
	–	–	111,843	–	111,843		
Financial liabilities measured at fair value							
Derivatives[2]	–	–	–	–	–	–	
	–	–	–	–	–	–	
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(75,493)	(75,493)	[1]	
Trade, accruals and other payables	–	–	–	(78,007)	(78,007)	[1]	
Employee benefits	–	–	–	(903)	(903)	[1]	
	–	–	–	(154,403)	(154,403)		

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

2 Derivatives assessed as having minimal value.

31. FINANCIAL INSTRUMENTS *CONTINUED*

FAIR VALUES *CONTINUED*

a) Accounting classifications and fair values *continued*

Company *continued*

	Carrying value						
28 February 2019	FVTPL £'000	FVOCI £'000	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000	Fair value £'000	Level
Financial assets measured at fair value							
Equity securities	–	12,776	–	–	12,776	12,776	3
Convertible loans	376	–	–	–	376	376	3
	376	12,776	–	–	13,152	13,152	
Financial assets not measured at fair value							
Trade and other receivables	–	–	69,164	–	69,164	1	
Cash and cash equivalents	–	–	14,760	–	14,760	1	
	–	–	83,924	–	83,924		
Financial liabilities measured at fair value							
Contingent deferred consideration	(1,071)	–	–	–	(1,071)	(1,071)	2
Derivatives[2]	–	–	–	–	–	–	
	(1,071)	–	–	–	(1,071)	(1,071)	
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(34,909)	(34,909)	1	
Trade, accruals and other payables	–	–	–	(90,023)	(90,023)	1	
Employee benefits	–	–	–	(1,476)	(1,476)	1	
	–	–	–	(126,408)	(126,408)		

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

2 Derivatives assessed as having minimal value.

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 investments and convertible loans – The Group and Company have invested in a number of investments in unlisted companies and a venture capital fund. The Group and Company have applied a discounted cash flow valuation technique to assess the fair value of the unlisted companies and convertible loans as at year end.

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

	Range in inputs		Change in input	Impact on fair value	
Significant inputs	**2020**	2019		**2020 £'000**	2019 £'000
Forecast annual revenues – with adjustments applied to Company forecasts	**10–50%**	10–50%	+/(-)15%	**3,533/(3,534)**	3,180/(3,184)
Risk-adjusted discount rate	**30–55%**	30–50%	-/(+)5%	**3,696/(2,985)**	3,381/(2,695)
Market multiple exit values – revenue	**2.5–6x**	2.5–5x	+/(-)15%	**2,455/(2,455)**	1,967/(1,967)

31. FINANCIAL INSTRUMENTS *CONTINUED*

FAIR VALUES *CONTINUED*

b) Measurement of fair values *continued*

Financial instruments at fair value *continued*

Warrants – The Group holds warrants in the associate. These were considered at 29 February 2020 and 28 February 2019 to have a minimal fair value due to the contingent nature.

Contingent deferred consideration – The Group and Company have agreed to pay additional consideration dependent on the relevant subsidiary achieving certain performance targets post-acquisition. The earn-out period for remaining contingent deferred consideration ended during the current year with the carrying value reflecting final amounts payable.

Reconciliation of Level 3 fair value:

Group

	Convertible loans £'000	Unquoted equities £'000	Contingent consideration £'000
Balance at 1 March 2019	3,463	13,706	–
Purchases	–	1,044	–
Conversion of loan to equity	(1,000)	1,000	–
Advances	961	–	–
Foreign exchange gain	23	–	–
Balance at 29 February 2020	**3,447**	**15,750**	**–**

	Convertible loans £'000	Unquoted equities £'000	Contingent consideration £'000
Balance at 1 March 2019	1,944	3,433	(5,688)
Purchases	–	5,951	–
Advances	1,505	–	–
Settlements	–	–	8,018
Charge included in profit or loss- Change in fair value (unrealised)	–	–	(3,230)
Gain included in OCI- Change in fair value (unrealised)	–	4,322	–
Foreign exchange gain	14	–	(171)
Transfer out of Level 3	–	–	1,071
Balance at 29 February 2020	**3,463**	**13,706**	**–**

Transfer out of Level 3

The remaining contingent deferred consideration was transferred out of level 3 to level 2 fair value as the earn-out period for remaining contingent deferred consideration ended during the current year. The carrying value reflects final amounts payable and is due to be settled subsequent to year end.

31. FINANCIAL INSTRUMENTS *CONTINUED*

FAIR VALUES *CONTINUED*

b) Measurement of fair values *continued*

Company

	Convertible loans £'000	Unquoted equities £'000	Contingent consideration £'000
Balance at 1 March 2019	376	12,776	–
Advances	55	138	–
Balance at 29 February 2020	**431**	**12,914**	**–**

	Convertible loans £'000	Unquoted equities £'000	Contingent consideration £'000
Balance at 1 March 2019	323	3,308	(1,038)
Purchases	–	5,146	–
Advances	39	–	–
Settlements	–	–	3,259
Charge included in profit or loss- Change in fair value (unrealised)	–	–	(3,289)
Gain included in OCI- Change in fair value (unrealised)	–	4,322	–
Foreign exchange gain	14	–	(3)
Transfer out of Level 3	–	–	1,071
Balance at 29 February 2020	**376**	**12,776**	**–**

Transfer out of Level 3

The remaining contingent deferred consideration was transferred out of level 3 to level 2 fair value as the earn-out period for remaining contingent deferred consideration ended during the current year. The carrying value reflects final amounts payable and is due to be settled subsequent to year end.

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:

	Group Carrying amount		Company Carrying amount	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade and other receivables	**69,329**	54,179	**90,187**	69,164
Cash and cash equivalents	**26,068**	18,798	**21,656**	14,760
Convertible loans	**3,447**	3,463	**431**	376
	98,844	76,440	**112,274**	84,300

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Europe	**9,502**	8,630	**6,983**	5,366
America	**33,805**	24,240	**51,196**	35,691
United Kingdom	**27,061**	23,021	**31,905**	25,584
Australasia	**2,409**	1,751	**534**	2,899
	72,777	57,642	**90,618**	69,540

31. FINANCIAL INSTRUMENTS *CONTINUED*

EXPOSURE TO CREDIT RISK *CONTINUED*

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
End-user customer	**63,256**	48,883	**36,587**	28,771
Convertible and other loans	**4,643**	4,405	**1,383**	1,138
Other	**4,878**	4,354	**52,648**	39,631
	72,777	57,642	**90,618**	69,540

No receivable balance was in excess of 10% of the Group's total trade and other receivables balance at the year end.

Impairment losses

Trade receivables and accrued income

Expected credit loss assessment

The expected credit loss allowance for trade receivables and accrued income at the reporting date was:

Group	**Weighted average loss rate 2020 %**	**Gross carrying amount 2020 £'000**	**Loss allowance 2020 £'000**
Not past due	**0.41**	**58,285**	**237**
Past due 0–30 days	**0.99**	**1,029**	**10**
Past due 31–120 days	**7.43**	**3,094**	**230**
Past due 121–180 days	**40.05**	**985**	**395**
Past due 181–365 days	**54.13**	**1,193**	**646**
Past due 366 days +	**93.54**	**1,033**	**967**
Total		**65,619**	**2,485**

Group	Weighted average loss rate 2019 %	Gross carrying amount 2019 £'000	Loss allowance 2019 £'000
Not past due	0.96	41,259	396
Past due 0–30 days	3.90	3,025	118
Past due 31–120 days	18.18	1,451	264
Past due 121–180 days	39.79	568	226
Past due 181–365 days	52.78	638	337
Past due 366 days +	93.76	2,468	2,315
Total		49,409	3,656

Company	**Weighted average loss rate 2020 %**	**Gross carrying amount 2020 £'000**	**Loss allowance 2020 £'000**
Not past due	**0.25**	**32,586**	**82**
Past due 0–30 days	**–**	**–**	**–**
Past due 31–120 days	**7.18**	**1,542**	**111**
Past due 121–180 days	**25.67**	**417**	**107**
Past due 181–365 days	**56.49**	**727**	**411**
Past due 366 days +	**100.00**	**134**	**134**
Total		**35,406**	**845**

31. FINANCIAL INSTRUMENTS *CONTINUED*

EXPOSURE TO CREDIT RISK *CONTINUED*

Impairment losses *continued*

Trade receivables and accrued income *continued*

Expected credit loss assessment *continued*

Company	Weighted average loss rate 2019 %	Gross carrying amount 2019 £'000	Loss allowance 2019 £'000
Not past due	0.53	22,915	121
Past due 0–30 days	2.84	1,105	31
Past due 31–120 days	7.74	860	67
Past due 121–180 days	19.25	428	82
Past due 181–365 days	46.10	564	260
Past due 366 days +	91.11	1,175	1,071
Total		27,047	1,632

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Balance at 1 March	**3,656**	4,146	**1,632**	2,318
Net remeasurement of loss allowance	**(253)**	12	**(224)**	(196)
Foreign exchange impact	**(36)**	(12)	**(5)**	–
Amounts written off	**(882)**	(490)	**(558)**	(490)
Closing balance	**2,485**	3,656	**845**	1,632

The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities.

The following significant changes in the gross carrying amounts of trade receivables contributed to the changes in the impairment loss allowance during the financial year:

Group

- Current trade receivables increased £12.4m and accrued income by £6.4m year on year, due to the timing of new software deals being completed in Q4, increased quarterly in arrear billings for Managed Services and an increase in annual sales.
- Improved debt collection has resulted in a decrease in past due debt year on year resulting in an ECL gain of £253k on Trade Receivables and accrued income. Debtor days have increased from 64 to 68 at year end due to the timing of software deals being completed in Q4.

31. FINANCIAL INSTRUMENTS *CONTINUED*

EXPOSURE TO CREDIT RISK *CONTINUED*

Company

- Current trade receivables increased £4.4m and accrued income by £4.7m year on year, due to the timing of new software deals being completed in Q4, increased quarterly in arrear billings for Managed Services and an increase in annual sales.

Non-convertible loans and other receivables

Expected credit loss assessment

The following table provides information about exposure to credit risks and ECLs for non-convertible loans and other receivables at the reporting date:

Group		Equivalent to external credit rating (S&P)	Weighted average loss rate 2020 %	Gross carrying amount 2020 £'000	Loss allowance 2020 £'000
Other receivables	Medium grade financial services	A+ to BBB-	1.90	2,454	47
Non-convertible loans	Medium grade financial services	A+ to BBB-	3.85	992	38
Non-convertible loans	Non-investment grade pharma	BB+ to B-	3.85	244	9
Total				**3,690**	**94**

Group		Equivalent to external credit rating (S&P)	Weighted average loss rate 2019 %	Gross carrying amount 2019 £'000	Loss allowance 2019 £'000
Other receivables	Medium grade financial services	A+ to BBB-	3.73	3,487	130
Non-convertible loans	Medium grade financial services	A+ to BBB-	3.85	793	31
Non-convertible loans	Non-investment grade pharma	BB+ to B-	1.09	187	7
Total				4,467	168

Company		Equivalent to external credit rating (S&P)	Weighted average loss rate 2020 %	Gross carrying amount 2020 £'000	Loss allowance 2020 £'000
Other receivables	Medium grade financial services	A+ to BBB-	1.90	2,454	47
Non-convertible loans	Medium grade financial services	A+ to BBB-	3.85	992	38
Total				**3,446**	**85**

Company		Equivalent to external credit rating (S&P)	Weighted average loss rate 2019 %	Gross carrying amount 2019 £'000	Loss allowance 2019 £'000
Other receivables	Medium grade financial services	A+ to BBB-	3.73	3,487	130
Non-convertible loans	Medium grade financial services	A+ to BBB-	3.85	793	31
Total				4,280	161

None of the balances in respect of the Group and Company are credit impaired.

The Group and Company did not have any loans and other receivables that were past due at 29 February 2020 (2019: £nil).

31. FINANCIAL INSTRUMENTS *CONTINUED*

EXPOSURE TO CREDIT RISK *CONTINUED*

Company *continued*

Expected credit loss assessment

The movement in the allowance for impairment in respect of non-convertible loans and other receivables during the year was as follows:

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Balance at 1 March	**168**	161	**161**	161
Net remeasurement of loss allowance	**(83)**	7	**(83)**	–
Closing balance	**85**	168	**78**	161

Receivables from subsidiaries

Company

The Company has intercompany receivable balances totalling £49,623k at year end. Management has assessed that the estimated credit loss on such balances is low based on the cash-generating ability of the relevant subsidiaries and latest forecasts. On this basis management determined that it is appropriate to apply a twelve-month expected credit loss model in calculating the estimated credit provision. Applying a twelve-month probability of default rate of 0.64% to the entire balance, a provision of £320k has been recognised as at 29 February 2020 (2019: £324k).

Government grants

At the year end £362k (2019: £311k) for the Group and £352k (2019: £301k) for the Company are receivable from Invest Northern Ireland in respect of grants receivable and £977k (2019: £1,065k) for the Group is receivable from Irish Revenue Commissioners in relation to RDEC. Both are government agencies and based on historical payment history; with all amounts previously recognised subsequently being received; no expected credit loss is recognised in relation to this balance.

Cash and cash equivalents

The Group and Company held cash and cash equivalents of £26,068k (2019: £18,798k) and £21,656k (2019: £14,760k) respectively at 29 February 2020 which represents their maximum exposure on the assets. The cash and cash equivalents are held with bank and institutional counterparties which are rated AA- to AA+ based on credit agency ratings.

Liquidity risk

Group

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

29 February 2020	**Carrying amount £'000**	**Contractual cash flows £'000**	**6 months or less £'000**	**6–12 months £'000**	**1–2 years £'000**	**2–5 years £'000**	**More than 5 years £'000**
Secured bank loans	**(75,493)**	**(83,442)**	**(3,765)**	**(4,073)**	**(8,076)**	**(67,528)**	**–**
Lease liabilities	**(29,686)**	**(35,018)**	**(2,584)**	**(2,584)**	**(4,510)**	**(12,067)**	**(13,273)**
Trade and other payables	**(47,422)**	**(47,422)**	**(47,422)**	**–**	**–**	**–**	**–**
Commitment to associate	**–**	**(1,091)**	**(600)**	**(491)**	**–**	**–**	**–**
	(152,601)	**(166,973)**	**(54,371)**	**(7,148)**	**(12,586)**	**(79,595)**	**(13,273)**

28 February 2019	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Secured bank loans	(34,909)	(35,591)	(20,700)	(14,891)	–	–	–
Finance leases	(378)	(438)	(51)	(52)	(103)	(232)	–
Trade and other payables	(58,322)	(58,683)	(58,683)	–	–	–	–
Contingent deferred consideration	(1,071)	(1,071)	(1,071)	–	–	–	–
Commitment to associate	–	(1,053)	(579)	(474)	–	–	–
	(94,680)	(96,836)	(81,084)	(15,417)	(103)	(232)	–

The above contracted cash flows include interest on secured bank loans, the terms of which are set out in note 22.

31. FINANCIAL INSTRUMENTS *CONTINUED*

EXPOSURE TO CREDIT RISK *CONTINUED*

Company *continued*

Liquidity risk *continued*

Company

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

29 February 2020	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Secured bank loans	(75,493)	(83,442)	(3,765)	(4,073)	(8,076)	(67,528)	–
Lease liabilities	(12,912)	(15,878)	(1,064)	(1,064)	(1,882)	(5,232)	(6,636)
Trade and other payables	(78,007)	(78,007)	(78,007)	–	–	–	–
	(166,412)	(177,327)	(82,836)	(5,137)	(9,958)	(72,760)	(6,636)

28 February 2019	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Secured bank loans	(34,909)	(35,591)	(20,700)	(14,891)	–	–	–
Trade and other payables	(90,023)	(90,384)	(90,384)	–	–	–	–
Contingent deferred consideration	(1,071)	(1,071)	(1,071)	–	–	–	–
	(126,003)	(127,046)	(112,155)	(14,891)	–	–	–

The above contracted cash flows include interest on secured bank loans, the terms of which are set out in note 22.

Currency risk

Group

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

	29 February 2020			28 February 2019		
	CAD £'000	EUR £'000	USD £'000	CAD £'000	EUR £'000	USD £'000
Trade receivables	105	4,161	13,277	220	4,742	12,934
Trade and other payables	(8)	(881)	(746)	(50)	(844)	(41,506)
Net balance sheet exposure	97	3,280	12,531	170	3,898	(28,572)

The secure bank loan above excludes bank loans designated in a net investment hedge of £55,252k (2019: £19,819k).

Company

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

	29 February 2020			28 February 2019		
	CAD £'000	EUR £'000	USD £'000	CAD £'000	EUR £'000	USD £'000
Trade receivables	105	4,126	12,203	220	4,718	12,460
Secured bank loans	–	–	(55,252)	–	–	(19,819)
Trade and other payables	(8)	(773)	(660)	(50)	(643)	(41,303)
Net balance sheet exposure	97	3,353	(43,709)	170	4,075	(48,662)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2020	2019	2020	2019
USD 1	1.28	1.32	1.28	1.33
EUR 1	1.15	1.13	1.16	1.17
CAD 1	1.69	1.73	1.72	1.75

31. FINANCIAL INSTRUMENTS *CONTINUED*

EXPOSURE TO CREDIT RISK *CONTINUED*

Company *continued*

Currency risk *continued*

Sensitivity analysis

A 10% strengthening of sterling against the above currencies at the end of the period would decrease Group profit or loss by £1,591k (2019: £2,450k). A 10% weakening of sterling against the above currencies at the end of the period would increase Group profit or loss by £1,431k (2019: £2,205k). 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 £4,025k (2019: £4,442k). A 10% weakening of sterling against the above currencies at the end of the period would increase Company profit or loss by approximately £3,623k (2019: £3,997k). 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	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Variable rate instruments				
• Financial assets	**26,068**	18,798	**21,656**	14,760
• Financial liabilities	**(75,493)**	(34,909)	**(75,493)**	(34,909)
	(49,425)	(16,111)	**(53,837)**	(20,149)
Fixed rate instruments				
• Financial assets	**3,447**	3,463	**431**	376
• Financial liabilities	**(29,686)**	(378)	**(12,912)**	–
	(26,239)	3,085	**(12,481)**	376

A 10% reduction in interest rates at the end of the period would increase Group equity and profit and loss by approximately £294k (2019: £103k). A 10% increase in interest rates at the end of the period would decrease Group equity and profit or loss by approximately £316k (2019: £113k). This analysis assumes that all other variables remain constant.

32. 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 ten years from the date of grant.

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:

Exercise price: £1.21	**Weighted average exercise price 2020**	**Number of options 2020**	Weighted average exercise price 2019	Number of options 2019
Maximum options outstanding at beginning of period	**1.21**	**49,000**	1.21	94,500
Lapsed during the period	**–**	**–**	–	–
Exercised during the period	**1.21**	**(49,000)**	1.21	(45,500)
Granted during the period	**–**	**–**	–	–
Maximum options outstanding at end of period	**–**	**–**	1.21	49,000
Exercisable at end of period	**–**	**–**	1.21	49,000

The options in this range have been fully exercised in the year. During the prior year the outstanding options has an exercise price of £1.21 and a weighted average contractual life of 0.01 years.

32. SHARE BASED PAYMENTS *CONTINUED*

RECONCILIATION OF OUTSTANDING SHARE OPTIONS *CONTINUED*

Exercise price: £2.27	Weighted average exercise price 2020	Number of options 2020	Weighted average exercise price 2019	Number of options 2019
Maximum options outstanding at beginning of period	**2.27**	**38,584**	2.27	44,584
Lapsed during the period	**2.27**	**(1)**	–	–
Exercised during the period	**2.27**	**(26,583)**	2.27	(6,000)
Granted during the period	**–**	**–**	–	–
Maximum options outstanding at end of period	**2.27**	**12,000**	2.27	38,584
Exercisable at end of period	**2.27**	**12,000**	2.27	38,584

The options outstanding at 29 February 2020 above have an exercise price of £2.27 (2019: £2.27) and a weighted average contractual life of 0.01 years (2019: 1.0 years).

Range of exercise price: £4.27–9.00	Weighted average exercise price 2020	Number of options 2020	Weighted average exercise price 2019	Number of options 2019
Maximum options outstanding at beginning of period	**6.77**	**693,334**	6.77	909,667
Lapsed during the period	**–**	**–**	–	–
Exercised during the period	**6.08**	**(383,750)**	6.81	(216,333)
Granted during the period	**–**	**–**	–	–
Maximum options outstanding at end of period	**7.62**	**309,584**	6.77	693,334
Exercisable at end of period	**7.62**	**309,584**	6.77	693,334

The options outstanding at 29 February 2020 above have an exercise price in the range of £4.27 to £9.00 (2019: £4.27 to £9.00) and a weighted average contractual life of 3.2 years (2019: 3.8 years).

Range of exercise price: £12.28–22.35	Weighted average exercise price 2020	Number of options 2020	Weighted average exercise price 2019	Number of options 2019
Maximum options outstanding at beginning of period	**17.40**	**1,702,736**	16.70	1,727,336
Modification – impact on weighted average exercise price	**(0.44)**	**–**	–	–
Lapsed during the period	**16.71**	**(9,500)**	14.39	(24,333)
Exercised during the period	**15.64**	**(490,660)**	13.12	(125,267)
Granted during the period	**22.35**	**198,300**	22.20	125,000
Maximum options outstanding at end of period	**18.19**	**1,400,876**	17.40	1,702,736
Exercisable at end of period	**14.75**	**826,596**	14.87	572,243

During the year the company modified the exercise price of a tranche of share options previous issued from £25.37 to £22.35. This did not impact the fair value of the option granted.

The options outstanding at 29 February 2020 above have an exercise price in the range of £12.28 to £22.35 (2019: £12.28 to £25.37) and a weighted average contractual life of 6.7 years (2019: 7.2 years).

The weighted average share price at the date of exercise for share options exercised for the year ended 29 February 2020 was £28.25 per share (2019: £39.86).

32. SHARE BASED PAYMENTS *CONTINUED*

MEASUREMENT OF FAIR VALUES

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using an adjusted Black-Scholes model, with the following inputs:

Grant of options during the year ended 29 February 2020

Grant date	**16/08/19**
Fair value at grant date	**6.75**
Share price at grant date	**22.35**
Exercise price	**22.35**
Number of options	**198,300**
Expected volatility (weighted average volatility)	**30.0%**
Option life (expected weighted average life)	**4.0 years**
Expected dividends	**0.1%**
Risk-free interest rate (based on government bonds)	**3.0%**

MEASUREMENT OF FAIR VALUES

Grant of options during the year ended 28 February 2019

Grant date	13/12/18	13/12/18
Fair value at grant date	5.85	6.71
Share price at grant date	22.20	22.20
Exercise price	22.20	22.20
Number of options	100,000	25,000
Expected volatility (weighted average volatility)	30.0%	30.0%
Option life (expected weighted average life)	3.0 years	4.0 years
Expected dividends	0.1%	0.1%
Risk-free interest rate (based on government bonds)	3.0%	3.0%

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

EMPLOYEE EXPENSES

	2020 £'000	2019 £'000
Expense relating to:		
Share options granted in 2014/15	**42**	40
Share options granted in 2015/16	**233**	188
Share options granted in 2016/17	**527**	718
Share options granted in 2017/18	**489**	455
Share options granted in 2018/19	**202**	51
Share options granted in 2019/20	**152**	–
Total amount recognised as employee benefit expense in share based payment reserve	**1,645**	1,452

	2020 £'000	2019 £'000
Total expense recognised as employee benefit expense	**1,645**	1,452
National Insurance contributions on employee benefit expense	**1,474**	1,021
Employee share based payment and related costs	**3,119**	2,473

Shares to the value of £58k were given to non-executive directors as part of their remuneration. The value of shares was based on the average closing mid-market share price over the 90 business days prior to the release of the Group's preliminary results.

33. 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.

34. LEASES

The Group leases office properties. The leases typically run for a period of 10 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The Group leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

I. RIGHT-OF-USE ASSETS

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as right-of-use assets (see Note 15).

II. AMOUNTS RECOGNISED IN PROFIT OR LOSS

	Group £'000	**Company £'000**
2020 – Leases under IFRS 16		
Interest on lease liabilities	**1,017**	**533**

	Group £'000	Company £'000
2019 – Leases under IAS 17		
Lease expense	3,528	1,457

III. AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS

	Group £'000	Company £'000
Total cash outflow for leases	4,531	1,824

35. SUBSEQUENT EVENTS

On 24 March 2020 the Group drew down £35m from its available finance facility. These funds have been placed on deposit with a further £15m of undrawn revolving credit facilities available.

DIRECTORS

D Troy – Non-Executive Chairman^+

S Keating – Chief Executive Officer

R G Ferguson – Chief Financial Officer

K MacDonald – Non-Executive Director^*

V Gambale – Non-Executive Director*^+

* Member of the Audit Committee.

^ Member of the Nomination Committee.

\+ Member of the Remuneration Committee.

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