FDTechnologies plc

Annual Report 2022

Accelerating our performance

"The past year has been transformational and has positioned each of our business units for continued success.

KX, operating at the frontier of real-time data analytics, is already seeing the benefits of our investment for growth with all of its key metrics pushing higher; First Derivative is delivering industry-leading services for capital markets customers globally that is pushing its growth to higher levels; while MRP's predictive intelligence capabilities for enterprise demand generation are enabling its clients to make the connections that count.

We are continuing to transform the business and invest in core areas that will help us to accelerate our growth."

Donna Troy
Chairman

KX
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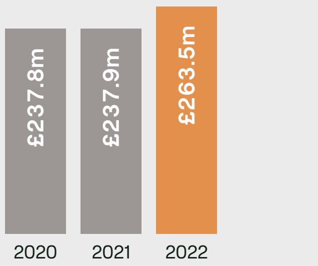
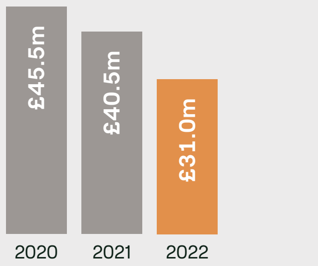
Financial highlights



Revenue

£263.5m



Adjusted EBITDA

£31.0m

Business unit KPIs

KX growth in exit annual recurring revenue:

25%

First Derivative revenue growth:

24%

MRP platform revenue growth:

11%

Operational highlights

- Successful delivery of accelerated growth strategy, with new Group structure enabling each business unit to deliver its performance targets and investment in KX driving our key metric of growth in recurring revenue
- KX Insights platform launched, with 22 customers signed across financial services, pharma, manufacturing and automotive contributing to growth in exit Annual Recurring Revenue (ARR) of 25%, in line with our target
- Go-to-market strategy on track, enabling KX to sign 99 subscription agreements during the year (2021: 40), a 148% increase, while also growing our existing customer base with Net Revenue Retention increasing to 106%
- 40% of KX new deal value in the year generated from Industry (2021: 19%), confirming our growing presence outside our core market of financial services driven by high return on investment evidenced by a Forrester report that shows typical payback on KX in less than six months
- Landmark KX and Microsoft strategic partnership agreement, covering the native integration of KX Insights on Azure and joint development of financial services applications and services, validates our strategy and provides significant growth potential
- Strong growth performance for First Derivative, ahead of our expectations and built on enhancements in our engagement model and investment in business leadership and go-to-market
- MRP delivered good growth and is well placed following the launch of Prelytix 3.0, with enhanced AI and self-service capabilities

In this report

Delivering impact

1 KX – Delivering business value through real-time analytics

See page 4.

KX operates at the frontier of real-time data analytics, where the window of opportunity to make critical decisions is narrowing to sub-seconds as data volumes expand and data sources are multiplying. Seamlessly integrating both historic and streaming data to deliver powerful insights, KX's unrivalled analytics platform dramatically reduces time to value for our customers by driving the most demanding business decisions with real-time continuous intelligence.

Widely adopted throughout the financial industry, where it is employed across a range of data-intensive and business-critical applications, KX is also deployed in industries as diverse as manufacturing, automotive, energy, utilities and telecommunications.

FY22 revenue:

£64.4m

Exit ARR growth:

25%

2 First Derivative – Technology-led consulting and services in financial services and capital markets

See page 6.

For more than 25 years, First Derivative has delivered industry-leading projects for some of the largest global banks and financial institutions. With a depth of understanding and breadth of experience unequalled in the sector, First Derivative has a hard-won reputation for being able to solve the toughest operational, data and technology challenges for its clients.

First Derivative is leading the data-driven, digital revolution across the evolving Capital Markets sector. First Derivative pushes projects further, faster and always beyond expectations.

FY22 revenue:

£148.0m

Revenue growth:

24%

3 MRP – Predictive analytics for enterprise demand generation

See page 8.

MRP is a leading global predictive intelligence organisation, combining cutting-edge predictive analytics with a full suite of account-based marketing solutions. The MRP Prelytix platform is the industry's only enterprise-class predictive Account Based Marketing (ABM) platform.

It is purpose-built to perform inside complex environments, empowering sales and marketing teams to produce measurable and high-performance conversion, pipeline velocity and closed revenue.

FY22 revenue:

£51.1m

Platform growth:

11%

Our purpose

FD Technologies solves business-critical problems to unlock business value.

Who we are

We are a group of data-driven businesses that unlock the value of insight, hindsight and foresight to drive organisations forward.

What we do

We give every business the ability to realise the true value of their data to achieve their potential.

Our values

No matter what

No problem

When others could say no, we say no problem. By working together to develop our skills, strategies and solutions, we can deliver what has never been done before – and can solve problems that haven't yet been solved.

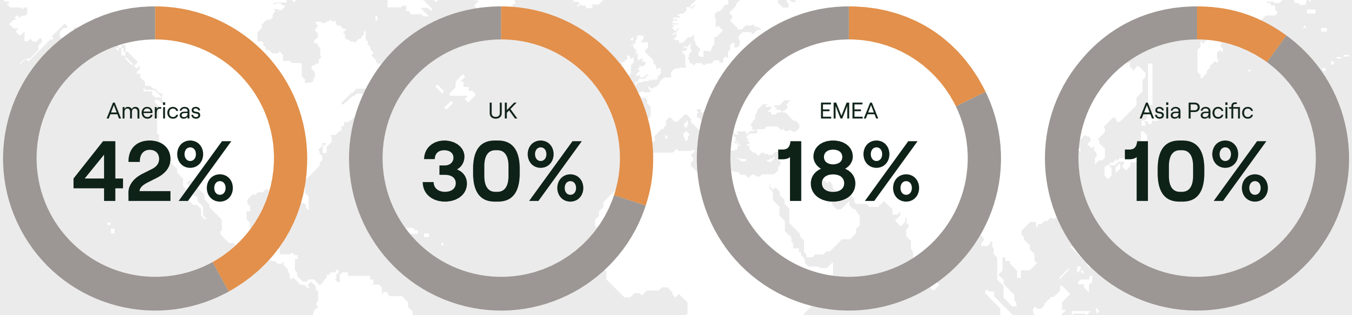
No limits

Excel collectively. Grow individually. Belong globally. We are honest and to be true to ourselves, we share a responsibility to be the best we can be and to always do the right thing. To exceed limits, empower each other and achieve great things together.

No better

It is our belief that there is no smarter, kinder or better company you could partner with – or be a part of. We understand the importance of balancing our professional and personal worlds – and in both we give our best, take time to give back and never give in.

Our global reach for scale and growth



13 locations

3,000 people

4 continents

Our business at a glance: KX

Accelerate:
Speed to business value

Operating at the frontier of real-time data analytics and data management

KX enables companies in every industry sector to achieve faster time to value from real-time decision intelligence. By uniquely combining real-time time-series data with historical context, KX enables faster and better in-the-moment decision-making. Engineered to seamlessly integrate into today's evolving data landscape, KX can ingest, store, manage, analyse and visualise enormous amounts of dynamic data, whether on-premise, in the cloud, or at the edge. With the rapid – and ongoing – digital transformation of virtually every industry sector on the planet, KX is ideally positioned to be the real-time analytics and data management technology of choice with its market-leading performance, elegant simplicity and rapid, demonstrable ROI.

- Built for the modern data ecosystem
- Available natively on the leading hyperscale cloud providers Azure, AWS and GCP
- Unified for richer analytics at scale and speed
- Combines real-time streaming data and historical data in a single platform
- Built on the world's fastest time-series database (kdb+) developed by KX
- Easy to deploy, up and running in a few clicks
- Run anywhere, on the cloud, hybrid, on-premise or at the edge
- Fully integrated with all popular data science languages including Python and ANSI SQL

KX in action

KX signs strategic partnership agreement with Microsoft

In March, KX announced a strategic partnership agreement with Microsoft to expand the reach of the KX Insights streaming data analytics platform. As more organisations look to modernise their data infrastructure for real-time decision making, enterprises will benefit from the unrivalled performance, scalability and security of KX Insights optimised for Microsoft Azure.

This landmark announcement has significant strategic benefits for KX. Firstly, KX Insights will be embedded natively on the Microsoft Azure platform as a first-class service, with KX generating revenue based on consumption. Secondly, KX has agreed to work with Microsoft to target new applications and services that will accelerate innovation and growth for organisations in the financial services sector.

This agreement both validates our technology and demonstrates our ability to deploy KX Insights anywhere.

KX powers electricity information exchange for 3.8 million consumers in Finland

Working alongside CGI, one of the world's largest IT and business consulting services firms, KX provided the meter data management and settlement functions of a next-generation electricity information exchange for Fingrid Oy, one of Europe's largest national electricity transmission grid operators. The information exchange centralises the data from about 3.8 million electricity accounting points and over 4.5 million metering points in a single system, significantly accelerating the exchange of information in the electricity retail market, transforming the capabilities of market participants.

The centralised system enables the fair, real-time, and secure exchange of information between companies and accelerates customer service at electricity companies. Thanks to the integrated solution powered by KX, the project will also reduce the number of errors arising during market processes and facilitate the consolidation of multiple accounting points under a single electricity contract.

Addressable market:

$50bn

by 2025

> **"We selected KX specifically for its ability to process and manage time-series data at speed and scale. Over the next couple of years, the number of smart meters in use will increase dramatically, significantly increasing the volume of data being created. Many accounts will go from one meter reading a year to 96 values every day! Multiply that by 10 million meters and you can see why we needed a platform with the scale and performance capabilities of KX. Together with KX, we are perfectly positioned to accelerate toward a smarter, cleaner and more flexible energy system, involving higher-frequency meter data and scaling toward real-time data."**

Mattijs van den Hoed
VP Consulting, CGI

Our business at a glance: First Derivative

Accelerate: People augmented with data powered by technology in capital markets

Driving change through deep domain knowledge

First Derivative marries technical expertise with deep domain knowledge to deliver industry-leading projects for financial services firms globally. Built around three practice areas: Business Services, Technology Services and Engineering Services, First Derivative is teaming with technical, logistical and scalable expertise. From CLM, regulatory reporting and risk management, through to data engineering and governance, application architecture and development, First Derivative employees work shoulder to shoulder with customers to remove constraints and instigate action with authority, ingenuity and agility to drive positive outcomes, transforming their business at the optimum rate of change.

- The world's largest fully dedicated Capital Markets consulting team
- Solutioneers, Engineers and Pioneers working shoulder to shoulder with clients
- Business agility covered from every angle
- Three core practice areas: Business Services, Engineering Services and Technology Services
- Technical expertise combined with deep capital markets domain knowledge
- Top 20 global banks are customers

First Derivative in action

Cloud migration project of critical risk management platform for a tier 1 bank

A critical central credit risk exposure calculation and management platform, hosted on an external data centre, was approaching end of life. This tier 1 bank engaged First Derivative to migrate the system to a cloud platform, significantly reducing costs and removing the inherent inefficiencies with the legacy solution while allowing for larger compute storage power, allied to increased speed of data transposition and access.

Working with Google Cloud Platform, the team built a highly scalable, fault tolerant solution with much lower costs than would have been achievable using an on-premise service. Alongside many technical benefits to the bank, the solution provides computing elasticity, to meet upcoming regulatory demands for example, that can be charged back to the specific funding stream providing more control and transparency to the business. Taking a year to complete from initial discovery phase to go live, the project is expected to deliver a £2m+ ROI within three years, an approximate saving of 30-35% per annum.

The addressable market for technology services within capital markets is very large, with Gartner estimating it will reach $761bn by 2025, of which we consider more than

$200bn

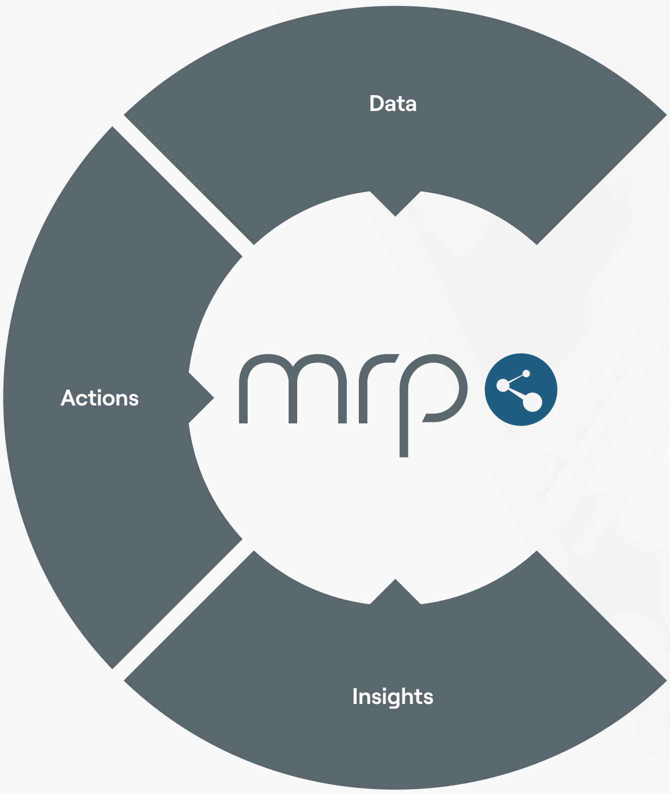
is addressable by First Derivative.

Our business at a glance: MRP

Accelerate: Predictive analytics for enterprise demand generation

Making the right connections

MRP is a leading global provider of predictive intelligence, combining cutting-edge account-based insights and analytics, along with a full suite of B2B marketing and sales solutions. MRP Prelytix is the industry's only global account-based marketing (ABM) and sales platform that provides the enterprise organisation with a sure means to impactfully connect with prospects across channels, lines of business, regions, and even languages, in real-time, all the time.



- Powering more than 1,000 ABM engines into 110 countries, across 6 continents, using 8 channels and 20 languages
- 20 years of expertise in ABM, more than double that of the nearest competitor
- MRP Prelytix – a mature, omnichannel ABM engine
- Powered by KX, the world's fastest time-series database
- Forrester Research has named MRP a leader in its most recent update of The Forrester New Wave: Account Based Marketing Platforms, Q1 2022

MRP in action

Global expansion, simplified: powered by MRP Prelytix

Understanding intent in only one language – say English – minimises the number of relevant signals for an enterprise organisation with global reach. However, intent that is global in nature can prompt marketers to act upon false signals. MRP's client, a multinational technology company that enables companies to capitalise on emerging applications, required a solution that guided their multiple teams to engage accounts with relevance based on language and geo-specific intent signals, across 10 countries.

Combining its own first-party intent data with MRP Prelytix enabled the client to measure prospects' topics of interest, buying stage and their propensity to act. Equally important, MRP Prelytix delivered intent data in English, Portuguese and Spanish, so the client can effectively reach and engage target audiences across multiple geographies. By identifying the accounts with elevated levels of both interest and engagement, the client can pinpoint the highest-priority accounts with street-level accuracy and reach out to them first. This has simplified the Company's marketing strategy and made their campaigns more efficient; it has also accelerated time to revenue, while also maturing its ABM strategy and empowering marketing, sales and account management teams to better engage accounts.

$20bn
addressable market in 2025

Accelerating growth as we execute on our strategy

"KX delivered on our target growth for annual recurring revenue, the result of transformational work and investment in our talent, processes and product."

Donna Troy
Chairman

In my review last year, I explained the rationale for the Board's decision to change the structure of the Group into three business units, KX, First Derivative and MRP, and make a step change in investment to accelerate the growth of KX. I'm pleased to report that we are already seeing the benefits of these decisions, with multiple proof points validating our strategy, including the transformational strategic partnership with Microsoft announced in March 2022. I am confident we are on track to deliver the potential inherent in each of our business units and, through continued execution of the strategy, will drive accelerating growth in the years ahead.

Changing the structure of the business is already providing the benefits we expected by enabling each unit to communicate its distinct value proposition within its market and thereby accelerate its growth. All of our business units met or exceeded the financial targets we set for the year. They continue to strengthen their market positions and are well placed to build on this momentum and drive growth.

KX, which was the focus of the investment programme we announced last year, had a transformational period. It delivered our target growth for annual recurring revenue, while growing its customer base across its target markets. We launched KX Insights, our cloud-native platform that leverages the benefits of cloud architecture to deliver fast, scalable insights without the burden of infrastructure or the need to optimise for different cloud environments. We won 40 new customers, each with significant expansion potential that puts us on track to achieve our target for growth from our existing customer base. And we had great engagement with our customers, partners and prospects, who see us very much as a key part of the modern data landscape that can drive their real-time decision making, in any industry.

A tangible benefit from our strategy was the strategic partnership agreement with Microsoft. The depth of our relationship and commitment to work together was founded on the unique capabilities of our KX Insights platform, released during the year, and it was the investment we made in KX that enabled us to commit the resources to deliver on this deal in the time frames we did. We are very excited by the potential of this partnership; deep integration within Azure puts us front and centre for Microsoft customers in any industry looking for a streaming analytics solution, while the joint development of applications and services for capital markets extends our reach and capabilities in what is still our core market.

The delivery of our accelerated growth strategy is taking KX mainstream in the way we envisioned. By focusing on interoperability and ease of use, and through the launch of KX Insights, we have made KX easier to adopt than ever and dramatically reduced time to value for our customers. In addition, our sales and marketing investment is achieving increasing market recognition of KX's important place in the analytics ecosystem, as a horizontal platform that unifies the vast universe of stored data with real-time data to enable decisions that have immediate impact on customer outcomes. Our progress over the past year lays the groundwork for exciting growth in the years ahead.

Likewise, both First Derivative and MRP are benefiting from the changes in the structure of the Group. First Derivative made good progress in the year, delivering higher levels of growth than we have seen for many years and developing services that will help to deliver our growth ambitions. Similarly MRP recorded strong growth, particularly in the key area of platform revenue. As well as revenue growth, we are looking to these businesses to increase their contribution to Group profitability, and I am pleased to report that both reported improved margins for the year.

We are one year into our transformation journey and have made great progress in positioning our business units for continued success.

Governance

The strengthening of the Board last year with individuals with expertise and experience in scaling world-leading technology companies was one of the factors that gave us confidence to make the investment in KX and change the Group structure. Providing leadership and oversight of these transformational changes has been the focus of the Board and senior executive team and we are pleased with the execution of our strategy to date.

During the year Keith MacDonald resigned from the Board, having completed nine years of service, while Steve Fisher resigned to take up a full-time senior executive role at Salesforce. I would like to thank them for their contribution to the development of the Group. Usama Fayyad, who has cross-industry experience in data platforms and analytics, was appointed to the Board in January 2022 and his skills and knowledge will be highly valuable as we continue to evolve our strategy.

This annual report provides details of the Board's work in areas such as risk management and the implementation of additional enterprise technology systems, both of which were critical to ensure that our transformation programme was implemented and monitored effectively. In addition, it also details the evolution of our corporate sustainability strategy, where the Board has embedded policies, processes and procedures into our business that prioritise our people, responsible operations, security and privacy, the environment and community support.

Summary and outlook

The past year has been transformational and has positioned each of our business units for continued success. KX, operating at the frontier of real-time data analytics, is already seeing the benefits of our investment for growth with all of its key metrics pushing higher; First Derivative is delivering industry-leading services for capital markets customers globally that is pushing its growth to higher levels; while MRP's predictive intelligence capabilities are enabling its clients to make the connections that count, delivering growth in platform revenue. Based on our FY22 results we have momentum going into the new financial year. We are continuing to transform the business and invest in core areas that will help us to accelerate our growth.

Donna Troy
Chairman
9 May 2022

Creating sustainable value and sharing returns with stakeholders

Our business model is founded on our strategic purpose and enshrined by our values to create a business that generates sustainable returns for our stakeholders. We employ our technology and people to help every business realise the true value of their data, solving business-critical problems that haven't yet been solved.

We use our skills, strategies and solutions to deliver what has never been done before. We invest in our people to enable them to deliver solutions that delight our customers, while generating earnings for shareholders, tax receipts for society and a positive impact on the local communities in which we are based.

Inputs

People
Our people are at the core of our success, providing a vibrant culture centred around customer service and excellence. We recruit heavily from universities around the world and provide our employees with exciting careers that challenge and stimulate them to solve problems for our clients that are at the forefront of technology. Working on-site or based in one of our 13 locations around the world, we have a diverse and inclusive culture with a shared work ethos that drives our success.

Training
Our award-winning training programmes equip our employees to excel. New graduate employees benefit from class-based and online training programmes aligned to their chosen career path and supported by an assigned People Manager, while the training needs of more experienced employees are met by multi-faceted programmes that encompass industry and external accreditation and are matched to their career needs and aspirations. Our investment in our employees' careers enables us to deliver the highest standards of customer satisfaction.

R&D
Our technology leads the world in its use of data to unlock the value of insight, hindsight and foresight. To make it easier to use and integrate with other technologies we are committed to investing in research and development, through teams of data scientists that are passionate about pushing the boundaries.

Partnerships
Our partners help us in our mission to solve business-critical problems that haven't yet been solved. They are leaders in their field and by working together we can make it easier to deliver solutions that quickly deliver value and generate a high return on our customers' investment.

Creating value

Strategy
Our strategy, set by the Board, is to enable each of our business units to communicate its distinct value proposition and maximise its growth opportunity. Our Board has a breadth and depth of experience in developing and implementing growth strategies within technology markets and is supported in its implementation by a highly experienced executive team with clear lines of responsibility and reporting.

Financial
The Group has developed a culture of financial discipline, together with a strong governance and risk management culture. These values engendered confidence in the investment made during the year in sales and marketing, research and development and scaling our operations as part of our accelerated growth strategy.

Business divisions

KX is the leading technology for real-time data analytics and data management.

First Derivative provides technology-led services in capital markets.

MRP is the only enterprise-class, predictive ABM solution.

Outputs

Returns for shareholders
Five-year view

Revenue compound annual growth rate (CAGR)
12%

Adjusted EBITDA CAGR
2%

Total cash generated from operations
£162.6m

Total dividends paid
£22.0m

Returns for the Group
Positive culture
80%
employee engagement

Returns for society
Taxes paid

Financial year 2022
£0.4m

Last five years
£13.4m

Benefits for local communities

1,118
new jobs last year

2,445
new jobs over last five years

£65,000
donated by the Group to charity in the past year, with a further

£31,000
raised by employees for a range of local, national and international charities

Unlocking value

The Group operates in three distinct sectors, each with a large addressable market where it provides a differentiated offering by unlocking the value of insight, hindsight and foresight to drive organisations forward.

KX

KX enables companies to drive fast time-to-value and achieve a competitive edge by uniquely combining real-time streaming data with historical context to power faster and better in-the-moment decision making.

The technology was honed in the financial services sector, where sub-second decision making is a critical requirement for every aspect of operation, from maximising trades to minimising risk and stopping fraud. KX is now a critical part of the data architecture for companies in sectors as diverse as financial services, telecommunications, automotive, utilities and manufacturing.

Built to seamlessly integrate into today's evolving data landscape, the KX Insights platform can ingest, store, manage, analyse and visualise enormous amounts of dynamic data, whether on-premise, in the cloud, or at the edge. It is also incredibly easy to deploy and use, coming with extensive data science language integrations including Python and ANSI SQL and interoperability with virtually any third-party data source.

Through a number of strategic partnership agreements with hyperscale cloud providers and industry-specific service providers, KX is expanding its reach and ability to claim a greater share of the global total addressable market through its focus on interoperability, integration and ease of use.

Strategic objectives

Our strategy is:

1: Invest in product and go-to-market activities for KX Insights Platform.

2: Grow existing customer base and add new customers. Focus on Annual Recurring Revenue and Net Revenue Retention rates.

3: Grow partner ecosystem including major cloud hyperscalers, OEMs and system integrators.

Addressable market

The market opportunity for real-time analytics is considerable. Analyst firm IDC forecasts that by 2025, 30% of global data will be real-time with 49% stored and managed in the public cloud. This deluge of real-time data is driving demand for real-time analytics technologies and according to research firm MarketsandMarkets, the real-time (streaming) analytics market is expected to grow from USD 15.4 billion in 2021 to USD 50.1 billion by 2026, at a CAGR of 26.5%. This forecasted growth is backed up by KX's own independent research that shows more than 90% of companies plan to increase investment in real-time analytics technologies over the next three years.

In summary, operating at the new frontier of real-time data analytics and data management, KX is well placed to capture a significant share of a fast-growing market.

KX INSIGHTS PLATFORM

Combining real-time streaming data and historical data in a single platform, KX Insights allows companies to democratise access to time series data, enabling any person in any part of an organisation to access data in any format and from any system and manipulate that data in real-time. A Forrester Total Economic Impact of the KX Insights Platform demonstrates over 315% ROI realised on average within three months. In terms of performance, respected benchmark company Securities Technology Analysis Center LLC (STAC) rates it as the highest performing real-time streaming analytics platform.

First Derivative has evolved its business model over the last twelve months to focus on the areas that are important to its clients.

This has seen the business focus growth on our Know Your Customer and Anti Money Laundering services, regulatory compliance services, managed services and digital engineering expertise. We see increasing opportunities within digital transformation focused on data engineering, cloud migration and application modernisation.

The business has also invested in strengthening its approach to regional markets and account management.

There is still a huge focus on hiring and developing graduate talent but with a transformation of deployment model which now blends new hires into mixed delivery "squads" rather than simply providing "capacity" for clients. This means that while the business had a record graduate intake year its reliance on the junior pool to drive revenue has been reduced.

The business' ability to deliver nearshore services has also been strengthened with a new office in Lodz, Poland; a renewed focus on Mississauga; and further building out of its Belfast and Newry centres. An APAC time zone aligned nearshore centre is currently under investigation.

Strategic objectives

First Derivative will be recognised as the market-leading partner in Capital Markets; solving our clients' toughest challenges; experts in data transformation and application modernisation alongside solutions to reduce the Total Cost of Ownership (TCO) of our clients' core service operations.

Addressable market

In managed services and consulting, Gartner estimates the total spend on IT services in banking will reach an estimated $761 billion by 2025, of which we estimate more than $200 billion is addressable by First Derivative. In addition, Forbes magazine believes that technology; specifically cloud computing and Artificial Intelligence/ Machine learning, will be key trends for the sector across 2022 as more and more financial services organisations seek the agility and scalability required to adapt quickly to changing customer and regulatory needs.

MRP is a leader in account-based marketing (ABM) and sales solutions for the enterprise, delivering high response rates, pipeline conversion and driving revenue performance for even the most complex B2B organisations.

MRP Prelytix provides the ability to bring together data that drives multidimensional insights to predict and better reach and engage the people, the products and the places necessary to execute mature omnichannel account-based marketing and sales programmes, globally and at scale.

MRP Prelytix benefits from its global capabilities, with enhanced multi-lingual processing and its ability to analyse buyer intent down to street-level. Advanced analytics, combined with AI and ML, predict, score and trigger multichannel engagement at the best possible time, to the best possible prospect. In addition to its ABM capabilities, MRP Prelytix provides embedded Customer Data Platform (CDP) functionality and sales intelligence, supporting the needs of the enterprise.

Strategic objectives

We aim to combine further advances in functionality to make MRP Prelytix the leading multitenant, account-based sales and marketing platform, boasting seamless connectivity with core enterprise sales and marketing infrastructures and role based self-service capabilities. We will combine this with refinement and investment in our go-to-market strategy to continue to drive MRP's revenue growth.

Addressable market

MRP's addressable market covers a number of segments, including Account Based Marketing/ marketing automation, sales intelligence and customer data platforms. Our internal assessment of the total addressable market, driven by research from KBV Research and MarketsandMarkets, is in excess of $20 billion by 2025, with an annual growth rate in excess of 20% per annum. Major growth factors for the market include the increasing need to transform the traditional, short-term marketing goal of generating leads, with a holistic marketing strategy aimed at long-term revenue growth.

Assessing our performance

The Group's structure is designed to enable each business unit to communicate its distinct value proposition and maximise its growth opportunity. Our accelerated growth strategy is based on growing demand for real-time continuous intelligence and increased ability to deliver, following advances in our technology, leadership and commercialisation capabilities. Our strategy for each business unit is defined below, with appropriate KPIs also provided.

1

KX at the heart of our propositions

What this means
KX is the focus of our investment and our goal is to enable KX to become the market-leading technology for real-time streaming analytics.

How we do it
Investing for growth

- Accelerate the KX technology roadmap, focusing on KX operating natively on the cloud, and further increase ease of use and interoperability.
- Greatly increase the go-to-market capability of the business by increasing sales team depth and geographical coverage, investing in brand marketing and growing our contribution from strategic partners.
- Scale our operations to deliver the growth envisaged by the Board.

Progress
- Significant progress across all areas as detailed in the Business review.

→ See Case study page 5.

2

Sharpen focus in First Derivative

What this means
Developing a sharper focus on target markets where First Derivative has the greatest in-depth expertise, and which are key for our clients, to drive greater revenue and margin growth from our technology and domain expertise.

How we do it
Build on our reputation for excellence

- Enhance our engagement model to deliver propositions that focus on helping our customers meet their challenges.
- Improve our internal processes to enable us to respond more quickly to emerging demand.
- Invest in sales and marketing to maximise/accelerate our growth.

Progress
- Simplified business structure to give clarity to customers on our areas of expertise, contributing to a return to high levels of revenue growth and an improvement in gross margin.

→ See Case study page 7.

3

Driving returns in MRP

What this means
Consolidating MRP's position as a market-leading digital platform in Account Based Marketing, offering the only enterprise class, predictive ABM solution.

How we do it
Grow platform revenue

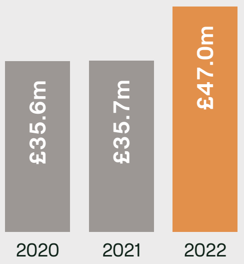
- Leverage our unique combination of domain and technical skills.
- Use our growing scale and reputation to increase our client base.
- Develop our platform to maximise its growth potential.

Progress
- Launch of version 3.0 to contribute to platform revenue growth.

→ See Case study page 9.

Key performance indicators

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

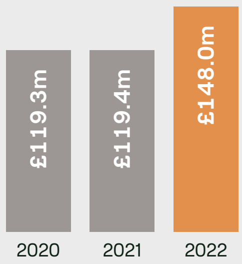


KX exit annual recurring revenue

Strategic alignment

1

The investment in KX made as part of our accelerated growth strategy enabled growth of 25% in the exit rate of Annual Recurring Revenue.

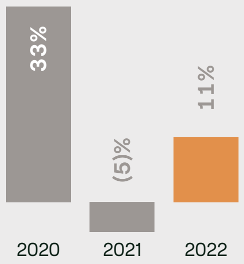


First Derivative revenue growth

Strategic alignment

2

First Derivative's revenue is derived from the capital markets, principally from providing services requiring deep domain skills to large investment banks. The strategy to focus on key areas where it has the greatest expertise has delivered a return to strong growth in the year.



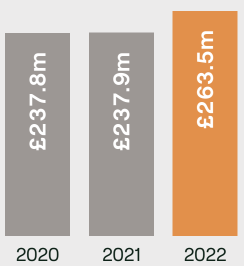
MRP platform revenue growth

Strategic alignment

3

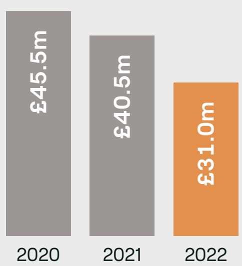
MRP benefited from recovery in its end markets and the launch during the year of version 3.0 of its Prelytix platform, with constant currency platform revenue growth in FY22 of 18%. It operates in a high-growth market that is fragmented, where MRP is rated among the leaders in its space by industry analysts such as Forrester and Ovum.

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



Revenue

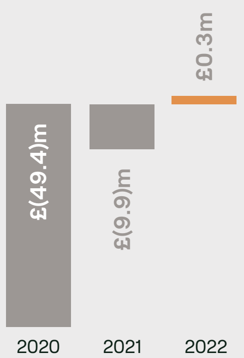
As a key metric communicated to investors, the Board monitors revenue and revenue growth to measure its effectiveness at customer wins, retention and expansion.



Adjusted EBITDA*

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. In line with the Board's expectations, the investment related to our accelerated growth strategy resulted in a reduction in adjusted EBITDA during the year.

* See reconciliation of adjusted EBITDA to reported profit before tax in the Financial Review.



Net cash/(debt)**

The Board monitors its net cash/(debt) position to assess its working capital performance as well as to ensure it has sufficient capacity within its facilities to continue to deliver its strategy.

** Excluding lease liabilities.

Working with our stakeholders

Delivering trust and transparency

Strong relationships with our stakeholders are vital to our ability to deliver our strategy and the Board seeks to engage with them in a range of ways.

This engagement enables the Board to understand and thereby properly consider the views of these stakeholders as part of its decision-making processes.

The input gathered through this approach helped inform Board decisions through the year. This was particularly reflected within the priorities the Board set as part of its accelerated growth strategy. For example, the opinions of customers were fed into the priorities for the research and development roadmap, with one such requirement being that the ability to work seamlessly with SQL and Python would provide significant productivity improvements for our customers. We therefore prioritised this development effort as part of the KX Insights platform, releasing this capability during the year and opening up the platform to many more developers. Likewise, we listened to feedback from employees regarding our internal IT systems and invested heavily during the year to implement CRM and sales systems, as well as an ERP system that would simplify many personnel and administrative tasks, as well as in cybersecurity to protect the integrity of our enterprise technology systems. Input of stakeholder views to the Board is provided by a range of means, including detailed reports and presentations from members of the executive team throughout the year, the presence of a designated workforce representative on the Board, and specific briefings on the impact on stakeholders where the Board believes they would be impacted by a decision under consideration.

Shareholders

Reason why we engage: As owners of the Group, the support of shareholders for the long-term strategic plans of the Group is crucial. The Group engages regularly with its shareholders to provide updates on its progress and future plans and to understand the views of shareholders so that the Board can take them into account during its decision-making processes.

Method of engagement: During the past year the CEO, the CFO, the 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 and strategy. While these meetings are regularly scheduled following the publication of interim and full year results, the Group has an investor communication programme that also involves ad hoc meetings and appearances at investor conferences, as well as engaging directly with existing and potential investors.

Key developments during the year: The Group has increased its shareholder dialogue over the past year as a result of the volatility in stock markets generally and the Group's share price in particular and also to provide shareholders with deeper understanding in areas such as the strategic partnership agreement with Microsoft. In addition, the Chairman continued to engage directly with shareholders to understand their views.

Employees

Reason why we engage: Our people are vital to the success of our business and our award-winning recruitment, retention and training programmes are designed to ensure our employees deliver products and services that delight our clients. Our culture is central to this and we are proud of the diverse, inclusive and vibrant team we have built. Our heritage is built on bringing together high-performing talent from across the globe to serve our clients. We understand the value each of our individualities brings, and we will continue to embrace our employees' unique talents to foster a work environment where all of our people feel they belong.

Method of engagement: A workforce engagement Director, Virginia Gambale, is responsible for representing the interests of employees and ensuring that their interests are taken into account by the Board. A key input into our employee engagement strategy is an annual employee engagement survey, facilitated by an independent organisation, which is analysed and shapes our agenda on employee engagement for the subsequent year. The results of our latest survey are detailed in the Corporate responsibility and sustainability section. In addition, we encourage direct interaction between employees and the Board at dedicated "Meet the Board" events which are typically held across our locations to encourage direct dialogue between employees and Directors. During the pandemic, it has not been possible to hold these events and instead we have shared interviews with every Board member to introduce them to employees and enable them to understand the diversity, expertise and experience they bring to the Group.

Key developments during the year: The results of our latest employee engagement survey, detailed within the Corporate responsibility section of this report, show consistent levels of employee participation and improvements across many of the areas we believe are crucial to effect positive change across the Group. The Group has a Survey Actions Working Group that analyses the results and implements change designed to make improvements on the issues that matter most to our employees. For the coming year, our priorities will be performance management, reward and benefits and work/life balance and we remain committed to continually enhancing how and when we communicate. Our employees told us we needed to do more on internal communications and during the year we continued to share weekly emails and video communications from leaders within the business on a range of topics, and ideas on wellbeing and promoting connections across the team. This regular engagement with employees was complemented by our continued programme of townhalls which happened in person and online, where employees could engage, find information and ask questions.

Customers

Reason why we engage: To achieve the Group's growth strategy requires cross and up selling to existing customers as well as attracting new customers to each of its business units. Our engagement with customers and potential customers helps to shape our development strategy and allocation of resources and capital and feedback is reported regularly to the Board.

Method of engagement: The Board is briefed regularly on engagement with customers by the CEO and senior members of the executive team, as well as receiving regular reports on such matters. The Group holds regular customer events, which Directors are able to attend and engage directly with existing and potential customers to understand their concerns. In particular, the technology sub-committee meets with and considers the needs of customers and seeks to ensure that our technology development strategy takes their requirements into account. KX also has a customer success team dedicated to ensuring that our technology delivers the expected benefits and that lessons learned from working with a particular customer are applied across the base.

Key developments during the year: The release of our KX Insights product during the year created multiple interactions, particularly with existing capital markets customers exploring the opportunity to assist their cloud migration strategy on a subscription basis. In First Derivative, a change in our engagement model assisted our efforts to provide more services to existing clients, while in MRP the release of Prelytix v3.0 was the catalyst for deeper conversations with existing and potential customers.

Partners

Reason why we engage: Partners are key to promoting the adoption and use of KX across industries, helping to deliver our growth strategy. KX partners with market leaders and invests in creating deep integration to deliver high-performance, data-driven solutions.

Method of engagement: Given the commercial importance of partner relationships, KX has a dedicated team working to recruit and develop target partners. This team handles the formal accreditation and commercial agreements between KX and the partner and manages the working relationship, working closely with the sales and development teams within KX. We operate a tiered partner programme (Registered, Plus and Premier) with benefits aligned to each.

Key developments during the year: During the year KX signed a strategic partnership agreement with Microsoft that will see KX embedded as a first class service within Azure and will also see KX and Microsoft work together to launch new applications and services for the financial sector. This landmark deal is explained more fully in the Business review. KX also signed partnership agreements with Databricks and Telit.

Communities

Reason why we engage: The Group has a strong focus on how it does business and how we interact with our stakeholders and in particular how we interact with the communities where we live and work. We recognise our responsibility to act as an effective corporate citizen and to provide suitable environments for the wellbeing of employees. We support employee initiatives designed to benefit and support their communities and also provide direct assistance where we believe it appropriate.

Method of engagement: Many of our staff volunteer to support local organisations in their community across a range of charitable pursuits, whether directly in terms of contributing their time and skills or indirectly through fundraising activities. In addition, the Group provides educational and career support aimed at assisting individuals in local communities to enter the technology industry, including initiatives such as work placements and higher level apprenticeships aimed at offering school leavers an alternative to attending university full time, enabling them to undertake an undergraduate degree whilst working and gaining experience across the Group.

Key developments during the year: Community charitable support was at the forefront of our and our employees' initiatives in the past year, in particular poverty and cancer charities as well as supporting the humanitarian crisis in Ukraine. Over the course of the year the Group matched £31,000 of employee charitable giving, while our employees were supported to provide mentoring and careers advice within our communities to advise students on careers in business, finance and technology. The Group and its employees supported local charities both at the global level through NHS charities and the Disasters Emergency Committee and at a local level through charities such as St Vincent De Paul, Ireland, Socks for Souls, Canada, and many others. This year was the first full year in which we operated a Give As You Earn scheme that enabled tax-efficient giving to any UK charity by our UK-based employees.

Other stakeholders

The Group recognises that it plays an important role in relation to many other stakeholders, including suppliers, governmental agencies and the wider public, which 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. The Group regularly interacts with these stakeholders to understand their views and communicate its strategy and policies.

Accelerating value creation

FD Technologies comprises KX, which operates at the frontier of real-time data analytics; First Derivative, which provides business and software engineering solutions for capital markets; and MRP, which uses KX to deliver predictive analytics for enterprise demand generation.

During the financial year the Group delivered on its accelerated growth strategy, making the investments in KX in R&D and go-to-market capability while also investing in operations to enable the Group to scale its growth. All the Group's business units performed strongly , with KX delivering 25% growth in exit ARR, First Derivative reporting a 24% increase in revenue and MRP achieving 18% growth in platform revenue at constant currency.

The investment and business unit performance resulted in the Group achieving its revenue and adjusted EBITDA guidance for the year. Revenue increased by 11% to £264m, slightly ahead of expectations. The underlying performance was even stronger following the planned reduction in KX perpetual license and software implementation revenue as we target growth in annual recurring revenue. Adjusted EBITDA was £31m, down 23% as a result of the investment to deliver our accelerated growth strategy and in line with our guidance in the half year report.

The work completed across our business units and at the Group level leaves us well positioned to accelerate our growth in the years ahead in addressable markets which are significant and where we have a strong customer proposition.

KX – at the frontier of real-time data analytics

KX is the leading technology for real-time decision intelligence, uniquely combining time-series data with historical context to enable in-the-moment decision making at scale. Deployable on-premise, in the cloud or at the edge, KX is widely adopted in financial services and is ideally suited to data-intensive areas including manufacturing, automotive, energy and telecommunications.

KX addresses a large and high-growth opportunity as organisations evolve their decision-making processes to drive value from their real-time data assets. According to McKinsey, in its report The Data-driven Enterprise of 2025, currently only a fraction of data from connected devices is ingested, processed, queried and analysed in real time due to the limits of legacy technology structures, the challenges of adopting more modern architectural elements, and the high computational demands of intensive, real-time processing. By 2025, McKinsey believes that reductions in cloud computing costs and advances in technology will result in the creation of vast networks of real-time data and insights.

IDC forecasts that by 2025, 30% of global data will be real-time with 49% stored and managed in the public cloud. This deluge of real-time data is driving demand for real-time analytics technologies and according to research firm MarketsandMarkets, the real-time analytics market is expected to grow from US$ 15.4 billion in 2021 to US$50.1 billion by 2026, at a CAGR of 26.5%.

KX, as the world's most integrated real-time analytics and data management platform, is well placed to benefit from these trends. Forrester, in a recent total economic impact assessment, reported that KX delivered a typical 315% return on investment over three years, with payback in less than six months, underlining the value achievable from real-time decision making. During the year the strengths of KX were also recognised for the first time by leading industry analysts including Gartner in their report on the streaming analytics market.

The growing market opportunities drove the decision in May 2021 to accelerate growth in KX by investing in R&D, go-to-market and operations. This investment was successfully delivered during the year, as evidenced by the launch of the cloud-native KX Insights platform, the increasing ease-of-use and interoperability of KX, the investment in sales and marketing spend which contributed to a 148% increase in subscription deals, and the improved visibility provided by enterprise sales and marketing systems implemented during the year.

Microsoft strategic partnership agreement

These positive developments put us in a strong position to capitalise on our significant market opportunity, as evidenced by the signing of a strategic partnership agreement with Microsoft that positions KX Insights as the premier real-time analytics technology on Azure.

The landmark agreement has two parts – firstly, KX Insights will be natively integrated on Azure so that it will appear as a Microsoft application and will be tightly integrated within its intelligent cloud ecosystem. Azure customers will be able to use their existing Microsoft commitment to consume KX Insights and the Azure salesforce will be incentivised to sell KX Insights. KX will be one of only a small number of software vendors to be natively integrated within Azure in this way.

Secondly, KX and Microsoft will jointly develop applications and services for the financial services sector, utilising the KX Insights platform for delivery. This will support existing and potential financial services customers with their cloud migration strategies.

These agreements represent a validation from Microsoft of the market-leading capabilities of the KX Insights platform, while KX chose Microsoft as a strategic partner due to its customer reach

Industry case study

KX in the driving seat: BWT Alpine F1 Team drives decision intelligence at 230mph with KX

In an industry and competition that is all about speed, real-time data is invaluable to Formula One teams as they seek to discover even the slightest performance differentiators for an edge over their competitors – and these are often found in milliseconds. BWT Alpine F1 Team has selected KX as its Official Supplier of Data Analytics Solutions based on its performance, efficiency, agility and proven track record in some of the most demanding data environments. KX seamlessly complements the team's existing technology stack and partner community, running on Microsoft Azure to deliver real-time data, on-demand, for processing, simulation, race strategies and live telemetry. From the wind-tunnel to the racetrack, KX enables critical decisions to be made in-the-moment, enhancing everything from design and testing to in-race performance.

"We burst a lot of data – billions of data points. We have hundreds of Sensors in the cars and two cars active at the same time. That's a real challenge to manage all that data. To capture it, to store it and give immediate access to the engineers. KX enables us to capture the data in a very fast way and show it to the users in the way they want including web dashboards and through their favourite data analysis tools."

Sergio Rodriguez
BWT Alpine F1 Team Data Science & Engineering Manager

(95% of the Fortune 500 are Azure customers) and the commitment Microsoft displayed to the partnership during the detailed commercial and technical discussions. General public availability of services under both agreements is anticipated in H1 calendar 2023, with considerable customer interest already expressed during the market testing phase.

Operational and commercial progress

During the year KX made good operational progress, benefiting from additional spend in sales and marketing and R&D. These investments enabled KX to capitalise on the growing market opportunities and accelerate its growth during the year, as we focused on growing annual recurring revenue through subscription deals.

We adopted a "land and expand" approach under which we expect the value of subscription deals to grow over time as customers increase their use of KX, given the high return on investment it delivers. We also successfully targeted upselling to existing customers as we make KX easier to adopt and use. Key to our approach was accelerating the time to value for our customers, by solving our customers' most pressing challenges and demonstrating the ROI of our technology.

Research and development

Our technology development priorities are aligned to our strategic objective to increase KX recurring revenue, by prioritising ease of adoption and use, interoperability with other technologies and integration with partners, particularly hyperscale cloud providers. In particular, we:

- Launched our cloud-native platform KX Insights, leveraging the benefits of cloud architecture to deliver rapid, scalable insights without the burden of managing infrastructure or the need to optimise for different cloud environments. Built on open standards such as Docker and Kubernetes and using a microservices-based architecture enables streamlined delivery and faster development, resulting in faster time to value for our customers.
- Made the power of KX accessible and easy to use by a broad range of developers, including Python and SQL, through native integration without degradation of performance, opening up a range of new opportunities within existing and new customers.
- Worked closely with partners, including Microsoft and Telit, to integrate our technologies and embed KX as a key component in the analytics ecosystem.

Business review continued

Operational and commercial progress continued

Research and development continued

Our technology priorities of increasing adoption by promoting ease of use and interoperability remain unchanged. In the current year our focus will be on delivering industry accelerators that enable the adoption of KX across our target markets, further enhancements to KX Insights to promote ease-of-use, and integration with Microsoft Azure ahead of general availability of KX Insights on Azure and applications and services for the financial services market.

Go-to-market

In line with our accelerated growth strategy we increased our investment in go-to-market significantly during the year. We also delivered systems and process improvements and adjusted our marketing propositions and sales commission structure, such that we now have a good understanding of the most effective methods to grow sales and increase our annual recurring revenue.

With our investment in go-to-market during the year, including new CRM systems in place to support pipeline qualification and development, together with compelling marketing messages around the value provided by KX, we are in a good position to deliver on the market opportunity.

Commercial progress

We achieved our key target of a 25% increase in exit ARR during the year, driven by growth in both existing and new customers and across both financial services and industry.

We signed 127 new deals during the year (2021: 77), of which 99 (2021: 40) were subscription deals as we transitioned away from perpetual license deals, in line with our strategy of focusing on ARR growth. We sell to new customers only on a subscription basis, and as a result we expect to see perpetual license revenue progressively decline.

Of our subscription deals, 30% by volume and 40% by value were in industry, highlighting the progress we are making in entering new markets. We are also growing our customer base, signing 26 new customers on subscription deals, of which 55% by value were from industry customers. Each of these new customers has significant expansion potential.

Key deals during the year included:

- Providing a major telecommunications network with real-time network orchestration capability to improve network performance, increase customer satisfaction and deliver better spectrum utilisation.
- Consolidated high performance analytics and back-testing platform for all asset classes for a major sovereign wealth fund;
- A contract with a global automotive manufacturer for wind-tunnel analytics, with potential to extend further across its wind tunnel facilities and deeper into its operations;
- A significant contract with a major pharmaceutical company to use KX Insights as the data management and analytics platform for all clinical trial and patient data;
- A contract to provide a hosted service for a major cryptocurrency analytics platform, delivering real-time data management to support retail and institutional investors with benefits including stability, scalability and predictive analytics; and
- deployment of KX to power a major healthcare manufacturing facility, providing a complete analytics system capturing sensor data from multiple sources to improve the efficiency of the facility. The initial deal, signed during H1, was for a single factory and we expect to close the next phase of roll out during the current year.

Infrastructure investment

Our accelerated growth strategy was supported during the year by investment to enable us to scale our operations. This included the implementation of CRM systems that are already delivering value, while we are in the process of implementing Oracle Cloud Fusion as the Group enterprise resource planning system. We also added resources across the business to support our growth ambitions.

First Derivative – business and software engineering solutions for capital markets

First Derivative delivered revenue growth of 24%, ahead of expectations and representing its strongest growth rate since 2016. This performance resulted from a range of measures taken to maximise the value First Derivative generates from its expertise, delivered into a solid market environment. In particular, improvements to our operating model saw more emphasis on the digital change market with new initiatives in cloud, data analytics and software development.

First Derivative has a very large addressable market, with Gartner forecasting that by 2025 investment banks will spend $761 billion on technology services, representing annual growth of 6.5%. Of this we estimate more than $200 billion is addressable by First Derivative. We work with all the top 20 global investment banks and our focus during the year has been on delivering more for them, which in some cases has resulted in a doubling of their spend with us.

We deliver our services through business practices focused on our core competencies of expertise in the technologies used within capital markets and deep domain expertise. Our reputation for delivery excellence is key to our growth, with significant expansion potential in our customer base. Demand was solid throughout the year, driven by change programmes, regulatory and compliance work and managed services.

An example of First Derivative in action was the delivery during the year of a cloud migration project for a tier 1 bank's critical risk management function. Working with Google Cloud platform, the team built a highly scalable, fault tolerant solution with much lower running costs and significant technical benefits for the bank including scalability and improved data access. The project took a year to complete from the discovery phase to successful go-live.

We increased our leadership and go-to-market spend to drive future growth and evolved our go-to-market and account management strategy to ensure we maximise the value of our expertise. We have evolved the way in which we engage with clients, resulting in a more sophisticated model that focuses on project outcomes rather than resources. This approach helped to deliver improved gross margins for the year, despite the additional leadership and sales and marketing spend.

To meet customer demand, we hired record employee numbers during the year, with the change in our engagement model resulting in the number of experienced hires exceeding graduate recruitment. Our recruitment and training programmes continue to be competitive differentiators and enable us to respond effectively to demand trends. Attrition levels as we exited lockdown were at the high end of our typical range, while wage inflation is also a factor but is mitigated through pricing and the more efficient delivery structures referenced above. We are experiencing continued strong demand and anticipate another year of good growth in First Derivative, as well as continued margin improvement.

MRP – predictive analytics for enterprise demand generation

MRP provides global sales and marketing leaders with an account-based marketing platform (Prelytix), powered by KX, and supporting products and services that deliver high response rates and pipeline conversion. Tracking more than 1.5 billion intent signals per day, MRP enables customers to identify and engage targets earlier and more effectively. Its global presence is a further differentiator, resulting in Forrester naming it as a leader in ABM in its Q1 2022 report on the sector.

MRP delivered good growth during the year, up 16% to £51.1m, with margin improvement.

Customer contracts signed included:

- A global enterprise communications company contracted with MRP to develop a data-led omnichannel engagement strategy. Using Prelytix enabled them to expand their marketing programmes and deliver a near 500% increase in pipeline conversion;
- A US-based fibre network provider using Prelytix to provide business-critical account insights within a highly complex environment that requires sophisticated, location-based sales and marketing strategies, delivering a predictable qualified pipeline; and
- A multi-year contract to build and manage a global demand generation engine for a financial software provider across its target markets. From MRP Prelytix platform insights to a suite of engagement channels, our approach consistently increases the brand's footprint, account penetration and overall pipeline revenue.

A major milestone was the launch in H2 of the financial year of Prelytix 3.0, which has enhanced self-service capabilities that enable customers to drive greater value from the platform without the need for services support, as well as AI capabilities to increase the customer's return on investment. Our initial focus has been transitioning our existing customer base to the new platform, and during the current financial year we anticipate our focus shifting to growth in new customers. This provides confidence in the growth outlook for MRP for FY23.

People

The Group currently employs more than 3,000 people, up from more than 2,500 at the same time last year. The increase was driven by the growth across the Group, particularly at First Derivative, and delivered by sustained recruitment campaigns through the year. Our employee policies are aimed at making FD Technologies an employer of choice within technology to support the growth opportunities across the Group.

Engaging with our employees has become even more important post pandemic as we seek to navigate more flexible approaches to work, ensuring we continue to deliver for our customers and collaborate effectively. Our annual engagement survey shows that 80% of our employees feel engaged, which we believe is an industry-leading figure that positively impacts productivity, customer service and retention rates. We have also introduced additional inclusion and diversity initiatives and programmes that are helping us to retain and develop our employees and invested in learning and development through the year to support career development across the Group.

Across the Group the delivery of our growth and our accelerated growth strategy has required the commitment and dedication of all employees and the Board would like to thank them for their contribution.

Summary and outlook

We successfully delivered a year of transformation across the business in line with our accelerated growth strategy, hitting our key targets and positioning ourselves for future growth. The market opportunities across our business units are exciting, particularly in KX where our KX Insights platform is driving an acceleration of growth in annual recurring revenue.

For FY23, we expect KX to generate growth in ARR in the range 35-40%, while in First Derivative and MRP we expect double digit revenue growth and continued margin improvement. At the Group level, our guidance is for revenue in the range of £290m to £300m and adjusted EBITDA in the range £36.5m to £38.5m.

Financial review

Revenue and margins

The table below shows the breakdown of Group performance by business unit for each of KX, First Derivative and MRP.

	FY22				FY21				
	Group £m	KX £m	First Derivative £m	MRP £m	Group £m	KX £m	First Derivative £m	MRP £m	Group change
Revenue	263.5	64.4	148.0	51.1	237.9	74.3	119.4	44.2	11%
Cost of sales	(157.3)	(19.9)	(108.6)	(28.8)	(136.9)	(20.5)	(90.3)	(26.1)	15%
Gross profit	106.1	44.5	39.4	22.2	101.0	53.8	29.1	18.0	5%
Gross margin	40%	69%	27%	44%	42%	72%	24%	41%	
R&D expenditure	(21.1)	(18.6)	(0.2)	(2.3)	(15.9)	(13.9)	(0.1)	(1.9)	32%
R&D capitalised	18.6	16.1	0.2	2.3	13.4	11.5	0.1	1.8	38%
Net R&D	(2.6)	(2.6)	0.0	0.0	(2.6)	(2.4)	0.0	(0.1)	1%
Sales and marketing costs	(47.4)	(23.6)	(14.5)	(9.3)	(39.3)	(20.6)	(10.8)	(7.9)	21%
Adjusted admin expenses	(25.2)	(8.6)	(10.9)	(5.7)	(18.7)	(6.6)	(7.8)	(4.3)	35%
Adjusted EBITDA	31.0	9.8	14.0	7.3	40.5	24.3	10.5	5.7	(23%)
Adjusted EBITDA margin	12%	15%	9%	14%	17%	33%	9%	13%	

The financial performance for the year reflected the successful implementation of the Group's accelerated growth strategy, with investment in R&D, sales and marketing and operations enabling higher growth during the year and setting KX on the path to becoming the market-leading technology for real-time streaming analytics. The change in Group structure to comprise three business units – KX, First Derivative and MRP – was designed to enable each to communicate its distinct value proposition and maximise its growth opportunity, and the results in FY22 show that strategy is delivering the benefits anticipated.

Group revenue increased by 11% to £263.5m (2021: £237.9m), driven by growth in First Derivative and MRP balanced by lower professional services and perpetual license revenue in KX, in line with our stated strategy to focus on growth in ARR. Group gross profit increased by 5% to £106.1m, reflecting improved margin performance in First Derivative and MRP, while in KX the reduction in high-margin perpetual license revenue in line with our strategy resulted in gross margin of 69% (2021: 72%).

The Group's accelerated growth strategy resulted in increased expenditure on R&D (£5.2m), sales and marketing (£8.1m) and operational costs to scale the business (£6.5m). These investments for growth enabled our business units to achieve their targets for the year, particularly KX where exit ARR grew by 25%. The impact of the investment and the focus on ARR resulted in EBITDA falling by 23% to £31.0m, in line with our guidance.

KX

	KX total			Financial services			Industry		
	FY22 £m	FY21 £m	Change	FY22 £m	FY21 £m	Change	FY22 £m	FY21 £m	Change
Revenue	64.4	74.3	(13%)	55.4	65.3	(15%)	9.1	9.0	0%
Perpetual	3.6	10.7	(66%)	1.8	7.9	(77%)	1.8	2.8	(36%)
Recurring	39.2	37.7	4%	35.5	35.0	1%	3.7	2.7	37%
Total licenses	42.8	48.4	(12%)	37.4	43.0	(13%)	5.4	5.4	0%
Services	21.6	25.9	(17%)	18.0	22.3	(19%)	3.6	3.6	0%
Gross profit	44.5	53.8	(17%)						
Adjusted EBITDA	9.8	24.3	(60%)						

FY22 was a transformational year for KX as it invested to accelerate growth in ARR while phasing out perpetual license sales and focusing on delivering customer value, resulting in faster implementations and therefore lower services revenue. This strategy resulted in a decrease of 13% in KX revenue to £64.4m, although recurring revenue increased by 4% to £39.2m and now represents 61% of KX revenue (2021: 51%).

Our Industry sector performed strongly during the year, with recurring revenue up by 37% led by deals across industries such as pharma, telecommunications, manufacturing and automotive. Financial services revenue declined principally as a result of the reduction in perpetual license and professional services revenue set out above. Gross profit decreased by £9.3m (17%), principally due to the £7.1m reduction in high margin perpetual license revenue and £4.3m decrease in services revenue, while adjusted EBITDA fell by £14.5m (60%) principally as a result of the decline in gross profit and increase in sales and marketing cost, in line with our growth acceleration strategy.

Performance metrics	FY22	FY21	Change
Exit annual recurring revenue (ARR) £m	47.0	37.6	25%
Net revenue retention (NRR)	106%	99%	
Gross profit margin	69%	72%	
R&D expenditure as % of revenue	29%	19%	
Sales and marketing spend as % of revenue	37%	28%	
Adjusted EBITDA margin	15%	33%	

KX achieved its target of 25% growth in exit ARR to £47m. The Net Revenue Retention rate of 106% is ahead of the 99% recorded for 2021 and tracking towards our mid-term goal of more than 120%. Churn remains minimal and we are confident that our strategy of targeting expansion within new customers will enable us to achieve this goal.

First Derivative

	FY22 £m	FY21 £m	Change
Revenue	148.0	119.4	24%
Gross profit	39.4	29.1	35%
Adjusted EBITDA	14.0	10.5	33%

Revenue growth in the year was ahead of expectations at 24%, reflecting a solid demand environment and improvements to our delivery model, as outlined in the Business review. This is enabling us to achieve greater value for our expertise and domain knowledge, which resulted in improved margins despite the impact of wage inflation and attrition during the year. Growth was delivered from a combination of doing more for existing clients and also winning new contracts, including the renewal of a large managed services contract for a further five years with an increased scope and assisting with the strategic reorganisation of one of our customers. It remains the case that most of our engagements are long-term in nature.

There is considerable opportunity for First Derivative to build on its existing customer relationships and to increase its share of the market for digital change, and we continue to believe it can deliver double digit revenue growth while growing its gross margin.

Performance metrics	FY22	FY21
Gross profit margin	27%	24%
Adjusted EBITDA margin	9%	9%

Gross margins increased to 27% from 24% reflecting a combination of improved utilisation resulting from the changes to our delivery model, while adjusted EBITDA margin was maintained at 9% following investment in our sales and leadership capability to drive our longer-term growth.

Financial review continued

Revenue and margins continued

MRP

	FY22 £m	FY21 £m	Change
Revenue	51.1	44.2	16%
Platform	27.0	24.2	11%
Services	24.0	19.9	21%
Gross profit	22.2	18.0	23%
Adjusted EBITDA	7.3	5.7	27%

MRP targets growth in platform revenue, from a combination of subscriptions to the Prelytix platform and data-driven engagement between our customers and their prospects. Our services revenue is derived from enabling customers to engage with prospective customers and to progress them through their sales funnel.

MRP reported a strong performance in the year, with platform revenue increasing by 11% to £27.0m (18% at constant currency, just short of our target of 20% growth). The launch during H2 of Prelytix 3.0, containing increased AI and self-service capabilities, provides confidence in another period of good growth for platform revenue during FY23.

Performance metrics	FY22	FY21
Platform revenue £m	27.0	24.2
Gross profit margin	44%	41%
Adjusted EBITDA margin	14%	13%

MRP achieved its target of increasing its gross margin, up from 41% to 44% as a result of improved utilisation of its services, which also helped to increase adjusted EBITDA margin to 14%. MRP continues to target revenue and margin growth as it executes on its market opportunity.

Adjusted EBITDA

The reconciliation of operating profit to adjusted EBITDA is provided below:

	FY22 £m	FY21 £m
Operating profit	6.4	17.0
Acquisition and non-operational costs	3.1	1.3
Non-Operational Other Income	(2.5)	–
IT Systems implementation costs expensed*	2.3	–
Share based payment and related costs	1.7	2.4
Depreciation and amortisation	20.1	19.8
Adjusted EBITDA	31.0	40.5

* IT Systems implementation costs expensed represents ERP and CRM implementation costs following the IFRIC update on accounting for cloud implementation costs.

Profit before tax

Adjusted profit before tax decreased by 46% to £11.0m (2021: £20.2m). The principal cause was adjusted EBITDA being £9.5m lower than 2021 as a result of the investment made during the year to accelerate growth and the planned reduction in perpetual license revenue. Increased amortisation costs relating to investment in R&D were more than offset by a reduction in financing costs as our gross debt position improves, resulting in adjusted profit before tax falling by £9.2m.

Reported profit before tax was down 19% on 2021 to £9.0m. The major factors here were an increase in acquisition and non-operational related costs, mainly due to costs associated with the ERP programme being expensed as incurred and corporate finance activity, balanced by a lower impact from foreign currency translation and a profit on the disposal of associate RXDataScience Inc, during the year.

The reconciliation of adjusted EBITDA to reported profit before tax is provided below.

	FY22 £m	FY21 £m
Adjusted EBITDA	**31.0**	40.5
Adjustments for:		
Depreciation and amortisation	(6.8)	(6.9)
Amortisation of software development costs	(10.2)	(9.3)
Financing costs	(3.0)	(4.2)
Adjusted profit before tax	11.0	20.2
Adjustments for:		
Amortisation of acquired intangibles	(3.1)	(3.6)
Share based payment and related costs	(1.7)	(2.4)
Acquisition and non-operational costs	(3.1)	(1.3)
Non-Operational Other Income	2.5	–
IT Systems implementation costs expensed*	(2.3)	–
Loss on foreign currency translation	(1.8)	(3.2)
Share of profit/(loss) of associate	0.3	(0.1)
Gain on disposal of associate	6.9	–
Finance income	0.2	1.6
Reported profit before tax	**9.0**	11.1

* IT Systems implementation costs expensed represents ERP and CRM implementation costs following the IFRIC update on accounting for cloud implementation costs.

Earnings per share

On a reported basis, the Group recorded a profit of £6.4m after tax, compared to £9.0m in the prior year, for the reasons stated above as well as a higher tax charge of £2.6m (2021: £2.1m). Reported diluted earnings per share was 22.9p (2021: 32.0p), adjusted diluted earnings per share was 32.3p (2021: 59.0p).

The adjusted profit after tax for the year of £9.1m (2021: £16.6m) represented a decrease of 45%. The calculation of adjusted profit after tax is detailed below:

	FY22 £m	FY21 £m
Reported profit after tax	6.4	9.0
Adjustments from profit before tax (as per the table above)	2.1	9.0
Tax effect of adjustments	(1.3)	(1.4)
Discrete tax items	1.9	–
Adjusted profit after tax	9.1	16.6
Weighted average number of ordinary shares (diluted)	28.0m	28.1m
Reported EPS (fully diluted)	22.9p	32.0p
Adjusted EPS (fully diluted)	32.3p	59.0p

Balance sheet

Total assets increased by £2.1m to £352.1m (2021: £350.0m), driven by increases in intangible assets of £8.1m to £155.6m (2021: £147.5m), as the Group capitalises internal software development costs in accordance with IFRS Accounting Standards and the deferred tax asset of £3.3m to £18.0m (2021: £14.7m). These were partially offset by cash and cash equivalents decreasing by £6.6m to £48.6m (2021: £55.2m) due to repayment of borrowings . As a result, loans and borrowings fell to £71.6m (2021: £92.8m), of which £48.2m related to bank loans (2021: £65.1m) and the remainder to lease liabilities. Total liabilities decreased by £7.7m to £159.6m (2021: £167.3m) primarily due to the reduction in loans and borrowings.

Financial review continued

Cash generation and net debt

The Group generated £28.9m of cash from operating activities before taxes paid (2021: £46.7m) representing 93% conversion of adjusted EBITDA. We continued to focus on cash collection, which resulted in a conversion rate ahead of our target of 80-85% of adjusted EBITDA.

At the year end, the Group had returned to net cash of £0.3m (2021: net debt £9.9m), excluding lease liabilities. The factors impacting the movement in net debt are summarised in the table below:

	FY22 £m	FY21 £m
Opening net debt (excluding lease liabilities)	(9.9)	(49.4)
Cash generated from operating activities	28.9	46.7
Taxes paid	(0.4)	(1.3)
Capital expenditure: property, plant and equipment	(2.8)	(1.5)
Proceeds from sale of property, plant and equipment	0.9	–
Capital expenditure: intangible assets	(18.9)	(13.8)
Disposal of associate	11.0	–
Investment movements	0.1	11.3
Issue of new shares	0.8	8.3
Interest, foreign exchange and other	(9.3)	(10.3)
Closing net cash/(debt) (excluding lease liabilities)	0.3	(9.9)

During the year the Group sold its stake in associate RxDataScience Inc for proceeds of £11m, recording a gain of £6.9m. The investment in RxDataScience Inc occurred as part of the Group's strategy of assisting companies that were adopting KX in new and innovative ways. This programme has been de-emphasised in recent years and the Group has instead focused its efforts on signing partnership agreements. During the year another of the Group's investments, Quantile Technologies, was conditionally acquired by the London Stock Exchange. On completion the Group expects to receive net proceeds of approximately £8.6m. In addition there are potential deferred consideration payments for both RxDataScience Inc and Quantile Technologies dependent on future performance.

Definition of terms

The Group uses the following definitions for its key metrics:

- **Exit annual recurring revenue (ARR)**: is the value at the end of the accounting period of the software and subscription recurring revenue to be recognised over the proceeding twelve months.
- **Net revenue retention rate (NRR):** is based on the actual revenues in the quarter annualised forward to twelve months and compared to the annualised revenue from the four-quarters prior. The customer cohort is comprised of customers in the quarter that have generated revenue in the prior four-quarters.
- **Adjusted admin expenses:** is a measure used in internal management reporting which comprises administrative expenses per the statement of comprehensive income of £51.9m (2021: £42.0m) adjusted for depreciation and amortisation of £20.1m (2021: £19.8m), share based payments and related costs of £1.7m (2021: £2.4m), acquisition and non-operational costs of £3.1m (2021: £1.3m), IT Systems implementation costs expensed £2.3m (2021: nil), and Other £(0.5)m (2021: £(0.2)m).

Driving value through the management of risk

To successfully deliver the Group's strategy requires effective management of the level and nature of risk the Board is willing to accept. During the year a comprehensive review, led by the Audit and Risk Committee, was conducted of the Group's enterprise risk management (ERM) approach, leading to a further strengthening of the Group's strategy and policies.

ERM strategy

The objective of the Group's ERM strategy is to ensure that risk is managed within risk appetite and stays within risk appetite over the medium to long term of the planning horizon. The ERM strategy should be consistent with the Group's enterprise risk appetite and its business strategy and reflect and influence how the Group's risk profile develops from year to year. It should be used as an input into the business strategy and a key reference for other strategic business decisions.

The ERM strategy seeks to deploy controls in the form of mitigants that reduce the impact or likelihood of risk, and contingency plans and management actions that reduce the impact of risk. The Group's ERM architecture comprises a framework and policies for both risk management and risk appetite, which are reviewed at least annually. The framework is applied on an enterprise-wide basis and consists of a number of key elements including risk governance, risk culture, risk appetite and risk management tools.

How FD Technologies manages risk

Risk appetite

The purpose of the Enterprise Risk Appetite Framework (RAF) is to set out the overall approach by which the Group's enterprise risk appetite is established, communicated and monitored. The Enterprise Risk Appetite Statement (RAS) is a core component of the RAF. The RAS expresses the level and nature of risk the Group is willing to accept in achieving its strategic objectives. The RAS is used to guide strategy execution, day-to-day operations, decision making and business planning processes and acts as an early warning tool through the regular reporting of changes in key business risks to the Board, Board Committees and senior management. It is also used to articulate the risk profile of the Group to internal and external stakeholders.

The RAF (including the RAS) is reviewed and approved at least annually by the FDT Board, on the recommendation of the Audit and Risk Committee, with periodic review of the RAF occurring in the event of changes to FDT's activities or operating environment. It is prepared by the Central Risk function, with feed-in from relevant risk owners, reviewed by the Executive Committee and reviewed and approved by the Board.

Risk management

The ERM process aims to ensure that all material risks to which the Group is exposed are identified and understood, with appropriate mechanisms implemented to ensure monitoring and reporting is fit for purpose. The enterprise-wide approach includes:

1 Risk identification

First line is responsible for co-ordinating the identification, monitoring, mitigation and reporting of risks at their respective functional levels. Second line provide best practice insights and support first line in managing risk.

2 Risk assessment

FDT adopts a qualitative and quantitative approach to measuring and scoring risks using a Group Risk Matrix. The likelihood/probability and impact Risk Matrix is applied to arrive at the inherent risk. Once controls are applied, the likelihood/probability and impact Risk Matrix is again applied, taking into account the overall effectiveness of the controls in arriving at the residual risk.

The first line identifies and assesses risks in their relevant business/functional area while the second line reviews and challenges.

3 Risk mitigation

Risk Mitigation strategies have been developed and implemented for all significant and/or material risks to which the Group has identified it is, or may be, exposed. These strategies may include financial reserves, risk management through the use of robust controls, risk mitigation techniques including risk transfer and lastly risk acceptance.

4 Risk monitoring and reporting

The Internal Audit Function tests the design and adequacy of key controls and any incidents reported result in a re-assessment of risks and controls. The Group maintains up to date information on its main risks and controls which the Board and Executive Committee review and agree on a regular basis. Appropriate reporting procedures and feedback loops ensure that information on the Enterprise Risk Management System is actively monitored and managed by all relevant personnel, the Executive Committee, the Audit and Risk Committee and the Board.

Principal risks and uncertainties continued

FD Technologies employs a three lines model to manage risk

The Group uses the "three lines model" to structure roles, responsibilities and accountabilities for risk and control activity, including risk governance and risk based decision-making. The model distinguishes between:

- **Oversight:** The Board and the Audit and Risk Committee are the primary stakeholders served by the "three lines model". They are the parties that ensure the three lines are reflected in the Group's enterprise risk management and control processes.
- **First line:** Responsible for identifying, managing and owning risks. First line refers to all of the business functions which carry out the day-to-day operations of the Group and whose activities require personnel to operate in accordance with and adhere to the required risk policies and frameworks.
- **Second line ("Central Risk function"):** Develops, maintains and ensures implementation of control policies and frameworks across the Group along with monitoring, advising, challenging and supporting front line business units (i.e. the First line).
- **Third line ("Internal audit"):** Provides the Board and management with independent, objective assurance that the policies and frameworks in place are appropriate, proportionate and adequately adhered to across the Group in the First and Second lines.

Reporting

An Enterprise Risk Management Report is submitted to the Audit and Risk Committee. The report includes information on the level of risk in the business with particular emphasis on risk compared to Enterprise Risk Appetite.

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, which places huge importance on the recruitment, development and retention of key staff. It is also important to align the current and future resourcing levels and capabilities with the changing needs of the business and our customers. The success of the Group is built upon effective teams that consistently deliver superior performance. If the Group cannot attract, retain or develop suitably qualified, experienced and motivated employees, this could have an impact on business performance. **Change over prior year** Unchanged	The long-term performance of the Group would be adversely affected if we fail to attract, develop and retain staff in a highly competitive labour environment and if the required staffing levels of sufficient calibre are not achieved and sustained. There is the potential to impact the achievement of the Group's strategic objectives in the event that the current and future resourcing levels and capabilities are not aligned with the needs of our customers. There is also the potential for short-term revenue impact if staffing levels fall below the level required to service customer demand.	The Group maintains a constant focus on this area with competitive remuneration packages and a strong commitment to training and career development. The Group has structured succession plans in place. Our policies and procedures are reviewed and regularly updated by Group Human Resources, Divisional Leads and the Executive Team. The Group also has systems in place to accurately forecast demand requirements including the level of recruitment and the types of skills/expertise required to meet client requirements. Should a mismatch occur, the Group has contingency plans in place that would cover the period until sufficiently skilled additional staff can be recruited and trained.
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. This could result in the enforced outage of critical IT systems arising from non-malicious infrastructure failures or successful cyber attacks and/or significant data leakage. **Change over prior year** Increased	This risk has implications in terms of potential litigation and regulatory actions as well as commercial implications including loss of customer confidence, reputational damage, contractual impact and negative publicity.	As a provider of software to leading financial services organisations around the world, the Group 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 Group recently secured CyberEssentials Plus accreditation. Material investment has been undertaken in upgrading the security infrastructure of the Group as detailed in the report of the Audit and Risk Committee.
Changing market dynamics External factors, outside the direct influence of the Group, including economic cycles and market trends, could significantly impact on performance in a competitive and cyclical market environment. These factors could also impact the suitability of our products, services and solutions to meet current and future client requirements. This makes it more difficult to forecast future demand from clients. **Change over prior year** Unchanged	The Group's resourcing decisions could lead to excess staff levels reducing profitability in the short term, or underinvestment in our products, services and solutions, leading to missed commercial opportunities and/or client dissatisfaction. This may result in a weakening of our market position. Demand for our services could decrease and consequently, revenues decline in the event of a global economic downturn or political unrest.	The Group addresses the impact of these external factors through a focus on strong financial management, a broad spread of products and customers across the divisions, regular reviews of our products and services, and careful geographic expansion. In addition, the Group's careful and select expansion into new industries reduces our exposure to sector-specific impacts.

Principal risks and uncertainties continued

Risk	Potential impact	Mitigation
Intellectual property infringement The Group's intellectual property (IP) is centred around the software and services it develops for customers. The Group has to manage the risk of infringing a third party's intellectual property rights in the development of its software and services. If this risk is not managed effectively, it could result in a violation or breach of protected intellectual property. **Change over prior year** Unchanged	This risk has implications in terms of potential litigation and regulatory actions as well as commercial implications resulting from loss of customer confidence and negative publicity.	The Group has policies and procedures in place to protect against the risk of Intellectual Property infringement. These policies and procedures are reviewed on a periodic basis by Senior Management. The Group enters into formal non-disclosure agreements with employees, independent contractors and third parties in the ordinary course of its business. Staff are made aware of the importance of client confidentiality and the requirements in this area. The Group actively monitors the use of third-party software in its product offerings. The choice of third-party components is subject to technical review and assessment at design stage. Employment and consultancy contracts have clauses to protect intellectual property rights and these are regularly reviewed with external counsel to ensure that they are suitable.
Technology changes Technological advancements in the software industry, which are constantly evolving and ever changing, could result in increased competition or potential obsolescence of our current products. **Change over prior year** Unchanged	In order to remain competitive, it is essential that the Group's products, services, technology and solutions are up to date and our development plans are flexible. This risk has implications in terms of the ability of our products, services, technology and solutions to address current and future customer requirements.	The Group makes significant ongoing investments in technological research and development to proactively develop new and enhanced capabilities within our software offerings. This allows for the identification of, and adaptation to, any technological changes that occur externally, thereby ensuring that the Group's products continue to meet our clients' requirements and our technology and information systems meet our requirements. Our product teams meet with actual and prospective clients to consider product roadmap developments whilst the KX user community provides similarly feedback. In addition to our central Research and Development team, the Group constantly evaluates technology trends and new software product opportunities. A technology sub-committee, comprised of Non-Executive Directors and executive management, exists to address this risk, as well as emerging opportunities to ensure our technology maintains its leadership position.
International operations The Group operates across multiple countries and continents; consequently there is a risk that an interruption of international trade could materially disrupt the strategic operations of the Group. **Change over prior year** Unchanged	Interruptions in international operations could prevent the Group from operating in certain jurisdictions and/or prevent migration of talent from one jurisdiction to another, and therefore adversely affect the Group in meeting its strategic objectives. Failure to address and monitor these risks could impact the financial performance of the Group.	The Group has policies and procedures in place to constantly monitor international relations, macroeconomics, geopolitical events and global trends in all of the jurisdictions in which it operates. The Group is confident that it has the foresight and flexibility in its operations to mitigate the impact of any potentially negative consequences stemming from international operations. The impact of the Ukraine situation is being carefully monitored for its impact on our clients, suppliers and employees and appropriate diligence is being undertaken to ensure compliance with sanctions as they apply.

Risk	Potential impact	Mitigation
Management of growth As the Group continues to experience strong growth, there is a risk that if this growth accelerates exponentially (without being controlled and managed effectively), the Group may not be in a position to maintain the high standards of customer service that our customers are accustomed to. **Change over prior year** Unchanged	If the correct level of investment in people and technology is not maintained it is possible that the quality of the Group's service offering will drop and/or cost control and operational effectiveness will deteriorate.	The Group has a programme of continual investment in all aspects of the business (operational, financial and management controls, reporting systems and procedures and training programmes). This is constantly reviewed and monitored to ensure that the Group can continue to maintain the high standards of customer service. As a result of the constant focus, the Group can ensure that the level of investment is relative to the growth of the Group and that optimum operational efficiency is achieved. Delivery models have been evolved to provide greater resourcing flexibility in the provision of growing services to our clients.
Internal controls The Group's resources and finances must be managed in accordance with rigorous standards and stringent controls. A failure to meet those standards and implement appropriate controls may result in the Group's resources being improperly utilised or its financial statements being inaccurate or misleading. There is also a risk that the Group could suffer financial loss owing to fraudulent activity, unauthorised access to or misuse of Group bank accounts and/or other resources leading to the loss of funds. **Change over prior year** Unchanged	The consequences of failure to update controls and processes for changes in the business means that it is possible that key risks will not be appropriately mitigated. There is also a potential for inaccurate reporting and fraudulent events to occur which could damage the Group's reputation.	The Group has processes and procedures in place which act as controls to mitigate risk. The Group is implementing a new ERP system which will further enhance internal controls. As part of the ERP implementation existing business processes are being streamlined and enhanced with process documentation updated accordingly. An internal audit function has been established with an agreed 12 month work plan.
Compliance with legal and regulatory obligations Compliance with legal and regulatory obligations is a requirement across the territories in which the Group operates. Complying with the spirit as well as the letter of such regulations is a core value of the Group. **Change over prior year** Unchanged	Non-compliance with all legal and regulatory obligations of the Group could result in regulatory fines and/or reputational damage.	The Group has a dedicated legal and contracts team that have the knowledge and expertise to ensure that any contracts agreed are in the best interests of the Group and that there is compliance with laws and regulations of the territories within which we operate. All contracts go through a formal review process to ensure accuracy and consistency with the strategic objectives of the Group as a whole.
Business continuity The Group is exposed to risks that, should they materialise, may give rise to the interruption of critical business processes that could adversely impact the Group and/or its customers. There is also a risk that the IT systems and infrastructure may be affected by loss of service or system availability which impacts the provision of services to customers. **Change over prior year** Unchanged	Failure to address this risk could result in key processes and systems being unavailable in the event of a significant incident affecting their availability.	The Group has resiliency built into its critical IT systems/processes and has implemented recovery capabilities as well as testing to ensure availability is not interrupted or adversely affected.

Corporate responsibility

This year, we focused our sustainability efforts on supporting the Group's transformation to ensure the Group is able to achieve its strategic objectives and meet its responsibilities to all stakeholders. Our achievements this year build on the work undertaken last year to broaden our emphasise on sustainability, an umbrella term that encapsulates environmental, social and governance (ESG), climate change and a wide range of green financing and related greenhouse emissions reduction themes.

Our sustainability initiatives are anchored on the United Nations Global Compact (UN GC) and United Nations Sustainable Development Goals (UN SDG) with a particular focus on those areas in which the Group's operations are most impactful and which align most closely with our strategic objectives. Our commitment to ESG was further underlined by the increasing emphasis placed on wider sustainability matters at Board level, exemplified by the renaming of the Nomination and Governance Committee as the Nomination and ESG Committee during the year.

Below we have prioritised those matters that are material to our business and added corresponding commentary along with signalling that identifies which of the UN SDG these priorities cover.

Overview of our priorities

Our sustainability focus is centred on those areas that have the greatest impact on our strategy. 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, covering both our own people and operations as well as the wider importance of safeguarding the environment to protect our planet. We are committed to building on the efforts outlined below to ensure that we continue to adopt best practices across the entire spectrum of our activities.

At FD Technologies we have always had a strong focus on our people, recognising that they provide the key to our success. We have adopted policies that enable the recruitment, development and retention of employees in an ethical and sustainable way and promoted values that support our strategy. Our people strategy is centred around health and mental wellbeing, future ways of working, inclusion and diversity, and is critical to attract, develop and retain the best talent. We ensure the views of our employees are taken into account and we remain conscious at all times of the need to ensure that we build on our strong record of employee engagement.

We have put inclusiveness and diversity at the heart of our people strategy by establishing clear priorities and targets:

- Currently our gender balance is 71% male / 29% female, in line with the technology industry generally. We have an action plan to attract more women to join our team and are aiming to achieve a gender balance of 60% male and 40% female employees in the next 3 years.
- We have introduced initiatives to support women returners to our business as well as investing in training initiatives with ambitious targets to increase the number of female managers from a base of 25% to 30% within the next 12 months. The promotion of female talent will be supported by investment in our aspiring leadership programme which is tailored to support women as they transition into senior roles.
- We have introduced a full range of flexible working options for every employee regardless of gender or seniority and this approach to flexibility is well embedded in our business model. In the last year we have enhanced maternity pay, paternity pay and shared parental leave.

Delivering on these matters means developing and executing policies that empower and develop our people, ensure we operate responsibly, safeguard data and act to protect the environment. 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. They also act to deliver our strategy and business model by mitigating risks such as attracting and retaining critical talent and as such are vital to the delivery of our business model.

Therefore, our priorities, based on the nature of our business, may be summarised around the high-level themes of Our People, Responsible Operations and the Environment. We also value our reputation as a good corporate citizen in the locations in which we operate and have a number of initiatives in place to provide charitable and community support.

Our people

FD Technologies is reliant on the skills and capabilities of its workforce and recruitment, development and retention are all critical to our ability to deliver for our clients today and drive growth in the future. Given its importance to delivering on our strategy, the Group has extensive policies and programmes covering:

- recruitment;
- learning and development;
- reward and recognition;
- health and wellbeing;
- diversity and inclusion; and
- employee engagement.

Overview

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 our employee environment. Our annual employee engagement survey is designed to identify ways to increase our employee satisfaction and retention. We continue to use the results of the survey to further enhance our people strategy and the way we communicate with employees.

During the year Virginia Gambale was appointed Workforce Engagement Director for the Group. This is a Non-Executive Director position designated to represent employee views across the Group at Board level. The role of Workforce Engagement Director is an important position, overseeing how we engage with colleagues across the business and ultimately ensuring that the voice of employees is heard at Board level and taken into account during decision making.

We believe that our business practices in these areas support the following SDG:

- **Goal 3:** Ensure healthy lives and promote wellbeing for all at all ages.
- **Goal 4:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- **Goal 5:** Achieve gender equality and empower all women and girls.
- **Goal 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- **Goal 10:** Reduce inequality within and among countries.
- **Goal 16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all.

Recruitment

Our recruitment team is tasked with attracting 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 circa 12,000 (2021: 9,791) people applying for a job with the Group during the year. From these applications, we selected 1,118 (2021: 424) people to commence employment with us during the year, of which 481 (2021: 291) were new employees at graduate level and 637 (2021: 277) were experienced hires.

Our recruitment process for early careers includes screening, competency testing and interviews. Similarly, the process for experienced hires includes these three key steps with technical external testing and peer and senior reviews.

The efforts of our recruitment team are critical in delivering the accelerated growth strategy outlined during the year. The level of recruitment set new records for the Group, but just as crucial is maintaining the academic standards, culture and values of the Group.

Learning and development

We equip our people with the right skills. During 2021 we invested further in our Learning and Development team, recruiting additional full-time resource and restructuring the team to support our operations across the business. We continued to expand our investment in external training during the past year, which included 100 (2021: 56) employees pursuing A Cloud Guru Training qualification. Specifically this relates to AWS, Microsoft Azure and Google Certified Architect training. We had 40 employees (2021: 36) complete a machine learning qualification, while 336 employees (2021: 143) were studying for a risk management certification. We also have 12 employees completing a company supported Master's in Capital Markets and 50 (2021: 30) employees completing a project management qualification. During the year we rolled out unconscious bias training to the entire Group and in addition we used an external training facilitator to provide in-depth awareness on unconscious bias to our recruitment team.

We provide an industry-recognised, two-year Capital Markets Training Programme (CMTP) primarily designed for, and focused on, our graduate intakes although many of those joining us as experienced hires have also benefited from the extensive knowledge base we have developed. During the year we had 380 (2021: 147) graduate hires enter the CMTP and a further 600 new experienced hire joiners benefiting from key Fintech training with our internal training team. In total these employees completed 66,800 (2021: 45,120) hours of internal training with FD Technologies managers and trainers. These same employees have also completed a total of 7,600 (2021: 3,525) internal training modules in the areas of finance, technology and consulting. In total we have invested £0.8m (2021: £0.5m) in training during the year.

We continue to partner with third parties to enhance our compliance training for all employees. We have financially supported the completion of 704 (2021: 341) external training certifications for employees in the areas of Risk Management, Compliance and KYC, Cloud technologies, Project Management, Business Analysis and other business key areas. Through our investment in the Thomson Reuters Regulation & Compliance platform our employees completed 33,000 (2021: 5,368) modules in total in GDPR, Information Security, Anti-Bribery & Corruption and other important compliance areas including our Code of Conduct and Ethics. We have also provided access to a LinkedIn Learning platform, accessible to all Group employees, which allows us to develop learning paths for various career streams in the business and also to assign individual learning courses to certain employees and employee groups. We have invested heavily in designing individual training pathways for employees and contractors to help them drive their own career trajectories and take responsibility for continuous professional development.

The learning and development function has been restructured and strengthened with full-time dedicated resources including a Head of Learning and Development; a General Technical Training Manager; a Finance Training Manager; a Kx Technology and Data Services Training Manager; and a Training Manager in cross-asset front-to-back solutions technologies such as Calypso. The team has developed and launched an interactive learning platform accessible to all employees from anywhere in the world and shares regular communications highlighting success, recommending initiatives and supporting the development of skills.

We aspire to a culture of high performance in FD Technologies. To encourage all our employees, including those working on a contract basis to reach their potential, we have a number of initiatives to support their development.

During the year, we continued to enhance the performance appraisal process with a focus on continuous dialogue and more regular interactions with colleagues. Alongside other strategic and structural initiatives, during the year we introduced a "People Manager" model across our business units.

Corporate responsibility continued

Our people continued

Learning and development continued

This important initiative involved the roll out of professional and personal development training to equip 400 People Managers to support their teams and colleagues across the business. The model seeks to establish consistent engagement and people management practices across our business and ensures that every employee is allocated a People Manager who has defined roles and responsibilities around three core aspects:

- supporting health and wellbeing;
- managing performance; and
- supporting career progression.

We believe that the People Manager role will have a significant positive impact on how we engage with our employees and how we support their continued development and ability to contribute to the success of our business.

Looking ahead, we aim to drive a range of training and development initiatives via People Managers continually enhancing their skill set and know how. This programme of development will support the drive for continued process improvements across the Group and will support employees in achieving their development goals.

Reward and recognition

At FD Technologies we value effort and excellence and 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 as well as family-friendly policies to cover maternity, paternity and adoption pay. We also support 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.

During the past year we undertook an exercise to simplify all of our bonus schemes across the business. Our aim was to make the bonus scheme a simpler, more transparent tool to help us fairly reward performance and contribution whilst driving the type of behaviours required to ensure our continued success. The revision of the bonus schemes took place across the business and affected more than 1,000 employees who were able to exchange potential bonus payments for additional salary payments. For those remaining in the bonus scheme we redefined and aligned metrics for each individual business unit. We also introduced a Leadership Bonus Scheme which aligned the targets of everyone involved in a leadership or senior management position to a set of metrics to drive performance. These changes support our accelerated growth strategy and are in line with our pay for performance philosophy.

Health and wellbeing support – mapping out the future of work

We care about the people who work for us. We have a 24-hour, 365-day employee assistance programme (EAP) in place for all employees and we provide complementary healthcare plans and private health insurance. We continue to improve our health and wellbeing strategy, with a particular focus on mental health including a Global Mental Health Signposting initiative through EAP detailing relevant external confidential support in each of our regions. We provide training on health and wellbeing topics to help build the knowledge of employees on salient matters. We support global awareness days such as International Women's Day and Suicide Prevention, a calendar of events in locations globally which allowed employees to engage proactively in the programmes and our mental health awareness campaign entitled #MindMatters.

During the past year the Group reviewed its practices to ensure it operates a modern workplace that delivers the best possible experience for our customers as well as safeguarding and supporting employees. This review was prompted by a combination of responding to COVID-19, evolving attitudes to remote working including the need for collaboration and development as well as flexibility on work/life balance.

Throughout the COVID-19 pandemic, our emphasis was on safeguarding, to the maximum possible extent, our colleagues while delivering the best possible experience for our customers. As we emerge from the pandemic, we consider that our response has fostered stronger bonds with our stakeholders. Our COVID-19 Response Team established in the first weeks of the pandemic in 2020 continues to meet regularly and guided the transition during the year from working at home to a hybrid arrangement which also involved return to the office within collaborative teams.

We do not anticipate a future arrangement where employees will work 100% from home – we believe that the ability to collaborate and interact in person is a fundamental requirement for the professional development of individuals and the future success of our business. Our employees have demonstrated an ability to continue to deliver to customers whilst working remotely and following an internal survey during the year, 85% of colleagues (up from 69% in the prior year) indicated that they preferred to work flexibly with part of the week working from home and part from the office. We have adopted a hybrid approach whereby an individual will split their office and working from home time. Individuals will continue to be assigned to an office location and employees will be located within commuting distance to an FD Technologies office hub.

During the year we undertook employee consultation around flexibility and the future modern workplace and are introducing and/or enhancing a range of policies to support our workforce. The scope of these consultations covered remote working, location options, working hours flexibility and career and personal development.

Inclusion and diversity

At FD Technologies 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 engagement and wellbeing and increases the quality of our service to clients. We know that when colleagues feel included and represented at work, they work better, feel better and deliver better outcomes for our business and our customers.

We continue to embed networks across the Group that support multiple diverse groups:

- Pride, our LGBTQ+ network;

- Women's Network; and
- Multicultural Network.

An important pillar of our inclusion and diversity strategy and underpinning our networks is our focus on mentorship and allyship. In each of our networks we have an executive sponsor providing senior leader investment in each network and positive engagement and support from a range of allies who play an important role in supporting each of the networks in the pursuit of their aims and objectives.

Having matured our employee engagement survey over the last three years and engaged with our networks to understand how we can continually improve, during the year we introduced diversity questions into our survey covering areas of gender identity, sexual orientation, disability, caring/parental responsibility and ethnicity in order to further build our baseline data on our diverse workforce, demonstrating the priority we place on diversity as well as being an important incremental step to build a more diverse and inclusive working environment.

Employee engagement

In 2021 67% of colleagues across the Group completed our annual engagement survey. The engagement survey is a source of information to help us drive change, performance, personal satisfaction and business outcomes. Sustainable Engagement at 80% favourable is an important indicator for us highlighting that employees are engaged, enabled and energised.

This is the third year of the survey so we now have comparative data which has highlighted some important themes. The two most improved categories over the last three years are Diversity & Inclusion and Senior Leadership. The two least improved categories over the last three years are Reward & Benefits and Work Organisation and Conditions.

Whilst there are many positives to take from the Group results, we recognise there is still work to do around improving Performance Management, Reward & Benefits and Work/Life Balance.

We are committed to building a diverse and inclusive working environment where everyone feels able to be themselves, so this year within the survey we captured additional data around the diversity of the team. Gathering additional data around diversity was an important step and will provide us with a baseline from which to monitor progress as well as promote discussion and make the changes needed to enhance the working environment for everyone's benefit.

The survey results continue to provide us with invaluable data to understand what employees value most in the workplace and inform our decision making. We believe that organisations with high levels of engagement consistently outperform those with lower engagement across both the short and long term.

Employee engagement, therefore, remains a priority for the Group and is a key principle of our people strategy. Our engagement initiatives during the year included:

- Regular Town Halls across the Group throughout the year, both at a Group and business unit level and led by the leadership within individual teams. We recognise that it is vital to keep colleagues engaged and to communicate clearly and transparently in relation to all issues that may affect them. Town Halls were held both in person and virtually to cascade business news and strategic foresight, to provide a communication channel directly with employees and to continue to provide COVID-19 updates and support. These meetings continue to be a welcome engagement tool for employees as evidenced through comments in our annual engagement survey.
- Regular updates on trading and performance, in addition to initiatives such as wellbeing, diversity and inclusion, and general updates in relation to the various business functions, are rolled out across the Group.
- We regularly use video messaging, email and face-to-face meetings to deliver key messages to colleagues and encourage contact to help foster our community culture.
- Throughout the year, we held a number of surveys in additional to our annual Engagement Survey to gather feedback from across the Group on particular issues.
- Additional wellbeing initiatives rolled out to support colleagues working from home including for example, virtual fitness classes, activity challenges, encouraging Zoom-free afternoons and engaging external speakers.

Responsible operations

The Group takes seriously its responsibilities to operate ethically and responsibly and this commitment is demonstrated through a range of policies, with supporting governance in place as described below.

We believe that our business practices in these areas support the following SDG:

- Goal 3: Ensure healthy lives and promote wellbeing for all at all ages.
- Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
- Goal 10: Reduce inequality within and among countries.

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 employees, customers and partners.

We regard the development and maintenance of privacy and security infrastructure as critical to promoting sustainable development of the industrialised world because it helps to promote individual wellbeing, supports equality, avoids discrimination, and empowers all genders through confidentiality of their information. Privacy and security are also essential to successful partnerships, which can then progress towards sustainable development through cooperation with confidence that shared information is managed safely.

We believe that our business practices in these areas support the following SDG:

- Goal 5: Achieve gender equality and empower all women and girls.
- Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
- Goal 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Security business practices

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 imperative.

Corporate responsibility continued

STRIVE for diversity

As part of our commitment to improving gender balance and supporting the development and progression of females within our business, we launched our women's leadership initiative in February 2022. The STRIVE (Successful * Talented * Resilient * Informed * Valued * Empowered) programme aims to empower professional females in a practical and collaborative learning environment, offering valuable support and guidance within the workplace.

The internal programme is open to all female employees at any level and in any role and offers the opportunity to build self-awareness and gain valuable insights from an internal network of peers, giving participants the tools to STRIVE for more in their careers with FD Technologies. The programme provides participants with the opportunity to:

- participate in insight sessions to get a unique look at the working life of those in a variety of different roles and hear stories and experiences of successful women in other parts of the business and guest speakers;
- take part in Confidence Camps designed to equip them with the practical skills to support career success – including top tips on presenting, improving your CV and how to make a lasting impression with clients (internal & external);
- be assigned to an Action Learning Group – participants will work together in small groups to support each other's learning throughout the programme;
- receive an invitation to all Women's Network social events and seminars; and
- build a personal network of colleagues within our business and develop peer groups to broaden horizons outside of immediate working circles.

We are committed to continuing our investment in training and development initiatives for all women and are in the process of developing additional women's leadership programmes to be delivered in the coming year to support females who have been identified as high potential talent as they transition into senior roles.

This STRIVE initiative complements the already established Impact mentorship programme, which connects a female university undergraduate with an FD Technologies mentor with the aim of attracting more women to consider joining the Group once they finish their studies. Feedback from the programme is overwhelmingly positive with many of the female participants applying to join the Group on one of our placement or graduate programmes or becoming an FD Technologies Brand Ambassador at their universities during their final year studies.

Security business practices continued

To ensure compliance with best practices we have successfully certified to the UK Government-backed cybersecurity framework CyberEssentials and CyberEssentials Plus, testing our controls and procedures. Our controls, policies and procedures take a defence-in-depth and risk-based approach to secure access control, environmental controls, IT system architecture, remote access policies, multifactor authentication, single sign on, password protection policies, back-up policies, quality assurance, supply chain governance, change controls and system support.

All employees undergo stringent pre-employment screening to ensure secure user onboarding and must then regularly complete IT security and awareness training to highlight the risks of a modern security climate. This informs users of the potential impact a cyber-attack could have, and the steps required to reduce the risk of cyber-crime infiltration and data exfiltration. Regular phishing campaigns are undertaken to understand user risk, while incident response exercises alongside penetration and vulnerability testing of environments ensures we remediate any platform, process or system risks. In addition to 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, Discrimination & Harassment, General Data Protection Regulation (GDPR) and the Group's Global Code of Conduct.

Privacy business practices

The Group has privacy policies and practices in place designed to deliver compliance with privacy and data protection law, including GDPR, to protect the personal information held by the Group relating to stakeholders including clients, partners, prospective employees and digital/mobile visitors.

Our privacy policy can be found on the Group website here: https://fdtechnologies.com/privacy-policy/

Anti-slavery policy

While we believe the Group's risk of encountering human trafficking and modern slavery may be low in the industry we operate in relative to other industries, we are committed to acting ethically and with integrity in all our business relationships and our policy is designed to prevent any such practices occurring.

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 all employees.

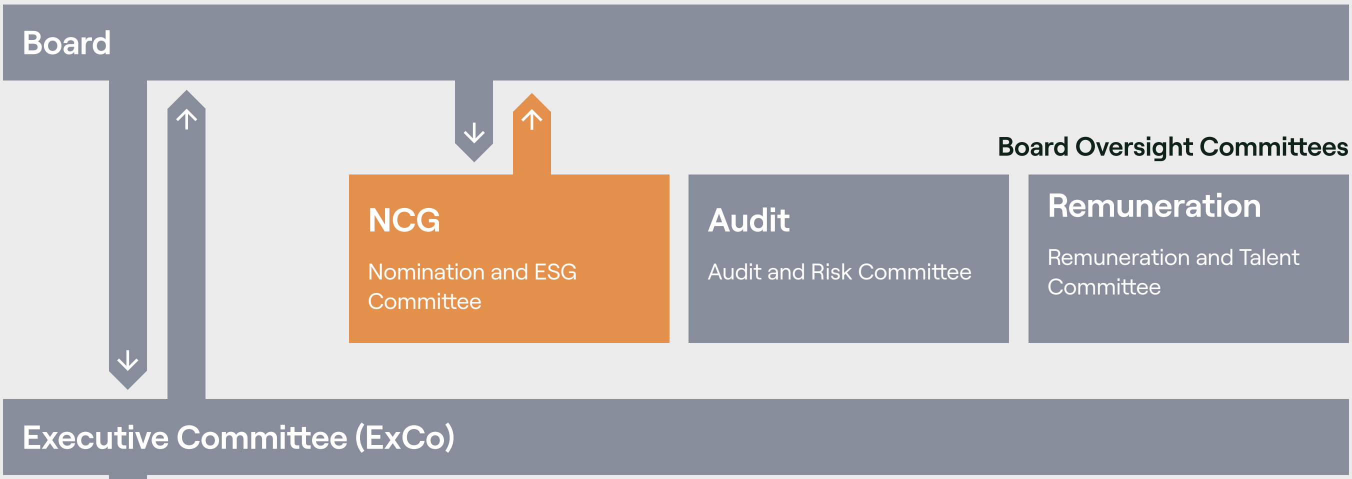
Anti-bribery and anti-corruption policy

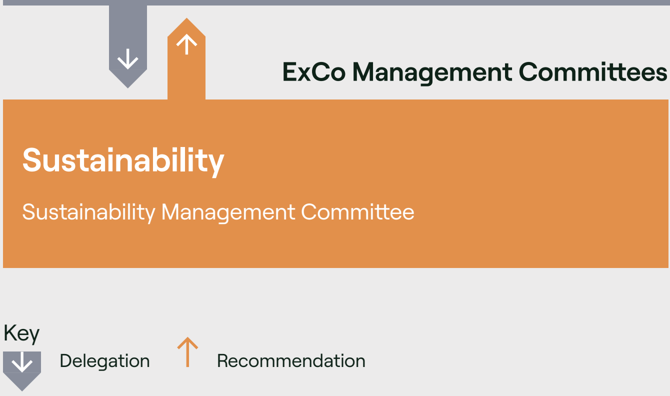
The Group has policies and procedures in place to identify and protect against anti-bribery and anti-corruption risks in its business activities both internally and with third parties. All employees must participate in mandatory training courses in this area. The Group employs a mix of risk assessments, due diligence questionnaires and screening software tools with third parties in this area and has strengthened third-party supplier management during the year with the addition of an experienced Vice President of Procurement.

In the event that any concerns are raised of inappropriate business practice related to bribery and corruption, there is an escalation process to senior management.

Governance structure for sustainability

Our governance structure for these matters is summarised in the table below.





Delegated authority process

The Board delegates sustainability authority as follows:

- Board sets strategy and policy for sustainability;
- Board delegates oversight to the Nomination and ESG Committee;
- Board delegates management responsibility to the ExCo; and
- ExCo delegates oversight to the Sustainability Management Committee, which comprises a group of senior executives representing key functions across the Group.

Whistleblowing policy

The Group has a whistleblowing policy that enables all employees to confidentially report matters of concern to an independent third party. No such matters arose during the year in question. The details of any such reports should they arise will be communicated to Non-Executive Directors.

Environment

The Group takes its environmental responsibilities seriously and embeds them in its operating model. In this section, we provide further details on our policy and how its different business activities are having a positive impact on the environment in the following areas:

- environmental policy;
- environmental benefits created by KX technology; and
- energy use.

We believe that our business practices in these areas support the following SDG:

- **Goal 9:** Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
- **Goal 11:** Make cities and human settlements inclusive, safe, resilient and sustainable.
- **Goal 12:** Ensure sustainable consumption and production patterns.
- **Goal 13:** Take urgent action to combat climate change and its impacts.

Environmental policy

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.

Corporate responsibility continued

Environmental benefits of KX technology

The strengths of KX technology are not just limited to its unrivalled performance and power, it is also incredibly efficient, enabling customers to reduce their total compute footprint while still benefiting from the world's fastest streaming analytics platform. The International Energy Agency (IEA) report "Data Centres and Data Transmission Networks" in June 2020 reported that data centres alone accounted for 1% of the world's electricity consumption.

Our customers across industries typically use KX as an analytics platform to enable them to reduce waste and improve yield and for predictive maintenance. Not only is KX an enabler of environmentally friendly operations, in addition we have benchmarked ourselves as up to 50 times more efficient than competing streaming analytics technologies and have seen reductions in our customers' electricity, cooling, space and hardware requirements in the range of 80-90% against our competitors.

We are rightly proud of the undoubted environmental benefits that KX delivers through its energy and environmental efficiency and we have continued to focus efforts on ensuring KX remains the most efficient streaming analytics technology available.

Energy use

Ahead of any detailed emissions analysis that the Group may make in the future, it is required to report its energy use and impact under the Streamlined Energy and Carbon Reporting (SECR) regulations.

During the year we focused our efforts on ensuring the environmental efficiency of our corporate real estate, particularly during the refurbishment and upgrade of our Newry office. In 2021 we have instigated enhancement of our data collection processes so we can publish a more comprehensive data set in relation to our environmental impact. In 2022, we will be setting out a clear and robust environmental strategy, including the targets by which our progress will be measured. Working with our internal sustainability team, the plan will involve a detailed audit of our material impacts and a way forward that reflects our growing business.

For the year ended 28 February 2022 the UK energy used was 927,986 kWh (2021: 1,013,140 kWh). Using the UK government's GHG Conversion Factors Guidance to calculate the quantity of emissions provides scope 2 emissions of 195 (2021: 257) tonnes of carbon dioxide equivalent, representing a 24% reduction in emissions over the prior year. 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. The Group has identified two such intensity ratios, set out below.

Intensity ratios for the year to 28 February 2022 (tonnes of CO_2e per unit)

Total revenue	Employees
0.00 (2022)	0.07 (2022)
0.00 (2021)	0.10 (2021)

Charitable and community support

In this section we explain the Group's support for charitable pursuits, particularly its encouragement and support for local initiatives in the communities in which it operates. This covers:

- charity policy;
- payroll giving; and
- supporting local communities.

We believe that our business practices in these areas support the following SDG:

- **Goal 3:** Ensure healthy lives and promote wellbeing for all at all ages.
- **Goal 4:** Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- **Goal 5:** Achieve gender equality and empower all women and girls.
- **Goal 10:** Reduce inequality within and among countries.
- **Goal 16:** Promote peaceful and inclusive societies for sustainable development, and provide access to justice for all.

Charity policy

The Group actively encourages its employees to become involved in charitable pursuits, and gives matched donations related to employee charity raising as well as making its own direct charitable donations.

To coordinate these activities, we have established a charity policy with the aim of being a good neighbour in the communities in which we operate and to use the energies and talents of our employees in charitable fundraising activities.

A team comprising employees from across the Group has been formed to coordinate these activities. Employee-organised charitable events during the year raised more than £31,000 (2021: £24,000) for charitable organisations.

The Group provided matched donations of £31,000 related to employee charity fund raising. Towards the end of the financial year the Group focused charity fundraising to support the humanitarian crisis in Ukraine.

Employees also participated in a variety of volunteering activities. Investment in our youth has been continually supported via employees providing mentoring, careers advice and student seminars on careers in business, finance and technology.

Payroll giving

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.

Supporting local communities

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.

Our corporate responsibility principles

Here we provide a high-level summary of the principles that guide our policies on corporate responsibility.

UN GC Principles	FD Technologies business practices
Human rights	FD Technologies is a business based on people and, therefore, we place significant emphasis on all aspects of the welfare and wellbeing of our employees. A foundation of Group policies is the rights of employees and the upholding and enforcement of relevant laws for the many jurisdictions in which we operate. Additionally, the Group seeks to promote the same respect and consideration for rights across its supply chain and endeavours through third-party due diligence assessment to only conduct business with parties that uphold the rights of their employees.
Labour	FD Technologies is committed to the elimination of all forms of forced and compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation. **Statement on modern slavery** Our statement on modern slavery is available on the Group website here: https://fdtechnologies.com/modern-slavery/
Environment	FD Technologies is committed to minimising the impact of its operations on the environment and understands 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 material 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 data centres. 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.
Anti-corruption	FD Technologies is committed to working against corruption in all its forms, including extortion and bribery. **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.

Corporate governance

In this section

“The Board’s priorities over the past year have been to set and monitor our risk appetite/risk management frameworks, to support the transformation of the Group by ensuring capital is allocated in line with strategy and ensure that performance is monitored effectively.”

Donna Troy
Chairman

Board of Directors

Key:

Ⓐ Audit and Risk Committee

Ⓝ Nomination and ESG Committee

Ⓡ Remuneration and Talent Committee

● Chair

Donna Troy
Chairman (Independent)

Committee membership
Ⓝ Ⓡ

Donna joined the Board of FD Technologies in January 2018 as a Non-Executive Director and was appointed Non-Executive 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 while implementing global go-to-market strategies in business from start-up to $8 billion in revenue.

Donna holds a Bachelor of Science degree, summa cum laude, in Computer Science from North Carolina State University and in 2017 was inducted into the North Carolina State University Computer Science Alumni Hall of Fame.

Other appointments
Donna is currently on the board of directors at TIBCO, Aptean and Marlin Technology Corporation.

Skills matrix
Technology industry, strategy, listed company executive, international experience

Seamus Keating
Chief Executive Officer

Committee membership
None

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 Compare the Market (CTM) Limited.

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

Ryan Preston
Chief Financial Officer

Committee membership
None

Ryan joined the Board of FD Technologies in January 2021 and has responsibility for the Group's financial operations. Ryan was formerly chief financial officer of Independent News & Media plc and at OVO Energy Retail, having spent the early part of his career at Tesco where he achieved the role of European CFO.

Other appointments
None.

Skills matrix
Technology industry, strategy, listed company executive, international expertise, accounting qualifications

Virginia Gambale

Senior Independent Director, Designated Workforce Engagement Director (Independent)

Committee membership

N A

Virginia joined the Board of FD Technologies 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 lead director of Nutanix, and board director of JAMF, Virtu Financial, Regis Corporation and 10x Banking.

Skills matrix

Finance industry, strategy, technology, international experience

Ayman Sayed

Non-Executive Director (Independent)

Committee membership

N R

Ayman joined the Board of FD Technologies in July 2020. He brings to the Group extensive experience in enterprise technology and a track record of driving business success through growth strategies focused on product innovation. He is currently president and CEO of BMC Software Inc., a global enterprise software company headquartered in Houston, Texas.

Prior to his current role he was president and chief product officer of CA Technologies Inc., a Fortune 500 company acquired by Broadcom Inc., where he was responsible for the vision, strategy, development and success of the company's portfolio of products and solutions. Ayman holds a Bachelor's degree in Electrical Engineering from Cairo University.

Other appointments

In addition to his role at BMC Software, Ayman is also a Director of Elisity Inc.

Skills matrix

Strategy, international experience, technology industry, listed company executive

Thomas Seifert

Non-Executive Director (Independent)

Committee membership

A R

Thomas joined the Board in July 2020. Thomas is chief financial officer of Cloudflare Inc., where he is also responsible for the company's business data analytics and data science. He provides a wealth of expertise across the cloud, SaaS and data analytics, which is highly relevant to the Group's growth ambitions. In addition, Thomas has extensive operating experience growing and scaling technology companies across cybersecurity, software and semiconductors.

Prior to his current role Thomas was chief financial officer of Symantec Corp, a leading cybersecurity company, where he was responsible for the implementation of transformation and M&A strategies. He was also CFO at Advanced Micro Devices, where he held an interim CEO position.

Other appointments

In addition to his role at Cloudflare Inc. Thomas is also a director of IPG Photonics Corporation.

Skills matrix

Strategy, international experience, technology industry, listed company executive, accounting qualifications

Usama Fayyad

Non-Executive Director (Independent)

Committee membership

A

Usama joined the Board in January 2022. Usama is the inaugural Executive Director of the Institute for Experiential AI at Northeastern University in Boston, and is also the founder and Chairman of Open Insights, a company focused on helping enterprises drive full value from their data assets.

He started his career at Nasa's Jet Propulsion Lab and after leadership roles at Microsoft Research and Microsoft SQL Server, he became Yahoo's first Chief Data Officer. From there, Usama became Global Chief Data Officer at Barclays in London where he led digital transformation projects that reduced costs and helped create new data products.

Other appointments

Usama is also a director of Postprocess Technologies, Inc., Open Insights Group and Open Insights Technology Corporation.

Skills matrix

Finance industry, strategy, international experience, technology industry

Chairman's governance statement

Enabling our transformation

"As we accelerate our growth, we will continue to build the skills on the Board to meet the challenges and opportunities ahead."

Donna Troy
Chairman

On behalf of the Board, I am pleased to present the Group's Corporate Governance Report for the year ended 28 February 2022.

As I outlined in my review earlier in this report, during the year we unveiled our strategy to accelerate growth, by changing the structure of the Group into three business units and investing in KX, our market-leading real-time data technology. This strategy is on track, as evidenced by the key metrics reported during the year, and its effective execution has provided the confidence that the Group can accelerate its growth in the years ahead.

We continue to build the skills needed on the Board to ensure we have both the ability to evolve our strategy and the capability to monitor its execution. Two years ago we strengthened both the Board and the senior management team significantly, and I am pleased to report that these hiring decisions have added greatly to our ability to set and execute our strategy. As we accelerate our growth, we will continue to build the skills on the Board to meet the challenges and opportunities ahead.

The Board's priorities over the past year have been to set and monitor our risk appetite/risk management frameworks, to support the transformation of the Group by ensuring capital is allocated in line with strategy and ensure that performance is monitored effectively.

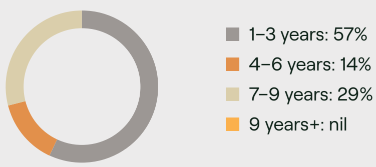
In setting these priorities, the Board has been mindful of the need to ensure that its strategy to accelerate growth was implemented effectively and delivering the results it expected, to ensure that it could react quickly to adjust if necessary and had the flexibility to respond rapidly to opportunities as they arose. This is only possible through a combination of effective enterprise risk management strategy and enterprise reporting systems and work done during the year to deliver in both these areas has greatly strengthened our capabilities and led to more effective decision making.

Skills matrix

		Donna Troy	Seamus Keating	Ryan Preston	Usama Fayyad	Virginia Gambale	Ayman Sayed	Thomas Seifert
100%	**Technology industry**	✓	✓	✓	✓	✓	✓	✓
57%	**Finance industry**		✓	✓	✓	✓		
100%	**Strategy**	✓	✓	✓	✓	✓	✓	✓
71%	**Listed company executive**	✓	✓	✓			✓	✓
43%	**Accounting qualifications**		✓	✓				✓
100%	**International experience**	✓	✓	✓	✓	✓	✓	✓

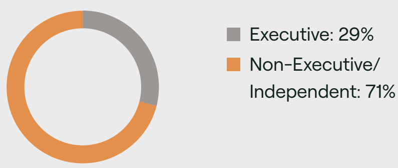
Board composition

Length of tenure



Gender diversity

Balance of Executive/Non-Executive



In recognition of the importance of effective risk management to delivering the Group's strategy, this year we renamed the Audit Committee to Audit and Risk. I believe the progress we have made in this area over the past year, outlined in detail in the Committee's report, will contribute greatly to our performance in the years ahead.

Our focus on ESG matters, which has been growing in recent years, continued as we introduced a number of initiatives to strengthen our governance and environmental policies. In particular, we formulated processes for evaluating the performance of the CEO and executive leadership team as well as appointing an external evaluator to undertake a Board effectiveness review. In recognition of the increasing importance that governance, social and environmental matters play in contributing to the Group's strategy and the role of the Nomination Committee in addressing them, we renamed the Committee as Nomination and ESG. Likewise, in recognition of the wider responsibility that the Remuneration and Talent Committee has in respect of the Group's leadership strategy, the Committee was renamed as Remuneration and Talent during the year.

Since my last report there have been a small number of changes to Board composition. Keith MacDonald, who had served for nine years, did not offer himself for re-election at our AGM, while Steve Fisher resigned in January 2022 to join Salesforce in a senior executive role. Usama Fayyad, who has extensive experience across industries in data management, joined the Board in January 2022 and replaced Steve on the technology sub-committee. I would like to thank Keith and Steve for their contribution to the development of the Group, and welcome Usama to the Board. Following these changes, the Board retains a blend of skills and experience that should serve us well as we accelerate our growth. We also have a well-defined process and skills matrix that we review annually to ensure we have the right skills to support our strategy.

It remains my firm belief that achieving our goals requires the highest standards of governance and culture. As Chairman 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 Board considers the culture of the business to be a key strength and is mindful of the need to protect and develop it as our business units grow. While the operational challenges of COVID-19 receded during the year, restrictions on travel continued to hinder in-person meetings, both internal and external. We developed ways to ensure our teams engaged and collaborated effectively through this period, organising both remote and structured in-person events, to promote and develop our culture as well as deliver effective working practices for the benefit of our clients.

Chairman's governance statement continued

Our annual employee engagement survey assists the Board to assess and monitor the culture of the business and impact on employees. We continue to be pleased with the favourable scores in important categories such as sustainable engagement, which shows we have an engaged, enabled and energised workforce. We are committed to building a diverse and inclusive working environment, and this year we captured additional data around diversity within the workforce. This will enable us to make changes and monitor progress as we further enhance the working environment for the benefit of all our stakeholders.

Within this Annual Report we have continued to enhance our reporting on all aspects of sustainability, including environmental, social and governance (ESG) and climate change themes. Our corporate responsibility and sustainability framework for managing these challenges is based around the work of bodies such as the UN and accounting standards bodies such as the Sustainability Accounting Standards Board (SASB). This provides an independent and transparent framework that will support us to implement our strategy and assure us that our policies and practices are robust and comprehensive.

I am grateful to my Board colleagues, and all FD Technologies employees, for the commitment they have shown during the past year, particularly with regard to the drive needed to execute our strategy for accelerated growth. All of our business units finished the year strongly and there are exciting opportunities ahead.

Strategy

FD Technologies is a dynamic business which provides stimulating careers for its employees. The Group has ambitious growth targets, to be delivered primarily through organic growth that requires detailed planning and strong execution to achieve. In the management of this environment we adopt a disciplined approach towards our operations, structures and resources.

During the year the Board approved changing the structure of the Group into three businesses, namely KX, MRP and First Derivative, with shareholders approving a change of Group name to FD Technologies plc. Alongside this new structure there was an acceleration of investment, focused on KX. The impact of these changes was monitored and reviewed regularly during the year.

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 range of stakeholders. It will continue to monitor returns and exercise its judgement to determine appropriate levels of resource allocation to achieve its strategic objectives.

Compliance with the UK Corporate Governance Code

The Company is listed on AIM and Euronext Growth 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.

Donna Troy
Chairman
9 May 2022

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 pace of transformation has increased, resulting in accelerated product and services development, a broadening of the range of customers we serve and the increasing scale of our operations.

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 Technologies has a highly experienced Board with a depth of skills and expertise relevant to the effective running of the Group, supported by the senior management team.

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 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 and ESG 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.

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 serves 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.

Governance framework continued

Board Committees

The Group has an Audit and Risk Committee, a Remuneration and Talent Committee and a Nomination and ESG 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 and Risk 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 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 Committee as and when required including the audit plan meeting and the meeting prior to the publication of the final results.

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

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

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, or material shareholdings in companies that may compete with FD Technologies 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. No conflicts of interest arose during the year.

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". The latest review was undertaken by the Audit and Risk Committee in December 2021. The review fed into our assessment of key risks and uncertainties identified in the Principal Risks and Uncertainties 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 implemented changes based on these findings. This is an iterative process that will be developed further in the future.

Meeting attendance

	Board	Audit and Risk Committee	Remuneration and Talent Committee	Nomination and ESG Committee	Total
S Keating	7/7	–	–	–	7
D Troy	7/7	–	7/7	5/5	19
U Fayyad*	1/1	–	–	–	1
S Fisher**	6/6	6/6	–	–	12
V Gambale	7/7	6/6	–	5/5	18
K MacDonald***	3/3	3/3	–	–	6
R Preston	7/7	–	–	–	7
A Sayed	7/7	–	7/7	5/5	19
T Seifert	7/7	6/6	7/7	–	20
Number of meetings	7	6	7	5	25

* Appointed 19 January 2022. ** Resigned 31 January 2022. *** Resigned 8 July 2021.

Supporting transformation

"The implementation of the Group's accelerated growth strategy has been supported by the Committee through a focus on capital allocation, monitoring and control. As the Group continues its transformation journey, I am confident that we have the appropriate systems and resources in place to ensure the Board's decisions are based on accurate and up-to-date information."

Thomas Seifert
Non-Executive Director

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 its work. The Committee is appointed by, and reports to, the Board with its principal role being oversight of the Group's financial reporting, internal control and risk monitoring.

Composition

The Audit Committee was renamed during the year as the Audit and Risk Committee, in recognition of the important role it plays in ensuring that the Group understands and manages effectively both existing and emerging risks. It is chaired by Thomas Seifert, who is currently chief financial officer of NYSE-listed Cloudflare and who has held CFO roles at global, public technology companies including Symantec and Advanced Micro Devices. The other Committee members are Virginia Gambale, who is a director of other listed companies and was CIO at Deutsche Bank and Merrill Lynch; and Usama Fayyad, who has held senior technology positions at multi-national technology organisations

Key activities during the year

Supporting the Group's transformation
The Committee monitored Group performance against plan to ensure capital was allocated in line with strategy. This included oversight of investment in systems and the finance and legal functions to support the Group's transformation plans.

Strengthening enterprise risk management
The Committee led a review of the Group's enterprise risk management strategy, leading to a further strengthening of strategy and policies. Risk is managed in line with the Board's risk appetite and is consistent with its strategy.

Ensuring the effectiveness of our cybersecurity systems and policies
The Committee commissioned and considered recommendations from an independent third-party evaluation of our cybersecurity, acting to ensure that the Group's policies and processes are consistent with its risk appetite.

Report of the Audit and Risk Committee continued

Composition continued

including Yahoo, Microsoft and Barclays. The members of the Committee have significant experience of financial matters developed during their past and current business careers. During the year Thomas Seifert was appointed Chair of the Committee following Keith MacDonald's retirement from the Board, having served for nine years.

Role and responsibilities

The Committee is responsible for oversight of the Group's accounting judgements, business and financial reporting and other external announcements. This includes 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, overseeing the relationship with the external auditor and making recommendations to the Board on auditor appointments. Its agenda also includes assessing policies and procedures including whistleblowing and fraud prevention. As detailed below, the Committee also considers the going concern and longer-term viability of the Group. The Committee meets regularly to consider the matters under its remit, including meetings prior to the release of both the interim and full year financial reports.

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 separately 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 included items that are a standing part of its remit as well as a number of areas which the Committee considered required a deeper focus.

Standing agenda items

Financial reporting

The Committee reviews the impact of forthcoming changes in accounting standards, to which there were no substantive changes during the year. The Committee considered a number of areas where judgement was required, including the decision to expense rather than capitalise costs relating to the implementation of the Group's new cloud-based ERP system.

The Committee carefully addressed the key issues that faced the Company within the financial statements (in particular the critical judgements and estimates of the Company as disclosed in the financial statements) which principally comprise revenue recognition, accounting for equity investments, goodwill impairment and capitalisation of internally developed software. We are satisfied that the judgements and estimates applied in the financial statements satisfy the requisite standards both in terms of accounting treatment and disclosure.

Enterprise risk management

The 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 Principal Risks and Uncertainties Report. Where risks are insurable, the Committee reviews the cover in place and makes recommendations in line with the Group's overall risk appetite. The Committee reviews the procedures in place to identify emerging risks within its business units and at the Group level on an annual basis. Emerging risks, after review and where appropriate, are added to the Group's risk register, enabling them to be monitored along with the efforts taken to mitigate them.

During the year, the Committee determined that the Group was now of sufficient scale and complexity that it was appropriate to establish an internal audit function. An internal audit manager was appointed prior to the year end.

The Committee also led a review of the Group's risk policies and controls during the year, assisted by independent consultants Grant Thornton. More detail is provided in this report and in the Principal risks and uncertainties section.

Compliance and whistleblowing

The Committee monitors the Group's compliance with the UK Corporate Governance Code and AIM Rules for Companies as well as ensuring the processes and arrangements that enable employees to raise concerns in confidence. No matters of significance arose during the period in question. The Committee reviewed and approved the arrangements for whistleblowing during the year.

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 as well as longevity of service. The Committee holds regular meetings with the external auditor to review matters of interest. The Chairman and other members of the Committee have worked closely with Deloitte to enable it to provide effective audit services to the Group. The Committee meets regularly with the auditor, both before and after results.

Review of internal control and risk management effectiveness

The Group has established systems, procedures and controls designed to provide an ongoing process for identifying, evaluating and managing the principal risks faced by the Group. These have been in place both for the period under review and also up to the date of approval of this Annual Report. Through the Committee, the Board reviewed the effectiveness of these risk management and internal control systems and procedures. The Board concluded that they were appropriate and that the Group's plans to mitigate risks remain effective.

Key business items addressed during the year

Subject: Supporting the Group's transformation

Issue: Ensuring the Group's capital allocation was in line with the Board's strategy and that the systems and processes needed to provide this assurance were in place

How the Committee addressed the issue
See case study.

Subject: Strengthening enterprise risk management

Issue: Ensuring that the Group's policies are in line with the Board's risk appetite and consistent with strategy

How the Committee addressed the issue
The business worked with external advisers to review the risk appetite statement, update the business unit risk registers and to enhance the three lines of defence by appointing an internal auditor, investing in systems including cybersecurity, CRM and ERP and strengthening management expertise across IT security, legal and finance. The process was overseen by the Committee.

Subject: Cybersecurity systems and policies

Issue: Ensuring that systems and policies reflected evolving threats and risk and were appropriate for the Group and its business units

How the Committee addressed the issue
An independent third-party consultant, NCC Group, was commissioned to assess the Group's maturity against the National Institute of Standards and Technology (NIST) cybersecurity framework and reported in March 2021. Their report, with recommendations, was carefully considered by the Committee, which recommended actions that focused on areas such as:

- embedding a single governance structure for technology and information security;
- reinforcing our cultural focus on security across the Group through focused training and awareness;
- aligning with a cybersecurity framework (NIST CSF) and securing accreditations (e.g. ISO 27001);
- deploying new cybersecurity services and technologies to enhance our security posture; and
- refreshing and enhancing our information security policies, processes, capabilities and incident planning.

The updated cybersecurity policy and strategy that resulted from this exercise formalises the Group's cyber risk appetite, aligning it with the Group risk framework, and covers areas such as data classification, security awareness and training, governance and reporting as well as employee policies on technology use including email usage, access control, mobile device encryption, user access management and acceptable use, among others.

We are actively working towards a zero-trust architected (ZTA) future, which is a strategic approach to cybersecurity that secures an organisation by eliminating implicit trust and continuously validating every stage of a digital interaction, and key ZTA elements are already in place.

Recognising that cybersecurity is a constantly evolving topic, we have processes in place to monitor risks and mitigate future threats and development plans in place to continually improve our security posture.

Other agenda items
Other specific items addressed by the Committee during the year include working with management on a programme to realise the value of investments made under the former KX ventures initiative, where investment on equity or convertible debt terms was made in early-stage companies adopting KX. While this programme is ongoing, a number of such realisations were achieved during the year on terms that generated strong returns on the Group's initial investment.

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, whistleblowing and cybersecurity.

Internal audit function

As a result of the Group's continuing growth an internal audit function has been established to ensure the integrity of its systems and processes, with an internal auditor appointed during the year. The decision to establish an internal audit function was driven by a number of considerations, including the growing scale of the Group, to support the Group's transformation plans, to ensure the benefits expected from new enterprise technology systems are realised and to ensure Group internal controls are in place across our business units. We have also seen increased demand from our clients to provide evidence of monitoring of our internal controls and this will be met by internal audit. The Board is updated on internal audit findings by the Audit and Risk Committee.

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, is 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 both now and for the foreseeable future the Group will continue to have adequate financial resources to realise its assets and discharge its liabilities as they fall due. This included stress-testing the Group's capacity to withstand a severe downturn over the next 12 months in business as a result of COVID-19.

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 taking into account the various risks set out in this Annual Report.

Report of the Audit and Risk Committee continued

Supporting the Group's transformation

A key role performed by the Committee during the year was ensuring that the Group's accelerated investment plan was implemented in accordance with the Board's strategy. This combined a number of activities overseen by the Committee including:

- increasing the finance capability in each of the business units, including the appointment at each of a Chief Financial Officer responsible for financial reporting and providing improved KPI reporting and performance insight;
- reviewing the Group corporate structure to support the reorganisation of the Group into three business units;
- establishing an internal audit function to ensure that controls are appropriate to support the Group's accelerated growth strategy;
- overseeing the scope, vendor selection process, delivery roadmap and cost of new technology systems including enterprise resource planning (ERP) and customer relationship management (CRM) to enable and support the Group's accelerated growth strategy; and
- reviewing banking covenants to ensure they are aligned to deliver the Group's accelerated growth plans.

Together these activities have ensured that the Group's capital allocation policies are successfully implemented and monitored and that its enterprise risk management strategy is effective.

Review of internal control and risk management effectiveness continued

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.

As detailed elsewhere in this report, the Group has decided to increase materially the level of investment into KX software development and marketing. This decision is fully reflected in current budgets, the viability assessment and other relevant elements of the Group's planning and risk control processes overseen by the Committee.

In addition to considering the above, the Group also monitors performance against pre-defined budget expectations and risk indicators, along with strategic progress updates, which provide early indications to the Board, allowing management action to be taken where required including the assessment of new opportunities and threats. This includes references contained within trading updates and guidance in this report and other investor communications.

Accountability and evaluating performance

"The Committee's key objective is to ensure that the Board comprises individuals with the necessary skills, knowledge, experience and diversity to ensure that the Board is effective in discharging its responsibilities."

Virginia Gambale
Non-Executive Director

Dear shareholders

The Nomination and ESG 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. It also receives reports from, and provides input on, the CEO's plans for executive succession and development and considers and agrees the composition of the senior executive team. Additionally, it oversees the succession planning and appointment process of the CEO. In addition, the Committee oversees and monitors the Group's environmental, social and governance policies and priorities and makes recommendations to the Board.

Business during the year

Issues considered by the Committee during the year included items that are a standing part of its remit as well as a number of areas which the Committee considered to require a deeper focus. Since our last report, the Committee was renamed, changing from the Nomination and Governance Committee to the Nomination and ESG Committee. This change was driven by a desire to reflect the much broader responsibilities which the Committee now has and the importance of the Group's ESG policies and priorities. During the year, to complement the work already being undertaken by the Board, the Committee focused on the following matters during its meetings this year: appointments; evaluation and accountability; Board diversity priorities; and Board effectiveness.

Report of the Nomination and ESG Committee continued

Appointments

New Non-Executive Director

Appointing the right people to the Board and the leadership team is fundamental to the success of the Group. The Board identified during the prior financial year that it needed to recruit an additional Non-Executive Director following the decision by Steve Fisher to return to a full-time executive role with his prior employer. The Committee had previously developed a strategy and process to ensure the recruitment of individuals with the most appropriate competencies and experience to complement those that already existed on the Board and led the implementation of that process which resulted in the appointment of Usama Fayyad during the year. Usama is a seasoned technology leader with extensive experience in technology innovation around data analytics and platforms, AI and Machine Learning. He will chair the Board's Technology sub-committee, which steers the Group's research and development activities, and his expertise will be invaluable to the Group.

Evaluation and accountability

The Committee invested considerable time designing an effective CEO and Executive leadership evaluation process which was rolled out during the year. With the focus on accountability and pay for performance, a formalised and robust evaluation process was required. The evaluation process includes a mix of self-evaluation, 360-degree feedback and peer and Board review. Each leader, including the CEO, was tasked with reviewing performance against objectives and bonus metrics and reflecting on performance over the last year. For the CEO, the Board provided feedback in relation to a range of competencies including leadership, strategic planning, financial results, succession planning, human resources and diversity, communication, transformation and investor relations. Quantitative and qualitative evidence was sought in reaching evaluation conclusions regarding performance.

Board diversity priorities

The Board is committed to diversity, including ensuring an open and fair recruitment and selection process for all Board appointments. The Board has 29% female representation and has met its target on ethnic diversity and intends to maintain or improve its current levels of both gender and ethnic diversity. Recognising the benefits of wider experience, Non-Executive Director candidates from a wide variety of backgrounds have been considered when making Non-Executive Director appointments. The recruitment and selection process for Non-Executive Directors ensures that longlists of potential candidates comprise at least 50% female candidates. The Committee was involved in setting the gender diversity targets for the Group as set out in the Corporate responsibility and sustainability Report. During 2022, the Nomination and ESG Committee and the Board will continue to promote the Group's Board diversity policy and will also review advances in best practice.

Board effectiveness review

This year the Committee identified an external partner, Independent Audit, to facilitate a Board effectiveness review. The Board undertakes annual evaluations of its own performance, that of its Committees, the Chair, individual Directors and external audit. As part of this evaluation, the Board considers the balance of skills, experience, the independence and knowledge of the Board, its diversity, including gender, and how effectively the Board works together as a unit.

Standing agenda items

Inclusion and diversity

As a global business FD Technologies recognises the importance of reflecting the diversity of the customers we serve and the markets we operate in. 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. 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. Prior to embarking on the selection process for any new Non-Executive Directors recruited during the year, the Committee proactively ensures 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 FRC's guidance on board effectiveness recognises a breadth of diversity that goes beyond just gender and race, and includes personal attributes including intellect, judgement, courage, honesty and tact; and the ability to listen and forge relationships and develop trust. This ensures that a board is not closely comprised of like-minded individuals. The Committee agrees that diversity is vital when reviewing the composition of the Board and possible new appointees. Appointing the right people to the Board and the Executive Leadership Team with the appropriate balance of skills, knowledge, experience and culture is fundamental to the ongoing success of the Company. The Committee continues to recommend the appointment of the best people with the right skills and potential.

Gender pay gap

We publish our gender pay gap data which details the Group's commitment to gender equality and that its gender pay gap continued to be 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 with the aim of narrowing the gender pay gap.

Leadership and talent pipeline

A key area of focus for the Committee is nurturing the Group's leadership and talent pipeline. The Group's Graduate Options Programme, now in its thirteenth year, is an important way of introducing talent into the business. In addition to internal talent, the Committee also recognises that attracting external talent is vital to the Group's strategic growth plans and it remains committed to ensuring that the Group provides exciting career development opportunities for experienced professionals.
This year saw the percentage of experienced hires exceed the number of graduate hires for the first time in the Group's history.

Director induction

Following Board appointment, Directors receive a comprehensive induction tailored to their individual needs.
This includes meetings with senior management to enable them to build up a detailed understanding of the business, the strategy, and the key risks and issues that the Group faces.

Governance and composition

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. There have been no changes to the composition of the Committee which is chaired by Virginia Gambale, and the other members are Ayman Sayed and Donna Troy.

Other matters considered

The Committee dealt with a range of other matters during the year, including the appointment of Virginia Gambale as the Group's Workforce Engagement Director, taking over from Keith MacDonald who did not stand for re-election to the Board on completion of nine years of service. In addition, the Committee was also involved in reviewing the findings of the annual employee engagement survey and the follow-up action plan as well as monitoring succession planning for senior management.

Pay for performance

"During the year the Committee implemented a new formal CEO and Executive leadership evaluation process, which focused on pay for performance."

Ayman Sayed
Non-Executive Director

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. It is our preference for our remuneration policies, practices and reporting to reflect best practice corporate governance for a FTSE 100 company.

The focus of the Committee this year was on "Pay for Performance" with renewed focus on the evaluation of the Executive Leadership Team, comprising the CEO and CFO as well as the remuneration of those who report to the CEO. In recognition of its evolving responsibilities, during the year the Committee was renamed as the Remuneration and Talent Committee. Over the coming year, we will continue to keep abreast of changes in UK Corporate Governance and best practice and ensure that remuneration practices remain appropriate to attract and retain key talent. Ongoing engagement with shareholders remains a priority. We are in the process of updating the rules which underpin the long term incentive plan we put in place in 2020 and these will be put before shareholders at the next AGM.

Role and activities of the Committee

The Remuneration and Talent Committee reviewed the structures in place for our people with the objective to incentivise, motivate and retain talent and are designed to support the delivery of the Group's long-term strategy and promote long-term sustainable success by appropriately incentivising the relevant performance. This report provides context for the decisions made by the Committee in the year, and the proposed approach to implementing the policy in the upcoming year. It also summarises the remuneration outcomes for Executive Directors.

During the past financial year, the main focus of the Committee has been:

- monitor the Group's response to COVID-19 and the impact on its remuneration arrangements;
- formalise and implement the CEO and Executive leadership evaluation process with alignment to pay for performance principles;
- determine annual bonus outturn and long-term incentive awards;
- ensure that remuneration opportunities remain appropriate to attract and retain key talent;
- oversee below-Board reward strategy and structure, ensuring that it remains agile and fit for purpose across all divisions;
- focus on aligning all bonus metrics and bonus awards to performance across entire business;
- CFO benchmarking exercise;
- continue to keep abreast of changes in UK corporate governance and best practice;
- consideration of our gender pay gap reporting requirements; and
- reviewed the existing Long Term Incentive Plan rules and any proposed changes to these scheme rules ahead of the AGM.

Key activity during the year

Long Term Incentive Plan

In 2020 we introduced a Long Term Incentive Plan that incentivises the senior Executive Leadership Team to deliver on the Group's growth strategy, and assists in the retention of key employees. The Plan's performance targets are designed to be stretching yet feasible, based on the Group's own track record and the performance of aspirational peer companies, based primarily in the US. Option awards made under the Plan are at the prevailing market price at the time of award. Awards under the Plan are subject to typical malus and clawback provisions.

During the year the Committee worked with Linklaters to update the scheme rules and ensure they were up to date and reflected market practice. All proposed changes to the scheme rules will be shared with shareholders in advance of any changes being made.

As outlined in prior annual reports we consulted with shareholders when introducing the LTIP and invited feedback. This positive dialogue with shareholders will continue as we plan to review the performance measures applied to ensure they remain appropriately challenging and that they continue to align with the Group's strategic objectives. We will consider what is right for the business over the course of the current financial year as the Group strategy embeds and the broader macroeconomic environment evolves.

Composition

The Remuneration and Talent Committee is chaired by Ayman Sayed. The other members are Donna Troy and Thomas Seifert.

Remuneration policy

The Group's remuneration policy is outlined below and is unchanged from the prior year. The remuneration 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 market-value options under the Group's Long Term Incentive Plan. These awards 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 including participation in the Long Term Incentive 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 healthcare 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 of 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.

Report of the Remuneration and Talent Committee continued

Executive Directors continued

Long Term Incentive 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 Long Term Incentive Plan. Any awards made under this plan will be granted on a conditional basis, with exercise permitted not less than four years from the date of award and with performance conditions attached to them that are relevant to their impact on the Group's strategy.

Under the terms of the Plan, 50% of the grant will vest based on Absolute Total Shareholder Return (TSR) performance and 50% on Earnings Per Share (EPS) growth. Each measure is independent and they are weighted equally to determine any award vesting.

- For the TSR portion, 50% will vest for threshold performance, which is defined as 50% TSR over the four-year performance period. This translates to a CAGR of nearly 11%. Vesting then increases on a straight-line basis to full vesting for TSR of 100% (i.e. doubling of value over the four-year performance period, or a CAGR of nearly 19%).
- For the EPS growth portion, 50% will vest for threshold performance, which is defined as 75% EPS growth over the four-year performance period, or a CAGR of 15%. Vesting will increase on a straight-line basis to full vesting for EPS growth of 100%.

Executive Directors have a minimum one-year post-vesting holding period.

These performance targets are carefully calibrated to be challenging yet achievable, based on analysis of the Group's own recent performance, and that of aspirational peer companies. The scheme is geared towards breeding an "out-performance" mindset, calling for step-change innovation rather than incremental improvement.

Allowing 50% of the award to vest for threshold performance is high relative to market norms, but the Directors believe that our threshold performance targets are set well above typical market practice and so the high level of vesting is appropriate.

Non-Executive Directors

The Board, based on a recommendation by the Chairman of the Remuneration and Talent 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. Their remuneration comprises a cash payment (67%), with the remainder in FD Technologies shares. The number of shares to be issued is based on the average closing mid-market share price over the 90 business days prior to the release of the Group's full year results.

FY 2022 Remuneration Report

During the year a benchmarking exercise was undertaken around CFO reward resulting in changes to the CFO's reward structure taking effect from 1 September 2021.

It was determined that no changes to remuneration for the CEO and Non-Executive Directors were required at the current time.

Executive remuneration

Seamus Keating's base salary is unchanged and remains at £450,000 which was determined following a CEO benchmarking exercise carried out by independent external consultant Pearl Meyer, with participation in the Group healthcare and life assurance plans. Upon appointment the CEO elected not to participate in the Group pension scheme. As detailed in this report, following a recommendation by the Committee no executive director received a cash bonus payment relating to performance for the year to 28 February 2021. The remuneration table in this report contains accruals for executive director bonuses relating to the year to 28 February 2022.

The CEO was not awarded any options during the year.

During the year we appointed a number of new executive leaders across the FD Group. Independent advisers Pearl Meyer, which does not have any connection to the Company or individual Directors, provided support around reward benchmarking for these senior leadership appointments. Every senior leader's reward is set on a pay-for-performance basis, with objectives around financial performance and achievement of strategic objectives. The Committee was closely involved in the approval of these newly introduced reward metrics which align all of the senior leadership to the Group's overall strategy.

Non-Executive Director remuneration

No changes to Non-Executive Director reward were made during the year. The Chairman's total annual reward is £200,000 per annum while Non-Executive Directors receive £150,000, and this has been unchanged since 1 September 2019. These remuneration levels were sufficient to attract high calibre new Board members and the Committee, having reviewed them, resolved not to make any recommendation to the Board during the year to vary them.

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							
S Keating	**2022**	**450**	**1**	**205**	**—**	**—**	**656**
	2021	450	1	—	—	—	451
R Preston[1]	**2022**	**263**	**1**	**125**	**—**	**24**	**413**
	2021	40	1	—	—	5	46
G Ferguson[2]	**2022**	**—**	**—**	**—**	**—**	**—**	**—**
	2021	208	1	—	—	21	230
Non-Executive Directors							
K MacDonald[3]	**2022**	**36**	**—**	**—**	**18**	**—**	**54**
	2021	100	—	—	50	—	150
D Troy	**2022**	**133**	**—**	**—**	**67**	**—**	**200**
	2021	136	—	—	67	—	203
V Gambale	**2022**	**100**	**—**	**—**	**50**	**—**	**150**
	2021	102	—	—	51	—	153
A Sayed[4]	**2022**	**100**	**—**	**—**	**50**	**—**	**150**
	2021	68	—	—	34	—	102
T Seifert[5]	**2022**	**100**	**—**	**—**	**50**	**—**	**150**
	2021	64	—	—	32	—	96
S Fisher[6]	**2022**	**96**	**—**	**—**	**46**	**—**	**142**
	2021	47	—	—	23	—	70
U Fayyad[7]	**2022**	**13**	**—**	**—**	**6**	**—**	**19**
	2021	—	—	—	—	—	—
Total	**2022**	**1,291**	**2**	**330**	**287**	**24**	**1,934**
	2021	1,215	3	—	257	26	1,501

1 Appointed 1 January 2021. 2 Resigned 1 January 2021. 3 Resigned 8 July 2021. 4 Appointed 1 July 2020.
5 Appointed 13 July 2020. 6 Appointed 15 September 2020, resigned 31 January 2022. 7 Appointed 19 January 2022.

Service contracts

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

Directors' interests in shares (audited)

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

	Number of ordinary shares	
	28 February 2022	28 February 2021
S Keating	**31,014**	25,314
R Preston	**1,140**	—
D Troy	**5,576**	3,240
V Gambale	**7,233**	9,259
A Sayed	**1,166**	—
T Seifert	**1,104**	—
U Fayyad	**—**	—

Report of the Remuneration and Talent Committee continued

FY 2022 Remuneration Report continued

Share options

The awards currently outstanding to Directors are as follows:

	1 March 2021	Granted during the year	Vested during the year	Lapsed during the year	Exercised during the year	28 February 2022
S Keating	250,000	–	–	–	–	250,000
R Preston	50,000	65,000	10,000	–	–	115,000

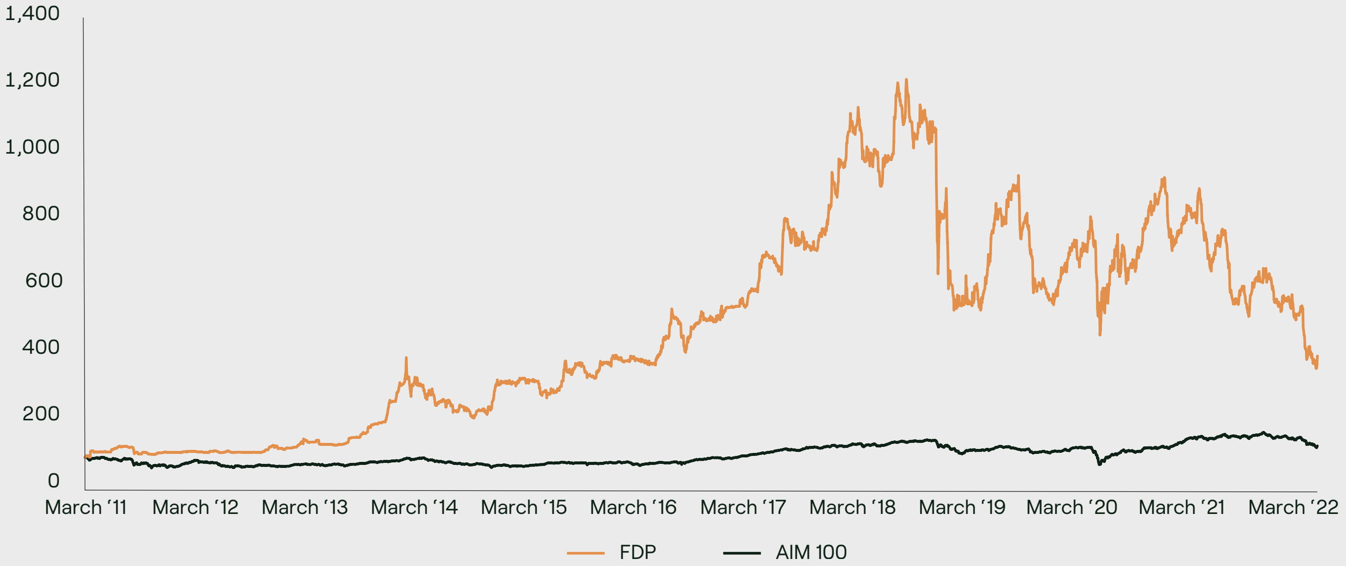
Ryan Preston was granted 65,000 share options during the year following his appointment in January 2021 as Chief Financial Officer. The award was made in line with the Group's Long Term Incentive Plan. There were no share options exercised by the Directors during the year (2021: nil).

Transactions with Directors

Outside of remuneration noted above, there were no other direct transactions with directors.

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 ten years. During this period the CEO has not received any long-term incentive remuneration.

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total remuneration (£'000)	231	277	276	165	311	657	693	542	435	451	656
Annual bonus as a % of maximum opportunity	40%	62%	63%	–	97%	100%	100%	53%	–	–	46%
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	n/a	n/a

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
2022 CEO total remuneration	Option A	9.2	16.2	23.6
2021		7.7	12.3	18.1
2022 CEO base salary	Option A	6.6	11.7	17.0
2021		7.5	12.3	18.1

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 28 February 2022 and no component of pay has been omitted from the calculations.

Directors' report

The Directors have pleasure in submitting to the shareholders their Annual Report and the audited financial statements of the Group and Company for the year ended 28 February 2022. On 8 July 2021, the Company changed its name from First Derivatives plc to FD Technologies plc.

Results and dividend

The Group's profit after taxation attributable to shareholders for the year to 28 February 2022 was £6,427k (2021: £8,997k).

The Directors do not propose the payment of a final dividend for the year. As a result, the total distribution relating to the year is nil (2021: nil) per share.

The price of the Company's shares at close of business on 28 February 2022 was £15.18 (2021: £29.05) and the high and low share prices during the year were £29.40 (2021: £35.20) and £13.78 (2021: £17.52) respectively. The average share price during the year was £16.28 (2021: £28.26).

Directors

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

U Fayyad (appointed 19 January 2022)
S Fisher (resigned 31 January 2022)
V Gambale
S Keating
K MacDonald (resigned 8 July 2021)
R Preston
A Sayed
T Seifert
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 and Talent Committee and the information is incorporated into the Directors' Report by reference.

Substantial shareholdings

At 9 May 2022, the Group had received notification of interests in 3% or more of the ordinary share capital from Juliana Conlon (14.5%), Baillie Gifford & Co (11.5%), Columbia Threadneedle Investments (10.5%), Octopus Investments (7.9%), Liontrust Asset Management (6.2%), T Rowe Price (6.0%), Kabouter Management (4.8%), Invesco (4.4%) and Canaccord Genuity (3.8%).

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 £18,553k (2021: £13,398k) 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 £2,572k (2021: £2,550k) were expensed during the year.

AIM Rule Compliance Report

FD Technologies 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; and

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.

Directors' report continued

Employee engagement

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. An annual Group-wide employee satisfaction review is 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.

Page 18 provides details of how the Board takes into account the effect of its decisions on employees and how that has impacted decisions taken during the year, while also detailing the ways in which Directors have engaged with employees.

Employee opportunities

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.

Business relationships

The Directors are mindful of the need to foster and maintain strong working relationships with customers, suppliers and others. Further information on how the Directors take into account this requirement in its decision making is provided on page 18.

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) 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 LLC (RDF). Prelytix Inc. and Kx Systems Inc., the Group achieves 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 (2021: nil).

Annual General Meeting voting

At the AGM held on 8 July 2021, resolution 2 (approval of the Directors' Remuneration Report) was passed with the necessary majority but with less than 80% in favour. In response to the AGM voting the Board engaged with the Group's major shareholders, particularly those identified as dissenting, to understand and discuss their concerns with respect to the resolution. This process did not identify any concern among shareholders with regard to the Group's remuneration policy or the 2021 Directors' Remuneration Report in particular. Following this dialogue, the Board does not propose to make any changes to its remuneration policies or practices and did not receive any requests to do so during the consultation process.

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.

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

Following an open tender process, Deloitte (NI) Limited were appointed at the 2019 AGM and have served three years in office. 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
9 May 2022

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 issued by the International Accounting Standards Board and UK-adopted international accounting standards. 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 the Group 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 international financial reporting standards as issued by the International Accounting Standards Board and UK-adopted international accounting standards;
- 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
9 May 2022

Financial statements

In this section

Independent auditor's report
to the members of FD Technologies Plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of FD Technologies plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 28 February 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards 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 34.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent 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 parent 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

Key audit matters	The key audit matters that we identified in the current year were: • Revenue recognition relating to accrued income; and • Capitalisation of internally developed software costs. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £1,050k which was determined on the basis of 0.4% of revenue. The materiality that we used for the Company financial statements was £936k, which was determined based on approximately 0.6% of revenue.
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 full scope and specified audit procedures covered 98% (2021: 98%) of total group revenue; 89% (2021: 95%) of group profit before tax and 99% (2021: 99%) of total group assets.
Significant changes in our approach	Our audit approach is consistent with the prior year and no changes have been made to the key audit matters presented.

Independent auditor's report continued
to the members of FD Technologies Plc

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- we obtained an understanding of the group's and company's business model, objectives, strategies and related business risks, how the group and company is structured and financed and the measurement and review of the group's and company's financial performance, including the FY23 budget, future cash flows and management's budgeting processes;
- we challenged and assessed the forecasts prepared by management including an assessment of the assumptions used in the forecast, including assumptions around profitability levels, and a challenge to the assumptions based on a review of the historical accuracy of forecasts prepared by management and amount of headroom in the forecasts;
- we evaluated the relevance and reliability of the underlying data management used to make these assessments; and
- we assessed the adequacy of the going concern disclosure and whether it reflects a true and fair assessment of the work performed by the group and company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

5.1. Revenue recognition relating to accrued income

Key audit matter description

The group had £8.5m (2021: £10.9m) of accrued income at 28 February 2022 with £263.5m of revenue recognised in the year (2021: £237.9m).

The delivery of licensing or service revenue may occur over multiple accounting periods such that revenue is misstated, at the statement of financial position date due to incorrect recognition of accrued income as a consequence of either fraud or error.

Revenue accrued at the balance sheet date could be misstated where the correct revenue recognition policies may not have been applied to contracts primarily due to the following factors;

- Revenue from contracts may not have been correctly recognised over the installation period for software installations or over the appropriate service period for service contracts which can be time or performance based.
- Accrued income balances recorded at year end may not reflect the appropriate level of revenue to be recognised at the balance sheet date.

This key audit matter 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 86.

How the scope of our audit responded to the key audit matter	In order to address the key audit matter, our procedures included the following : • obtained an understanding of the process and relevant controls for ensuring appropriate recognition of accrued income and evaluated the design and determined the implementation of the relevant controls relating to accrued income; • carried out a review of the appropriateness of revenue recognition policies adopted under United Kingdom adopted international accounting standards including disclosures in the financial statements; • evaluated a sample of contracts including performing a recalculation of revenue to be recognised based on the contract terms and comparing this to actual accrued income to assess for possible management bias; and • challenged the appropriateness of accrued income as at the balance sheet date; this work included reviewing supporting documentation to determine whether the performance obligations had been met.
Key observations	We have no observations that impact on our audit in respect of the recognition of accrued income.

5.2. Capitalisation of internally developed software costs

Key audit matter description	At 28 February 2022, the group held internally developed software costs with a net book value of £44.4m (2021: £35.9m). 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 internally developed software costs before all the required capitalisation criteria are met, whether through fraud or error. 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 86.
How the scope of our audit responded to the key audit matter	In order to address the key audit matter, our procedures included the following : • We obtained an understanding of the process and related controls for ensuring appropriate capitalisation of internally developed software 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 internally developed software costs were recorded accurately and whether the costs met the required capitalisation criteria in accordance with IAS 38; and • We agreed the amount of internally developed software costs capitalised to underlying documentation detailing cost per project, including timesheet and salary 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 FD Technologies Plc

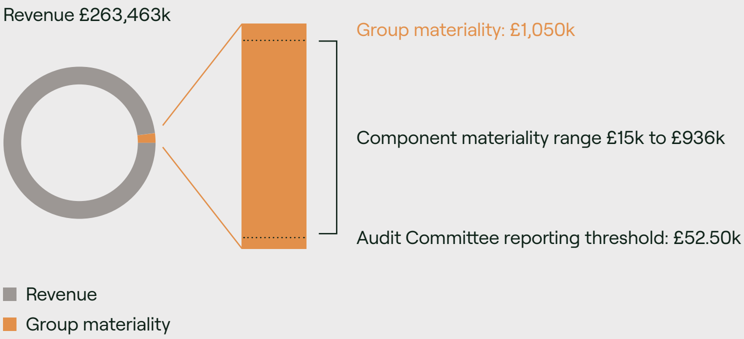
6. Our application of materiality

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	£1,054k (2021: £950k)	£936k (2021: £855k)
Basis for determining materiality	0.4% of revenue.	Company materiality equates to 0.6% of revenue and is capped at 90% of group materiality.
Rationale for the benchmark applied	Revenue 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 and growth of the business, particularly as the group seeks to grow through the increased investment in the business and hence its ability to pay a return on investment to the investors.	Revenue was considered to be 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 90% of group materiality.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Company financial statements
Performance materiality	80% of group materiality	90% of company materiality
Basis and rationale for determining performance materiality	We deemed the performance materiality level to be appropriate based on: • Our risk assessment, including our assessment of the group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; • our understanding of the entity and its environment, and the nature of the entity being listed; and • the level of uncorrected misstatements recorded in the prior year audit.	We deemed the performance materiality level to be appropriate based on: • Our risk assessment, including our assessment of the company's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; • our understanding of the entity and its environment; and • the level of uncorrected misstatements recorded in the prior year audit.

6. Our application of materiality continued

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £52.5k (2021: £47.5k), 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 13 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.

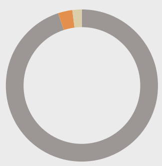
There were no separate component audit teams, with the entire audit including the testing of the consolidation being conducted by one central audit team.

Of the group's 29 components, we subjected 11 of the group entities to full audit scope, specified audit procedures were undertaken on a further 4 components and analytical procedures were performed on a further 4 components. The other 10 components represent non-trading or very small entities. Our full scope and specified audit procedures covered 98% (2021: 98%) of total group revenue; 89% (2021: 95%) of group profit before tax and 99% (2021: 99%) total group 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 £15k to £936k.

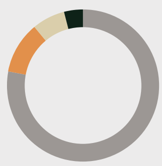
At the group level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.

Revenue



- Full audit scope: 95%
- Specified audit procedures: 3%
- Review at group level: 2%

Profit before tax



- Full audit scope: 78%
- Specified audit procedures: 11%
- Review at group level: 7%
- Out of scope: 4%

Group assets

- Full audit scope: 97%
- Specified audit procedures: 2%
- Review at group level: 1%

8. Other information

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

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.

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 course of our audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

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 parent 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 parent 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.

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 company’s or the consolidated 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 the auditor’s 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. We include an explanation in the auditor’s report of the extent to which the audit was capable of detecting irregularities, including fraud.
- 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 company’s or the group’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 company’s or the group’s ability to continue as a going concern. If we conclude that the use of the going concern basis of accounting is appropriate and no material uncertainties have been identified, we report these conclusions in the auditor’s report. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are 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 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).
- Where we are required to report on consolidated financial statements, obtain sufficient appropriate audit evidence regarding the financial information of the entities or 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 interest entities, we also provide those charged with governance with a statement that we have 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 the auditor’s independence, and where applicable, related safeguards.

Where we are required to report on key audit matters, from the matters communicated with those charged with governance, we determine 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. We describe these matters in the auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine 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.

For public interest entities, other listed entities, entities that are required, and those that choose voluntarily, to report on how they have applied the UK Corporate Governance Code, and other entities subject to the governance requirements of The Companies (Miscellaneous Reporting) Regulations 2018, we are required to include in the auditor’s report an explanation of how we evaluated management’s assessment of the entity’s ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's and company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's and company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition relating to accrued income and capitalisation of internally developed software costs. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group and company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, rules of the London Stock Exchange for companies trading securities on AIM and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's and company's ability to operate or to avoid a material penalty. These include the EU General Data Protection Regulation (GDPR) and possible inadvertent software patent infringements under governing laws including the UK Patent Act 1977 and the European Patent Convention.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition relating to accrued income and capitalisation of internally developed software costs as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent auditor's report continued
to the members of FD Technologies Plc

Report on other legal and regulatory requirements.

12. 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.

13. Corporate Governance Statement

As you have chosen to voluntarily comply with the UK Corporate Governance Code, we are required to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 53;
- the directors' explanation as to its assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate, set out on page 54;
- the directors' statement on fair, balanced and understandable, set out on page 65;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 50;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on pages 52 and 53; and
- the section describing the work of the audit committee, set out on page 52.

14. Matters on which we are required to report by exception

14.1. 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

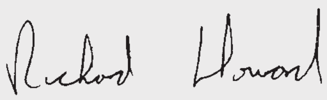
14.2. Directors' remuneration

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.

15. 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 FCA (Senior statutory auditor)
For and on behalf of Deloitte (NI) Limited
Statutory Auditor
Belfast, United Kingdom
9 May 2022

Consolidated statement of comprehensive income
Year ended 28 February 2022

	Note	2022 £'000	2021 £'000
Revenue	3 & 4	**263,463**	237,867
Cost of sales		**(157,327)**	(136,888)
Gross profit	3	**106,136**	100,979
Operating costs			
Research and development costs		**(21,125)**	(15,948)
– Of which capitalised		**18,553**	13,398
Sales and marketing costs		**(47,355)**	(39,252)
Administrative expenses		**(51,949)**	(42,036)
Impairment loss on trade and other receivables	31	**(695)**	(215)
Total operating costs	6	**(102,571)**	(84,053)
Other income	5	**2,816**	96
Operating profit		**6,381**	17,022
Finance income	10	**262**	1,606
Finance expense	10	**(3,015)**	(4,183)
Loss on foreign currency translation	10	**(1,834)**	(3,240)
Net finance costs		**(4,587)**	(5,817)
Share of gain/(loss) of associate, net of tax	17	**262**	(58)
Profit on sale of associate	17	**6,943**	–
Profit before taxation		**8,999**	11,147
Income tax expense	11	**(2,572)**	(2,150)
Profit for the year		**6,427**	8,997

Consolidated statement of comprehensive income continued
Year ended 28 February 2022

	2022 £'000	2021 £'000
Profit for the year	6,427	8,997
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Equity investments at FVOCI – net change in fair value	(1,408)	2,349
Net gain on sale of FVOCI holding	150	4,746
Items that will or may be reclassified subsequently to profit or loss		
Net exchange gain/(loss) on net investment in foreign subsidiaries	3,237	(10,657)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	(1,183)	2,611
Other comprehensive income for the year, net of tax	796	(951)
Total comprehensive income for the year attributable to owners of the parent	7,223	8,046

	Note	Pence	Pence
Earnings per share			
Basic	14a	23.1	32.7
Diluted	14a	22.9	32.0

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

Consolidated balance sheet

As at 28 February 2022

Registered company number: NI 30731

	Note	2022 £'000	2021 £'000
Assets			
Property, plant and equipment	15	28,343	33,541
Intangible assets and goodwill	16	155,607	147,513
Equity accounted investee	17	–	2,649
Other financial assets	18	19,676	14,760
Trade and other receivables	19	3,745	3,312
Deferred tax assets	24	17,998	14,719
Non-current assets		225,369	216,494
Trade and other receivables	19	74,029	75,102
Current tax receivable	25	4,172	3,208
Cash and cash equivalents	20	48,564	55,198
Current assets		126,765	133,508
Total assets		352,134	350,002
Equity			
Share capital	21	139	139
Share premium		100,424	99,396
Merger reserve		–	8,118
Share option reserve		18,404	16,790
Fair value reserve		9,755	10,682
Currency translation adjustment reserve		(3,574)	(5,628)
Retained earnings		67,391	53,177
Equity attributable to owners of the Company		192,539	182,674
Liabilities			
Loans and borrowings	22	62,504	83,596
Trade and other payables	23	3,190	2,431
Deferred tax liabilities	24	15,307	11,428
Non-current liabilities		81,001	97,455
Loans and borrowings	22	9,054	9,244
Trade and other payables	23	60,596	53,591
Current tax payable	25	382	269
Employee benefits	26	8,562	6,769
Current liabilities		78,594	69,873
Total liabilities		159,595	167,328
Total equity and liabilities		352,134	350,002

These financial statements were approved by the Board of Directors on 9 May 2022.

Seamus Keating
Chief Executive Officer

Ryan Preston
Chief Financial Officer

Company balance sheet

As at 28 February 2022

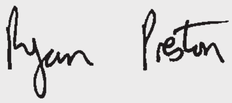
Registered company number: NI 30731

	Note	2022 £'000	2021 £'000
Assets			
Property, plant and equipment	15	13,111	16,076
Intangible assets and goodwill	16	35,587	29,008
Investment in subsidiaries	17	132,435	133,464
Other financial assets	18	3,485	4,184
Trade and other receivables	19	56,877	45,575
Deferred tax assets	24	11,953	8,610
Non-current assets		253,448	236,917
Trade and other receivables	19	84,245	63,744
Current tax receivable	25	3,969	2,355
Cash and cash equivalents	20	16,236	43,095
Current assets		104,450	109,194
Total assets		357,898	346,111
Equity			
Share capital	21	139	139
Share premium		100,424	99,396
Merger reserve		—	8,118
Share option reserve		18,624	16,985
Fair value reserve		1,547	3,986
Retained earnings		43,949	26,595
Equity attributable to shareholders		164,683	155,219
Liabilities			
Loans and borrowings	22	51,475	71,064
Trade and other payables	23	2,579	1,963
Deferred tax liabilities	24	7,306	5,314
Non-current liabilities		61,360	78,341
Loans and borrowings	22	6,756	6,890
Trade and other payables	23	118,869	100,237
Employee benefits	26	6,230	5,424
Current liabilities		131,855	112,551
Total liabilities		193,215	190,892
Total equity and liabilities		357,898	346,111

The Company's profit for the year ended 28 February 2022 was £9,236k (2021: £2,446k).

These financial statements were approved by the Board of Directors on 9 May 2022.

Seamus Keating
Chief Executive Officer



Ryan Preston
Chief Financial Officer

Consolidated statement of changes in equity

Year ended 28 February 2022

	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 2021	139	99,396	8,118	16,790	10,682	(5,628)	53,177	182,674
Total comprehensive income for the year								
Profit for the year	—	—	—	—	—	—	6,427	6,427
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	—	—	—	—	—	3,237	—	3,237
Net exchange loss on hedge of net investment in foreign subsidiaries	—	—	—	—	—	(1,183)	—	(1,183)
Net change in fair value of equity investments at FVOCI	—	—	—	—	(1,408)	—	—	(1,408)
Net gain/(loss) on sale of FVOCI holding	—	—	—	—	481	—	(331)	150
Total comprehensive income for the year	—	—	—	—	(927)	2,054	6,096	7,223
Transactions with owners of the Company								
Tax relating to share options	—	—	—	80	—	—	—	80
Exercise of share options	—	773	—	—	—	—	—	773
Issue of shares	—	255	—	—	—	—	—	255
Share based payment charge	—	—	—	1,534	—	—	—	1,534
Transfer (see note 21)	—	—	(8,118)	—	—	—	8,118	—
Balance at 28 February 2022	**139**	**100,424**	**—**	**18,404**	**9,755**	**(3,574)**	**67,391**	**192,539**

Consolidated statement of changes in equity continued
Year ended 28 February 2021

	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 2020	136	91,002	8,118	13,775	3,587	2,418	44,125	163,161
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	8,997	8,997
Other comprehensive income								
Net exchange loss on net investment in foreign subsidiaries	–	–	–	–	–	(10,657)	–	(10,657)
Net exchange gain on hedge of net investment in foreign subsidiaries	–	–	–	–	–	2,611	–	2,611
Net change in fair value of equity investments at FVOCI	–	–	–	–	2,349	–	–	2,349
Net gain on sale of FVOCI holding	–	–	–	–	4,746	–	–	4,746
Total comprehensive income for the year	–	–	–	–	7,095	(8,046)	8,997	8,046
Transactions with owners of the Company								
Tax relating to share options	–	–	–	820	–	–	–	820
Exercise of share options	3	8,281	–	–	–	–	–	8,284
Issue of shares	–	113	–	–	–	–	–	113
Share based payment charge	–	–	–	2,250	–	–	–	2,250
Transfer on forfeit of share options	–	–	–	(55)	–	–	55	–
Balance at 28 February 2021	139	99,396	8,118	16,790	10,682	(5,628)	53,177	182,674

Company statement of changes in equity
Year ended 28 February 2022

	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 2021	139	99,396	8,118	16,985	3,986	26,595	155,219
Total comprehensive income for the year							
Profit for the year	—	—	—	—	—	9,236	9,236
Other comprehensive income							
Net change in fair value of equity investments at FVOCI	—	—	—	—	(2,439)	—	(2,439)
Total comprehensive income for the year	—	—	—	—	(2,439)	9,236	6,797
Transactions with owners of the Company							
Tax relating to share options	—	—	—	105	—	—	105
Exercise of share options	—	773	—	—	—	—	773
Issue of shares	—	255	—	—	—	—	255
Share based payment charge	—	—	—	1,534	—	—	1,534
Transfer (see note 21)	—	—	(8,118)	—	—	8,118	—
Balance at 28 February 2022	**139**	**100,424**	**—**	**18,624**	**1,547**	**43,949**	**164,683**

Company statement of changes in equity continued
Year ended 28 February 2021

	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 2020	136	91,002	8,118	13,866	3,733	24,094	140,949
Total comprehensive income for the year							
Profit for the year	—	—	—	—	—	2,446	2,446
Other comprehensive income							
Net change in fair value of equity investments at FVOCI	—	—	—	—	253	—	253
Total comprehensive income for the year	—	—	—	—	253	2,446	2,699
Transactions with owners of the Company							
Tax relating to share options	—	—	—	924	—	—	924
Exercise of share options	3	8,281	—	—	—	—	8,284
Issue of shares	—	113	—	—	—	—	113
Share based payment charge	—	—	—	2,250	—	—	2,250
Transfer on forfeit of share options	—	—	—	(55)	—	55	—
Balance at 28 February 2021	139	99,396	8,118	16,985	3,986	26,595	155,219

Consolidated cash flow statement

Year ended 28 February 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit for the year	6,427	8,997
Adjustments for:		
Net finance costs	4,587	5,818
Depreciation of property, plant and equipment	6,308	6,876
Amortisation of intangible assets	13,817	12,889
Equity-settled share based payment transactions	1,534	2,250
Profit on disposal of associate	(6,943)	–
Profit on disposal of fixed assets	(222)	–
Other income	(2,499)	–
Grant income	(317)	(49)
Share of (profit)/loss of associate	(262)	58
Tax expense	2,572	2,150
	25,002	38,989
Changes in:		
Trade and other receivables	(1,585)	1,707
Trade and other payables	5,473	5,972
Cash generated from operating activities	28,890	46,668
Taxes paid	(407)	(1,253)
Net cash from operating activities	28,483	45,415
Cash flows from investing activities		
Interest received	19	40
(Increase) in loans to other investments	–	(122)
Settlement of loans to other investments	–	992
Acquisition of subsidiaries	(118)	–
Acquisition of other investments	(95)	(510)
Sale of associate	11,001	–
Sale of other investments	175	10,987
Acquisition of property, plant and equipment	(2,777)	(1,502)
Proceeds from sale of property, plant and equipment	920	–
Acquisition of intangible assets	(18,931)	(13,775)
Net cash used in investing activities	(9,806)	(3,890)
Cash flows from financing activities		
Proceeds from issue of share capital	773	8,284
Drawdown of loans and borrowings	–	34,208
Repayment of borrowings	(19,141)	(38,350)
Payment of lease liabilities	(3,598)	(4,554)
Interest paid	(2,932)	(4,564)
Net cash used in financing activities	(24,898)	(4,976)
Net (decrease)/increase in cash and cash equivalents	(6,221)	36,549
Cash and cash equivalents at 1 March	55,198	26,068
Effects of exchange rate changes on cash held	(413)	(7,419)
Cash and cash equivalents at 28 February	48,564	55,198

Company cash flow statement
Year ended 28 February 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit for the year	9,236	2,444
Adjustments for:		
Net finance costs	6,144	3,301
Depreciation of property, plant and equipment	2,325	2,524
Amortisation of intangible assets	7,661	6,570
Dividends from subsidiary	(18,670)	–
Disposal of subsidiary	1,137	–
Profit on disposal of fixed asset	(222)	–
Equity-settled share based payment transactions	1,534	2,250
Other income	(2,499)	–
Grant income	(317)	(49)
Tax (credit)/expense	(245)	1,786
	6,084	18,826
Changes in:		
Trade and other receivables	(1,615)	(6,757)
Trade and other payables	5,488	29,133
Cash generated from operating activities	9,957	41,202
Tax refund/(paid)	469	(730)
Net cash from operating activities	10,426	40,472
Cash flows from investing activities		
Interest received	19	40
Acquisition of subsidiaries	(118)	–
Acquisition of other investments	(11)	(125)
Acquisition of property, plant and equipment	(1,662)	(691)
Proceeds from sale of property, plant and equipment	920	–
Acquisition of intangible assets	(14,239)	(9,184)
Net cash used in investing activities	(15,091)	(9,960)
Cash flows from financing activities		
Proceeds from issue of share capital	773	8,284
Drawdown of loans and borrowings	–	34,208
Repayment of borrowings	(19,141)	(38,350)
Payment of lease liabilities	(1,242)	(1,868)
Interest paid	(2,049)	(4,308)
Net cash used in financing activities	(21,659)	(2,034)
Net (decrease)/increase in cash and cash equivalents	(26,324)	28,478
Cash and cash equivalents at 1 March	43,095	21,656
Effects of exchange rate changes on cash held	(535)	(7,039)
Cash and cash equivalents at 28 February	16,236	43,095

Notes

1. Significant accounting policies

FD Technologies plc (FTP 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 9 May 2022.

a) Basis of preparation

The consolidated financial statements and the Company financial statements have been prepared and approved by the Directors in accordance with UK-adopted international accounting standards (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 share based payment arrangements which are measured in accordance with IFRS 2 and derivative financial instruments and equity investments that are in the scope of IFRS 9 which are measured at fair value.

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 2021 and these have been adopted in the Group and Company financial statements where relevant:

- IFRIC Update – Configuration or Customisation costs in a Cloud Computing Arrangement (IAS38 – Intangible Assets)
- Amendments to IFRS 9 – Comparative Information
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase II

The changes listed above did not result in material changes to the Group and Company financial statements.

IFRSs not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 March 2021 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 IFRS 9 and IFRS 7 Interest Rate Benchmark Reform	1 January 2022
Annual Improvements to IFRS Standards 2018– 2020 (May 2020)	1 January 2022
Amendments to IFRS 3 (May 2020)	1 January 2022
Amendments to IAS 37 (May 2020)	1 January 2022
Amendments to IAS 16	1 January 2022
Amendments to IAS 1	1 January 2023
Amendments to IFRS 4	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Amendments to IAS 8	1 January 2023
Amendments to IAS 12 Income Taxes	1 January 2023
Amendments to IFRS 17	1 January 2023

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.

1. Significant accounting policies continued

a) Basis of preparation continued

Going concern

The financial statements are prepared on a going concern basis. The Directors consider the Group to have a resilient business model and to have 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 show that the Group will continue to be cash generative and will be able to meet all obligations as they fall due with significant headroom.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. While the Company balance sheet shows it to have net current liabilities, it has cash resources available to it through its subsidiary undertakings. 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. Note 31 details financial instruments and their impact on credit risk and liquidity.

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:

- In determining Capitalised Internally Developed Software Costs management will need to apply judgement and evaluate the technical and commercial feasibility of each product, and the ability to yield future economic benefits, and assess likelihood of success, and ability of the Group to complete each product. Judgements are applied on a product basis in accordance with IAS 38.
- Management applies judgement in the recognition of revenue, determining when performance obligations are satisfied and control transferred. 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.

The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- 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. A number of key assumptions including discount rates, terminal growth rate and forecast cash flows are determined. Note 16 outlines the critical estimates applied in the value-in-use calculations that are most sensitive to changes in key assumptions and the sensitivity of these critical estimates.
- 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. Details of the key assumptions used are included in note 31(b).

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 value of 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.

1. **Significant accounting policies** continued

a) Basis of preparation continued

Measurement of fair values continued

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 note 31 financial instruments.

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 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.

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)

All subsidiaries are 100% owned with no non-controlling interests.

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. Profit or loss on disposal of associates is recognised in profit or loss as other gains/(losses).

v) Transactions eliminated on consolidation

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

1. Significant accounting policies continued

c) Foreign currency

i) Foreign currency transactions

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

ii) Foreign operations

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

When a foreign operation is disposed of, such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of foreign currency loans designated as a hedge of net investments in a foreign operation are recognised in other comprehensive income to the extent the hedge 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 in the 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	— 25%
Plant and equipment	— 25–50%
Leasehold improvements	— 2–20%
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.

1. Significant accounting policies continued

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

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

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

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

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

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

iii) Other intangible assets

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

iv) Subsequent expenditure

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

v) Amortisation

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

Customer lists	— 12.5%
Acquired software	— 12.5%
Brand name	— 12.5%
Internally 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

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

On initial recognition a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit and loss (FVPL). 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 is reclassification 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. The Group also derecognises a financial asset when its terms are substantially modified. This is determined by a quantitative analysis to determine that the cash flows of the modified asset are substantially different and a qualitative assessment to identify substantial differences in terms that by their nature are not captured by the quantitative assessment. Where a substantial modification has been determined a new financial asset based on the modified terms is recognised at fair value and the original financial asset is derecognised; the difference in the respective carrying amounts is recognised in profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the asset before the modification; and (2) the present value of the cash flows after the modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Notes continued

1. Significant accounting policies continued

f) Financial instruments continued

Financial liabilities are classified as measured at amortised cost or FVPL. 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. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Trade and other receivables

Trade and other receivables in a held to collect business model are initially measured at transaction price where there is no significant financing component, otherwise they are recognised at fair value. Trade and other receivables are subsequently stated at amortised cost less expected credit losses.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of one month or less and are measured at amortised cost.

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.

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. Bank overdrafts are included under borrowings in the statement of financial position.

g) 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.

h) 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 contract assets (accrued income). 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 Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

1. Significant accounting policies continued

h) Impairment continued

i) Financial assets continued

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

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.

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.

i) 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 or Monte Carlo 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 the share option reserve is transferred to retained earnings. Modifications are assessed at the date of modification and any incremental charges are charged to the income statement.

1. Significant accounting policies continued

i) Employee benefits continued

iii) Short-term benefits

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

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

j) 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.

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 usually recognised on a straight-line basis over the period to which the service is provided to the customer. When the value of the satisfied performance obligations is in excess of the payment due, the Group recognises a contract asset (accrued income). When the amount of unconditional consideration is in excess of the value of satisfied performance obligations, the Group recognises a contract liability (deferred income). Once a right to receive consideration is unconditional, that amount is recognised as a receivable. Further detail on revenue recognition is provided in the critical accounting estimates and judgement note.
- Revenue from consulting services is recognised in the period in which the consultants perform the work at the contracted rates for each consultant. Revenue is based on timesheets from our consultants which are authorised by the Group's customers detailing the hours and service provided.
- Maintenance and support revenue is recognised based over the term of the support arrangement. Under the standardised maintenance and support services, the Group's performance obligation is to provide product support and unspecified updates, upgrades and enhancements on a when-and-if available basis. The customers simultaneously receive and consume the benefits of these services.
- The Group undertakes the provision of software-related services for specialised business operations. Such services will be contracted on either a "fixed fee" or "time and materials" basis.

Fixed fee contracts

Where the provision of software-related services has been contracted on a fixed price basis, the associated revenue is recognised based on the stage of completion of the contract. The Directors have assessed that the stage of completion, determined as the delivered proportion of the total scope expected for the project, is an appropriate measure of progress towards complete satisfaction of the performance conditions under IFRS 15. Any such assessments are reviewed on a regular basis. Such contracts will contain a pre-agreed billing model, and payments will be made by the client in accordance with the conditions within contract.

Time and materials contracts

- Where the provision of software-related services has been contracted on a time and materials basis, the customer is bound to pay for services in line with contractually pre-agreed daily rates. The revenue associated with such services is recognised on a monthly basis, in line with any chargeable time and materials delivered against a given project. Typically, time and material billing will occur on a monthly basis, and clients are required to settle any payments due in line with contractually pre-agreed payment terms.
- 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 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

j) 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.

k) 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 twelve 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 asset is 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. Low-value assets comprise IT equipment and small items of office furniture. This expense is presented within other operating expenses in the consolidated statement of comprehensive income.

l) 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. Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method, and foreign exchange gains and losses. The interest expense component of 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.

m) 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.

Notes continued

1. Significant accounting policies continued

m) Taxation continued

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.

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.

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.

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.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (CODM). The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Chief Financial Officer jointly. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

As a result of an internal restructure, the Group transitioned from the one segment operating model reported in 2021 to a three segment operating model. The Group has determined that its reportable segments are KX, First Derivative and MRP. The reportable segments reflect the way financial information is reviewed by the Group's CODM. The previous reportable segment, as disclosed in the Group's 2021 Annual Report, has been realigned to follow the Group's integrated operational model and internal structure. The Group has restated the operating segment information for the year ended 28 February 2021 accordingly. For further information on operating segments see notes 3 and 4.

r) Use of non-GAAP measures – Adjusted EBITDA

The Group believes that the consistent presentation of adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), adjusted effective tax rate, adjusted basic earnings per share and adjusted diluted earnings per share provides additional useful information to shareholders on the underlying trends and comparable performance of the Group over time. Adjusted EBITDA is defined as results from operating activities before acquisition and non-operational costs, IT Systems implementation costs expensed, share based payments and related costs, depreciation of property, plant and equipment and amortisation of intangible assets, and non-recurring dividend income from investments. Acquisition and non-operational costs relate to items that are considered significant in size and non-operational in nature and include restructuring costs and costs associated with the management of our equity investment portfolio. The Group uses adjusted EBITDA as an underlying measure of its performance. A reconciliation between GAAP and underlying measures is set out in note 7 (Adjusted EBITDA).

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.

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 Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's capital management overall strategy remains unchanged from 2021. The capital structure of the Group consists of net debt (borrowings disclosed in note 22 after deducting cash and bank balances in note 20) and equity of the Group (comprising issued capital, reserves, retained earnings).

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. Please see capital structure per note 21.

Notes continued

3. Operating and business segments

Business segments

As a result of an internal restructure, in 2021 the Group transitioned from the one segment operating model reported in 2021 to a three segment operating model. The reportable segments reflect the way financial information is reviewed by the Group's CODM. The previous reportable segment, as disclosed in the Group's 2021 Annual Report, has been realigned to follow the Group's integrated operational model and internal structure. The Group has restated the operating segment information for the year ended 28 February 2021 accordingly.

The Group is organised into three operating segments (as identified under IFRS 8 "Operating Segments") and generates revenue through the following activities:

- KX – the leading technology for real-time continuous intelligence.
- First Derivative (FD) – which provides technology and data services in its primary market of Financial Services.
- MRP – is at the forefront of Account Based Marketing (ABM), with its Prelytix platform enabling sales and marketing organisations to grow new business by identifying and engaging the most likely buyers of our customers' products and services.

The chief operating decision maker monitors the operating results of segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit before acquisition and non-operational costs, share based payment and related costs, depreciation and amortisation of intangible assets ('adjusted EBITDA'). These costs are managed on a centralised basis and therefore these items are not allocated between operating segments for the purpose of presenting information to the chief operating decision maker and accordingly are not included in the detailed segmental analysis. Intersegment revenue is not material and thus not subject to separate disclosure.

Information about reportable segments

	KX		FD		MRP		Total	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Revenue by segment								
Revenue	64,418	74,294	147,988	119,412	51,057	44,161	263,463	237,867
Gross profit	44,520	53,826	39,376	29,128	22,240	18,025	106,136	100,979
Adjusted EBITDA	9,782	24,256	13,982	10,491	7,283	5,747	31,047	40,494
Acquisition and non-operational costs							(3,082)	(1,337)
IT systems implementation costs expensed							(2,287)	–
Non-operational other income							2,499	–
Share based payment and related costs							(1,671)	(2,370)
Depreciation and amortisation							(16,994)	(16,081)
Amortisation of acquired intangibles							(3,131)	(3,684)
Operating profit							6,381	17,022
Net finance costs							(4,587)	(5,817)
Profit on sale of associate							6,943	–
Share of profit/(loss) of associate, net of tax							262	(58)
Profit before taxation							8,999	11,147

The Group has disclosed overleaf 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.

3. Operating and business segments continued

Geographical location analysis

	Revenues		Non-current assets	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
UK	79,355	68,718	87,448	59,837
EMEA	46,463	39,371	16,826	16,561
The Americas	110,697	103,401	118,576	122,313
Asia Pacific	26,948	26,377	2,952	3,064
Total	263,463	237,867	225,802	201,775

Major customers

The Group has no key customers who generated more than 10% of Group revenue in 2022 or 2021.

4. Revenue

Disaggregation of revenue

	KX		FD		MRP		Total	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Type of good or service								
Sale of goods – perpetual	3,589	10,595	–	–	–	–	3,589	10,595
Sale of goods – recurring	39,192	37,707	–	–	27,015	24,244	66,207	61,951
Rendering of services	21,637	25,992	147,988	119,412	24,042	19,917	193,667	165,321
	64,418	74,294	147,988	119,412	51,057	44,161	263,463	237,867
Timing of revenue recognition								
At a point in time	3,589	10,595	–	–	–	–	3,589	10,595
Over time	60,829	63,699	147,988	119,412	51,057	44,161	259,874	227,272
	64,418	74,294	147,988	119,412	51,057	44,161	263,463	237,867

The following table provides information about receivables, accrued income and deferred income from contracts with customers.

Receivables, accrued and deferred income

	2022 £'000	2021 £'000
Net current trade receivables	53,862	48,794
Accrued income	8,529	10,881
Deferred income	26,990	23,899

Accrued income relates to the Group's right to consideration for work completed and delivered but not invoiced as at year end and is transferred to trade receivables when an invoice is issued to the customer. Customers are typically invoiced on a monthly basis and consideration is payable in line with agreed commercial terms.

Deferred income relates to advance consideration received from customers, where revenue is recognised over time as the services are provided/delivered to customers.

Notes continued

5. Other income

	2022 £'000	2021 £'000
Government grants	317	49
Dividends from equity investments held at FVOCI	2,499	47
	2,816	96

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 February 2024. The income is recognised as the costs are incurred.

In December 2020, the Group was awarded a government grant amounting to £192,202 under the ATI Programme, COREF (COnnected REconfigurable Factory). The grant is to be drawn down quarterly on the occurrence of approved labour, overheads, travel and other costs relating to COREF project expenditure, for the period to 31 December 2021, the income is recognised as the costs are incurred. For the year ended 28 February 2022 £117k was recognised in the profit and loss account.

6. Operating costs

	2022 £'000	2021 £'000
Rent, rates and insurance	2,479	2,513
Telecommunications	602	765
Accountancy, audit and legal expenses	2,972	1,653
Payroll costs	74,464	63,250
– of which capitalised	(16,549)	(12,286)
Tax credit	(2,121)	(1,178)
Listing expenses	549	515
Travel and subsistence	1,415	525
IT expenses	4,181	1,576
Marketing expenses	3,912	4,070
Acquisition-related costs and other non-operational costs	5,369	1,337
Depreciation and amortisation	20,125	19,766
Impairment loss on trade and other receivables	695	215
Other operating costs	4,478	1,332
	102,571	84,053

7. Adjusted EBITDA

	2022 £'000	2021 £'000
Operating profit	6,381	17,022
Acquisition and non-operational costs	3,082	1,337
Non-operational other income (see note 5)	(2,499)	–
IT Systems implementation costs	2,287	–
Share based payment and related costs	1,671	2,370
Depreciation and amortisation	20,125	19,765
	31,047	40,494

8. Auditor's remuneration

Included in profit/loss are the following:

	2022 £'000	2021 £'000
Auditor's remuneration		
Audit of these financial statements	136	85
Amounts receivable by auditor and its associates in respect of:		
Audit of the subsidiary undertakings included in the consolidation	59	59
All other services	—	—
Taxation compliance services	—	—
Other assurance	25	—
Other tax advisory services	—	—
Expenses recharged	—	—
	220	144

9. Personnel expenses and numbers

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

	Group		Company	
	2022 Average no.	2021 Average no.	2022 Average no.	2021 Average no.
Administration	264	242	171	159
Sales	405	326	123	58
Technical	2,097	1,795	1,180	1,090
	2,766	2,363	1,474	1,307

The aggregate payroll costs of these persons were as follows:

	Group	
	2022 £'000	2021 £'000
Wages and salaries	173,122	140,000
Social security costs	15,584	11,880
Other pension costs	6,578	5,056
Share based payments (see note 32)	1,534	2,250
Less capitalised development costs	(16,549)	(12,286)
	180,269	146,900
Disclosed as:		
Cost of sales	122,354	95,936
Operating costs (see note 6)	57,915	50,964
	180,269	146,900

	Company	
	2022 £'000	2021 £'000
Wages and salaries	99,929	83,230
Social security costs	9,346	7,842
Other pension costs	3,496	2,990
Share based payments (see note 32)	1,534	2,250
Less capitalised development costs	(12,267)	(8,105)
	102,038	88,207

Notes continued

10. Finance income and expense

	2022 £'000	2021 £'000
Bank interest income	262	40
Interest arising on settlement of receivable balance	–	1,566
Finance income	262	1,606
Loss on foreign currency translation of assets	(1,834)	(3,240)
Loss on foreign currency translation	(1,834)	(3,240)
Financial liabilities measured at amortised costs		
– interest expense	(1,880)	(3,010)
– lease interest expense	(1,135)	(1,173)
Finance expense	(3,015)	(4,183)
Net finance expense recognised in profit or loss	(4,587)	(5,817)

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

	2022 £'000	2021 £'000
Current tax expense		
Current year	3,366	2,013
Adjustment for prior years	(101)	77
	3,265	2,090
Deferred tax expense		
Origination and reversal of temporary differences	(1,432)	(407)
Adjustment for prior years	(152)	188
Change in tax rate	891	279
	(693)	60
Total tax expense	2,572	2,150

b) Amounts recognised in OCI

	2022			2021		
	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	109	1,299	1,408	(2,923)	574	(2,349)
Items that are or may be reclassified subsequently to profit or loss						
Hedge of net investment in foreign subsidiaries	1,577	(394)	1,183	(3,233)	622	(2,611)
	1,686	905	2,591	(6,156)	1,196	(4,960)

11. Tax expense continued

c) Amounts recognised in equity

	2022			2021		
	Before tax £'000	Tax expense/ (benefit) £'000	After tax £'000	Before tax £'000	Tax expense/ (benefit) £'000	After tax £'000
Deferred tax on share based payments	–	1,502	1,502	–	(125)	(125)
Deferred tax on losses	–	(1,517)	(1,517)	–	585	585
Current tax on losses	–	(65)	(65)	–	(1,280)	(1,280)
	–	(80)	(80)	–	(820)	(820)

	2022 £'000	2021 £'000
Reconciliation of effective tax rate		
Profit excluding income tax	8,999	11,147
Income tax using the Company's domestic tax rate of 19.0% (2021: 19.0%)	1,710	2,118
Tax exempt income	(138)	(475)
Tax exempt income on sale of associate	(1,345)	–
Expenses not deductible for tax purposes	95	147
Adjustments for prior years	(253)	311
Other differences	(112)	(111)
Effect of foreign exchange on consolidation	(163)	(782)
Foreign tax rate differences	449	764
Impact of change in tax rates	891	–
Permanent adjustment on SBP	973	–
Unrelieved overseas taxes	465	178
Total tax expense	2,572	2,150

In the 2021 UK Budget, the Government announced several legislative changes to corporation tax including an increase in the rate of corporation tax to 25% from 1 April 2023.

Deferred tax balances have to be measured using the tax rates that have been substantively enacted at the balance sheet date and that are expected to apply to the period when the asset is realised or the liability is settled.

The rebasing of the deferred tax balances has resulted in a discrete one-off tax charge to the P&L of £891k, which has been reflected in the effective tax rate of the Group.

An additional factor that impacted the Group's overall effective tax rate in the period was in relation to the reduction in share price which resulted in a permanent adjustment on share based payments of £973k in the period.

The total tax charge, including discrete items, is £2,572k (2021: £2,150k), which equates to an effective tax rate of 28.58% (2021: 19.28%).

The total tax charge, excluding discrete items, is £708k (2021: £2,150k), which equates to an effective tax rate of 7.87% (2021: 19.28%). The main factor driving the reduced tax rate excluding discrete items is in relation to tax exempt income arising from a gain on disposal of an associate in the period (see note 17), which has resulted in a tax adjustment of £1,345k.

The Group has also remeasured the deferred tax balances accordingly in SOCIE with the enacted rate and has recognised a tax credit of £1,484k in the period.

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.

Notes continued

12. Remuneration of Directors

The remuneration paid to the Directors was:

	2022 £'000	2021 £'000
Aggregate emoluments (including benefits in kind)	1,623	1,218
Company pension contributions	24	26
Share based payment	287	257
	1,934	1,501

During the year there was one Director accruing benefits under a defined contribution pension scheme (2021: two).

The aggregate emoluments and Company pension contributions of the highest paid Director (excluding fees paid for provision of services) amounted to £656k and nil respectively during the year (2021: £451k and nil 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

	2022 £'000	2021 £'000
Dividends paid to the owners of the parent		
Final dividend relating to the prior year	–	–
Interim dividend paid	–	–
	–	–

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.

No final dividend was declared in relation to the comparative period and no interim dividend was declared or paid relating to the current or prior year. The cumulative dividend paid during the year amounted to nil (2021: nil) 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.

	2022 £'000	2021 £'000
Nil per ordinary share (2021: nil)	–	–

14. a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 28 February 2022 was based on the profit attributable to ordinary shareholders of £6,427k (2021: £8,997k), and a weighted average number of ordinary shares in issue of 27,782k (2021: 27,505k).

	2022 Pence per share	2021 Pence per share
Basic earnings per share	23.1	32.7

Weighted average number of ordinary shares

	2022 Number '000	2021 Number '000
Issued ordinary shares at 1 March	27,717	27,150
Effect of share options exercised	58	352
Effect of shares issued as purchase consideration	–	–
Effect of shares issued as remuneration	7	3
Weighted average number of ordinary shares at 28 February	27,782	27,505

14. a) Earnings per ordinary share continued

Diluted

The calculation of diluted earnings per share at 28 February 2022 was based on the profit attributable to ordinary shareholders of £6,427k (2021: £8,997k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 28,036k (2021: 28,126k).

	2022 Pence per share	2021 Pence per share
Diluted earnings per share	22.9	32.0

Weighted average number of ordinary shares (diluted)

	2022 Number '000	2021 Number '000
Weighted average number of ordinary shares (basic)	27,782	27,505
Effect of dilutive share options in issue	254	621
Weighted average number of ordinary shares (diluted) at 28 February	28,036	28,126

At 28 February 2022 518,137 shares (2021: 120,058 shares) 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 £8,999k (2021: £11,147k). The number of shares used in this calculation is consistent with note 14(a) above.

	2022 Pence per share	2021 Pence per share
Basic earnings before tax per ordinary share	32.4	40.5
Diluted earnings before tax per ordinary share	32.1	39.6

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

	2022 Pence per share	2021 Pence per share
Basic earnings per share	23.1	32.7
Impact of taxation charge	9.3	7.8
Basic earnings before tax per share	32.4	40.5
Diluted earnings per share	22.9	32.0
Impact of taxation charge	9.2	7.6
Diluted earnings before tax per share	32.1	39.6

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 £9,051k (2021: £16,602k). The adjusted profit after tax has been calculated by adjusting the profit after tax £6,427k (2021: £8,997k) for the amortisation of acquired intangibles after tax effect of £2,715k (2021: £3,184k), share based payment and related charges after tax effect of £1,353k (2021: £1,911k), acquisition and non-operational costs after tax effect of £4,473k (2021: £1,102k), profit on sale of associate after tax and share of profit of associate after tax effect of £7,206k (2021: loss £58k), the loss on foreign currency translation after tax effect of £1,485k (2021: loss £2,613k), and finance income from sale of investment after tax effect of £197k (2021: £1,263k). The number of shares used in this calculation is consistent with note 14(a) above.

	2022 Pence per share	2021 Pence per share
Adjusted basic earnings after tax per ordinary share	32.6	60.4
Adjusted diluted earnings after tax per ordinary share	32.3	59.0

Notes continued

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 2021	6,224	11,886	1,349	32,590	52,049
Additions	318	2,442	17	377	3,154
Disposals	(1,144)	(10)	–	(3,131)	(4,285)
Exchange adjustments	46	54	–	335	435
At 28 February 2022	**5,444**	**14,372**	**1,366**	**30,171**	**51,353**
Depreciation					
At 1 March 2021	3,321	6,845	894	7,448	18,508
Charge for the year	531	1,673	219	3,885	6,308
Disposals	(337)	(10)	–	(1,636)	(1,983)
Exchange adjustments	29	36	3	109	177
At 28 February 2022	**3,544**	**8,544**	**1,116**	**9,806**	**23,010**

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2020	5,958	17,163	1,763	30,914	55,798
Additions	371	1,090	42	2,975	4,478
Disposals	(60)	(6,169)	(450)	(379)	(7,058)
Exchange adjustments	(45)	(198)	(6)	(920)	(1,169)
At 28 February 2021	6,224	11,886	1,349	32,590	52,049
Depreciation					
At 1 March 2020	2,851	11,228	1,096	3,480	18,655
Charge for the year	624	1,790	249	4,214	6,877
Disposals	(60)	(6,169)	(450)	–	(6,679)
Exchange adjustments	(94)	(4)	(1)	(246)	(345)
At 28 February 2021	3,321	6,845	894	7,448	18,508
Carrying amounts					
At 1 March 2020	3,107	5,935	667	27,434	37,143
At 28 February 2021	2,903	5,041	455	25,142	33,541
At 28 February 2022	**1,900**	**5,828**	**250**	**20,365**	**28,343**

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

Property, plant and equipment includes right-of-use assets of £20,365k (2021: £25,142k), related to leased properties that do not meet the definition of investment property.

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

15. Property, plant and equipment continued

Company

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2021	4,221	2,578	726	15,621	23,146
Additions	318	1,344	—	—	1,662
Disposals	(1,144)	—	—	(2,479)	(3,623)
At 28 February 2022	**3,395**	**3,922**	**726**	**13,142**	**21,185**
Depreciation					
At 1 March 2021	1,843	1,596	517	3,114	7,070
Charge for the year	311	362	123	1,529	2,325
Disposals	(337)	—	—	(984)	(1,321)
At 28 February 2022	**1,817**	**1,958**	**640**	**3,659**	**8,074**

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2020	3,850	4,531	989	14,204	23,574
Additions	371	280	40	1,417	2,108
Disposals	—	(2,233)	(303)	—	(2,536)
At 28 February 2021	4,221	2,578	726	15,621	23,146
Depreciation					
At 1 March 2020	1,538	3,310	677	1,557	7,082
Charge for the year	305	519	143	1,557	2,524
Disposals	—	(2,233)	(303)	—	(2,536)
At 28 February 2021	1,843	1,596	517	3,114	7,070
Carrying amounts					
At 1 March 2020	2,312	1,221	312	12,647	16,492
At 28 February 2021	2,378	982	209	12,507	16,076
At 28 February 2022	**1,578**	**1,964**	**86**	**9,483**	**13,111**

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

Property, plant and equipment includes right-of-use assets of £9,483k (2021: £12,507k) related to leased properties that do not meet the definition of investment property.

Notes continued

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 2021	103,527	12,467	28,535	733	83,531	228,793
Development costs	—	—	—	—	18,553	18,553
Additions	—	—	378	—	—	378
Exchange adjustments	2,974	367	856	10	(544)	3,663
At 28 February 2022	**106,501**	**12,834**	**29,769**	**743**	**101,540**	**251,387**
Amortisation						
Balance at 1 March 2021	—	10,426	22,619	652	47,583	81,280
Amortisation for the year	—	1,083	2,475	42	10,217	13,817
Exchange adjustment	—	323	1,012	9	(661)	683
At 28 February 2022	**—**	**11,832**	**26,106**	**703**	**57,139**	**95,780**

	Goodwill £'000	Customer lists £'000	Acquired software £'000	Brand name £'000	Internally developed software £'000	Total £'000
Cost						
Balance at 1 March 2020	110,639	13,259	29,908	769	70,280	224,855
Development costs	—	—	—	—	13,398	13,398
Additions	—	—	377	—	—	377
Exchange adjustments	(7,112)	(792)	(1,750)	(36)	(147)	(9,837)
At 28 February 2021	103,527	12,467	28,535	733	83,531	228,793
Amortisation						
Balance at 1 March 2020	—	9,848	21,556	633	38,402	70,439
Amortisation for the year	—	1,235	2,332	50	9,272	12,889
Exchange adjustment	—	(657)	(1,269)	(31)	(91)	(2,048)
At 28 February 2021	—	10,426	22,619	652	47,583	81,280
Carrying amounts						
At 1 March 2020	110,639	3,411	8,352	136	31,878	154,416
At 28 February 2021	103,527	2,041	5,916	81	35,948	147,513
At 28 February 2022	**106,501**	**1,002**	**3,663**	**40**	**44,401**	**155,607**

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 £16,549k (2021: £12,286k) of capitalised employee costs for the year. Developed software includes £6,922k (2021: £6,562k) of software under development at 28 February 2022 not yet commissioned, which relates largely to ongoing development of the KX software. This is included in the KX Impairment assessment which is discussed overleaf.

16. Intangible assets and goodwill continued

Group continued

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 segments which represent the lowest level within the Group at which goodwill is monitored. 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, using a CGU specific, risk adjusted, discount rate to calculate their net present value.

Following the Group reorganisation of its business into three divisions, the Group reviewed the historical assessment of its cash-generating units (CGUs). Goodwill and indefinite life intangible assets are allocated to the Group's ("CGUs"), in the previous year it was allocated on a company basis. A segment-level summary of the allocation of goodwill and indefinite useful life intangible assets is presented below:

	KX £'000	FD £'000	MRP £'000	Total goodwill £'000
Goodwill at 1 March 2021	85,197	1,899	16,431	103,527
Foreign currency translation adjustment	2,357	—	617	2,974
Balance at 28 February 2022	87,554	1,899	17,048	106,501

Key assumptions

The calculation of value-in-use is most sensitive to the following assumptions:

(a) CGU specific operating assumptions

CGU specific operating assumptions are applicable to the forecasted cash flows for the years 2023 to 2027 and relate to revenue forecasts and EBITDA margins in each of the operating CGUs. 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.

(b) Discount rate

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 risk-adjusted discount range of rates used in each business segment for impairment testing are as follows:

	KX	FD	MRP
Risk-adjusted discount rate	10.8%	9.8%	10.3%

(c) Long-term growth rate

To forecast beyond the five years covered by detailed forecasts, a terminal value was calculated, using average long-term growth rates. The growth rate forecasted for G7 countries for FY24-27 is 2% and has been used.

Notes continued

16. Intangible assets and goodwill continued

Group continued

Sensitivity analysis

There was no impairment charge for the year ended 28 February 2022 (2021: nil). Management believes that any reasonably possible change in the key assumptions on which all CGU goodwill recoverable amounts are based would not cause the carrying amounts to exceed its recoverable amount.

Company

	Goodwill £'000	Acquired software £'000	Internally developed software £'000	Total £'000
Cost				
Balance at 1 March 2021	1,947	731	60,026	62,704
Development costs	—	—	14,057	14,057
Additions	—	183	—	183
Balance at 28 February 2022	**1,947**	**914**	**74,083**	**76,944**
Amortisation and impairment losses				
Balance at 1 March 2021	—	331	33,365	33,696
Amortisation for the year	—	71	7,590	7,661
Balance at 28 February 2022	**—**	**402**	**40,955**	**41,357**
Cost				
Balance at 1 March 2020	1,947	482	51,091	53,520
Development costs	—	—	8,935	8,935
Additions	—	249	—	249
Balance at 28 February 2021	1,947	731	60,026	62,704
Amortisation and impairment losses				
Balance at 1 March 2020	—	271	26,855	27,126
Amortisation for the year	—	60	6,510	6,570
Balance at 28 February 2021	—	331	33,365	33,696
Carrying amounts				
At 1 March 2020	1,947	211	24,236	26,394
At 28 February 2021	1,947	400	26,661	29,008
At 28 February 2022	**1,947**	**512**	**33,128**	**35,587**

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 £12,267k (2021: £8,105k) of capitalised employee costs. Developed software includes £3,547k (2021: £5,457k) of software under development at 28 February 2022 not yet commissioned. Uncommissioned development expenditure is assessed for impairment annually as part of the underlying CGU.

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. There was no impairment charge for the year ended 28 February 2022 (2021: 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 2022	Ownership 2021
Activate Clients Limited*	Ireland	Ordinary	100%	100%
Cowrie Financial Limited*	United Kingdom	Ordinary	n/a	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%
MRPFD S.A DE C.V	Mexico	Ordinary	100%	100%
First Derivative Poland Sp Z.o.o*	Poland	Ordinary	100%	n/a
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 Sweden AB*	Sweden	Ordinary	100%	n/a
First Derivatives US Inc	United States	Ordinary	100%	100%
FDT One Limited*	United Kingdom	Ordinary	100%	n/a
Kx Systems Inc.*	United States	Ordinary	100%	100%
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 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 FD Technologies plc.

** Full address is shown at end of document.

During the year the Company expanded its presence across Europe by establishing the First Derivatives Sweden AB and First Derivative Poland Sp Z.o.o on 19 March 2021 and 3 January 2022 respectively. FDT One Limited was established 4 February 2022. On 18 May 2021, the previously held 100% subsidiary Cowrie Financial Limited was dissolved. Following year end MRP Canada Inc and MRP Ireland Limited were established on 1 March and 3 March respectively.

	Company 2022 £'000	Company 2021 £'000
Unlisted investments in subsidiaries at cost		
At 1 March	133,464	133,464
Additions	118	—
Disposals	(1,147)	—
At 28 February	132,435	133,464

Notes continued

17. Investment in subsidiaries and associate continued

Associate

The associates of the Group are detailed as follows:

	Country of incorporation	Class of share held	Ownership at 28 February 2022	Ownership at 28 February 2021
RxDataScience Inc.	United States	Ordinary	n/a	36.66%

On 5 October 2021 First Derivatives I Limited, a company wholly owned by FD Technologies plc, executed an agreement for the disposal of its holding in its associate RxDataScience Inc. The profit on disposal of £6,943k is recognised within the Consolidated statement of comprehensive income in the current year.

Group

	2022 £'000	2021 £'000
Investment in associate	—	2,649

The Group's share of profit in associates for the year to 28 February 2022 was £262k (2021: loss £58k).

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

	2022* £'000	2021 £'000
Percentage ownership interest	0.00%	36.66%
Non-current assets	—	1,768
Current assets	—	1,375
Non-current liabilities	—	(273)
Current liabilities	—	46
Net assets (100%)	—	2,916
Group's share of net assets 0.00% (2021: 36.66%)	—	1,069
Goodwill	—	1,709
Exchange adjustments	—	(129)
Carrying amount of interest in associate	—	2,649

	2022* £'000	2021 £'000
Revenue	4,185	5,301
Profit/(loss) from continuing operations (100%)	715	(158)
Other comprehensive income (100%)	—	—
Total comprehensive income (100%)	715	(158)
Total comprehensive income (36.66%)	262	(58)

* 2022 results reflect the contribution for the 7 months ending 5 October 2021 reflective of change in ownership.

18. Other financial assets

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Non-current investments				
Equity securities at FVOCI	19,676	14,760	3,485	4,184
	19,676	14,760	3,485	4,184

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

The Group designates the investments as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. Included in the above table is the investment in Quantile Technologies Ltd carried at £8,555k (2021: £7,301k); all other investments are not individually significant.

The Group and Company have recognised dividend income in the year from their FVOCI investment, Seraphim Space LP of £2,499k (2021: £47k).

19. Trade and other receivables

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current assets				
Trade receivables	53,862	48,794	32,852	33,222
Receivables from subsidiaries	–	–	39,189	17,096
Convertible loans	–	2,327	–	–
Other receivables	1,511	3,933	1,273	3,408
Accrued income	8,529	10,881	2,661	2,471
Prepayments	9,461	8,510	7,959	7,331
Grant income receivable	666	657	311	216
	74,029	75,102	84,245	63,744

	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Non-current assets				
Receivables from subsidiaries[1]	–	–	54,890	43,841
Convertible loans	283	795	–	74
Other loans	104	234	–	–
Trade and other receivables	2,661	1,660	1,987	1,660
Grant income receivable	697	623	–	–
	3,745	3,312	56,877	45,575

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

Notes continued

19. Trade and other receivables continued

The Group's accrued income (contract asset) balance solely relates to revenue from contracts with customers. Movements in the accrued income balance were 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 currency risks and impairment losses related to trade and other receivables is disclosed in note 31.

20. Cash and cash equivalents

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank balances	48,564	55,198	16,236	43,095

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

21. Share capital

	Ordinary shares	
	2022 Number	2021 Number
In issue at 1 March	27,717,324	27,150,193
Exercise of share options (see note 32)	100,250	562,661
Issued as remuneration	8,912	4,470
In issue at year end – fully paid	27,826,486	27,717,324

	2022 Number	2022 £'000	2021 Number	2021 £'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	27,826,486	139	27,717,324	139

Shares increased in the year due to the exercise of 100,250 share options (2021: 562,661) for cash consideration of £773k (2021: £8,284k) and the issue of 8,912 shares (2021: 4,470) as remuneration of £255k (2021: £113k).

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 fair value through OCI. Additionally, the fair value reserve of the Company relates to the revaluation reserve which arose on revaluation 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. During the year it was assessed that the benefits of merger were fully utilised and the balance of the merger reserve was transferred to retained earnings.

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current liabilities				
Secured bank loans	5,311	5,492	5,311	5,492
Lease liabilities	3,743	3,752	1,445	1,398
	9,054	9,244	6,756	6,890
Non-current liabilities				
Secured bank loans	42,925	59,622	42,926	59,622
Lease liabilities	19,579	23,974	8,549	11,442
	62,504	83,596	51,475	71,064

Terms and repayment schedule

At the end of 2021 a number of LIBOR settings ceased to be published (including sterling), while certain US dollar LIBOR settings will continue to be provided until June 2023. There is no change to the publication of EURIBOR rates. The Group's syndicated revolving credit facility previously referenced USD LIBOR and GBP LIBOR rates. During 2021 the Group negotiated with its Lenders amendments to the facility to include market standard LIBOR replacement language. From 1 January 2022 the agreement adopted the sterling Overnight Index Average (SONIA) as the alternative benchmark rates in respect of GBP LIBOR rates.

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:

				2022		2021	
	Currency	Nominal interest rate	Year of maturity	Face value £'000	Carrying amount £'000	Face value £'000	Carrying amount £'000
Term loan – USD	USD	2.0%+US Libor[1]	2024	46,901	46,540	50,649	50,488
Term loan – GBP	GBP	2.0%+SONIA[1]	2024	1,709	1,696	2,407	2,381
Revolving loan	Multi	2.0%+[1]	2024	–	–	12,432	12,245
Lease liabilities	Multi	3.78%	2022-2035	23,322	23,322	27,726	27,726
Total interest bearing				71,932	71,558	93,214	92,840

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 2.0%+ SONIA/ US LIBOR where applicable.

The term and revolving loans are secured by a fixed charge over certain subsidiaries of the Group and have interest charged at 2.0% above relevant rates being SONIA and US LIBOR.

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

Group	2021 £'000	New/(disposed) leases £'000	Cash flow on principal £'000	Cash flow on interest £'000	Non-cash movement £'000	2022 £'000
Secured bank loans	65,114	–	(18,954)	–	2,076*	48,236
Lease liabilities	27,726	(1,227)	(3,598)	(1,135)	1,556	23,322
Total liabilities from financing activities	92,840	(1,227)	(22,552)	(1,135)	3,632	71,558

* The majority of non-cash movement relates to foreign exchange movements.

Notes continued

22. Loans and borrowings continued

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

Group	2020 £'000	New leases £'000	Cash flow on principal £'000	Cash flow on interest £'000	Non-cash movement £'000	2021 £'000
Secured bank loans	75,493	—	(4,142)	—	(6,237)*	65,114
Lease liabilities	29,686	2,975	(3,380)	(1,174)	(381)	27,726
Total liabilities from financing activities	105,179	2,975	(7,522)	(1,174)	(6,618)	92,840

* The majority of non-cash movement relates to foreign exchange movements.

Company	2021 £'000	New/(disposed) leases £'000	Cash flow on principal £'000	Cash flow on interest £'000	Non-cash movement £'000	2022 £'000
Secured bank loans	65,114	—	(18,954)	—	2,076	48,236
Lease liabilities	12,840	(1,605)	(1,241)	(486)	486	9,994
Total liabilities from financing activities	77,954	(1,605)	(20,195)	(486)	2,562	58,230

Company	2020 £'000	New leases £'000	Cash flow on principal £'000	Cash flow on interest £'000	Non-cash movement £'000	2021 £'000
Secured bank loans	75,493	—	(4,142)	—	(6,237)*	65,114
Lease liabilities	12,912	1,417	(1,487)	(382)	380	12,840
Total liabilities from financing activities	88,405	1,417	(5,629)	(382)	(5,857)	77,954

* The majority of non-cash movement relates to foreign exchange movements.

23. Trade and other payables

Current liabilities

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade payables	12,833	9,045	8,796	5,594
Other payables	14,745	13,807	10,307	10,693
Accruals	5,214	6,214	2,966	5,671
Deferred income	26,990	23,899	13,063	10,832
Government grants	814	626	654	463
Payables to subsidiaries	—	—	83,083	66,984
	60,596	53,591	118,869	100,237

Non-current liabilities

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Government grants	3,190	2,431	2,579	1,963
	3,190	2,431	2,579	1,963

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Property, plant and equipment	—	—	(252)	(505)
Share based payments	280	2,313	—	—
Trading losses	14,017	9,558	—	—
Other financial assets at fair value	54	58	(2,661)	(1,367)
Intangible assets	659	550	(12,394)	(9,556)
Short-term temporary differences	2,204	1,828	—	—
Other*	784	412	—	—
Tax assets/(liabilities) before set-off	17,998	14,719	(15,307)	(11,428)
Set-off of tax	—	—	—	—
Net tax assets/(liabilities)	17,998	14,719	(15,307)	(11,428)

* This balance primarily relates to deferred future RDEC release to the profit or loss.

Movement in deferred tax balances differences during the year:

	Balance at 1 March 2021 £'000	Impact of change in tax rate in equity £'000	Impact of change in tax rate in profit and loss £'000	Recognised in income £'000	Recognised in equity £'000	Recognised in OCI £'000	Balance at 28 February 2022 £'000
Property, plant and equipment	(505)	—	89	193	—	(29)	(252)
Share based payments	2,313	502	198	(729)	(2,004)	—	280
Trading losses	9,557	1,425	332	2,532	92	79	14,017
Other financial assets at fair value	(1,308)	(446)	—	—	(853)	—	(2,607)
Intangible assets	(9,006)	—	(1,680)	(885)	—	(164)	(11,735)
Short-term temporary differences	1,828	—	26	274	—	76	2,204
Other	412	3	144	199	—	26	784
	3,291	1,484	(891)	1,584	(2,765)	(12)	2,691

	Balance at 1 March 2020 £'000	Impact of change in tax rate in equity £'000	Impact of change in tax rate in profit and loss £'000	Recognised in income £'000	Recognised in equity £'000	Recognised in OCI £'000	Balance at 28 February 2021 £'000
Property, plant and equipment	(766)	—	26	167	—	68	(505)
Share based payments	1,936	170	49	203	(45)	—	2,313
Trading losses	10,926	600	133	(715)	(1,186)	(201)	9,557
Other financial assets at fair value	(735)	(86)	—	—	(487)	—	(1,308)
Intangible assets	(8,874)	—	(540)	125	—	283	(9,006)
Short-term temporary differences	1,634	—	13	325	—	(144)	1,828
Other	276	—	40	114	—	(18)	412
	4,397	684	(279)	219	(1,718)	(12)	3,291

Notes continued

24. Deferred taxation continued

Group continued

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

As at 28 February 2022, the Group has losses carried forward generated in the United Kingdom, Ireland, Canada, Australia and Spain which total £44,205k and have no expiration period.

The Group also has US federal and state income tax net operating loss (NOL) carry forwards of £13,262k and £12,029k which will expire, if not utilised, in the tax years 2031–2042. At the end of each reporting period, management assess the recognition of these deferred tax assets to determine the extent that it is probable that future taxable profit will allow the utilisation of the deferred tax asset.

The Group has not recognised a deferred tax asset on the fair value movement on equity investments of £2,831k. The Group does not recognise deferred tax where the fair value of equity investments is below cost and it is not probable that the temporary difference will reverse in the foreseeable future. The Group has not recognised a deferred tax asset on capital loss on disposal of investments of £481k.

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Property, plant and equipment and intangibles	378	–	(7,185)	(4,382)
Share based payments	255	2,220	–	–
Trading losses	10,231	5,693	–	–
Other financial assets at fair value	92	64	(121)	(932)
Other*	997	633	–	–
Tax assets/(liabilities) before set-off	11,953	8,610	(7,306)	(5,314)
Set-off of tax	–	–	–	–
Net tax assets/(liabilities)	11,953	8,610	(7,306)	(5,314)

* This balance primarily relates to our deferred future RDEC release to the profit and loss and short-term timing differences.

Movement in deferred tax balances during the year:

	Balance at 1 March 2021 £'000	Impact of change in tax rate in equity £'000	Impact of change in tax rate in profit and loss £'000	Recognised in profit and loss £'000	Recognised in equity £'000	Balance at 28 February 2022 £'000
PPE and intangibles	(4,382)	–	(1,384)	(1,041)	–	(6,807)
Share based payments	2,220	503	198	(687)	(1,979)	255
Trading losses	5,693	1,386	398	2,629	125	10,231
Other financial assets at fair value	(868)	(277)	–	–	1,116	(29)
Other	633	24	170	188	(18)	997
	3,296	1,636	(618)	1,089	(756)	4,647

	Balance at 1 March 2020 £'000	Impact of change in tax rate in equity £'000	Impact of change in tax rate in profit and loss £'000	Recognised in profit and loss £'000	Recognised in equity £'000	Balance at 28 February 2021 £'000
Property, plant and equipment	(3,648)	–	(429)	(305)	–	(4,382)
Share based payments	1,860	170	49	161	(20)	2,220
Trading losses	6,079	585	133	64	(1,168)	5,693
Other financial assets at fair value	(767)	(86)	–	–	(15)	(868)
Other	544	9	53	38	(11)	633
	4,068	678	(194)	(42)	(1,214)	3,296

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current tax receivable	4,172	3,208	3,969	2,355
Current tax payable	382	269	–	–

26. Employee benefits

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Accrued holiday pay	2,201	1,863	1,133	1,296
Employee taxes	6,361	4,906	5,097	4,128
	8,562	6,769	6,230	5,424

27. Leases

The Group leases office properties. The leases typically have an average remaining life of five 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).

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
ii. Amounts recognised in profit or loss				
– Interest on lease liabilities	1,135	1,174	486	382
iii. Amounts recognised in statement of cash flows				
– Principal lease liability payments	3,598	3,380	1,242	1,487
Total cash outflow	4,733	4,554	1,728	1,869

28. Commitments

The maturity analysis of lease liabilities as at 28 February 2022 is as follows:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current lease liabilities	3,743	3,752	1,445	1,398
Non-current lease liabilities	19,579	23,974	8,549	11,442
	23,322	27,726	9,994	12,840

Notes continued

28. Commitments continued

Maturity analysis:

	Group	
	2022 £'000	2021 £'000
Year 1	3,743	3,752
Year 2	3,215	3,521
Year 3	3,171	3,437
Year 4	3,346	3,620
Year 5	2,684	3,790
Over 5 years	7,163	9,606
	23,322	27,726

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 £6,578k (2021: £5,056k). Contributions amounting to £1,558k (2021: £1,313k) 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.

During the financial year the Group generated revenues of £228k (2021: £739k) from Nutanix for which Virginia Gambale is the chair of the Executive advisory board. At 28 February 2022 a trade debtor balance of nil (2021: £11k) was due. All transactions were carried out at arms-length.

During the financial year the Group generated revenues of £47k (2021: nil) from Compare the Market (CTM) Ltd for which Seamus Keating is an independent director. At 28 February 2022 a trade debtor balance of £12k (2021: nil) was due. All transactions were carried out at arms-length.

During the financial year the Group generated revenues of £31k (2021: £12k), and incurred costs of £67k (2021: nil) from Cloudflare for which Thomas Seifert is Chief Financial Officer. All transactions were carried out at arms-length.

During the financial year the Group generated revenues of £24k from BMC Software for which Ayman Sayed is a director. All transactions were carried out at arms-length.

The Group holds an interest in a number of investments as disclosed in note 18.

Company

Other related party transactions

	Sales to subsidiaries		Costs charged by subsidiaries	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Subsidiaries	22,389	23,053	59,005	30,576

	Receivables outstanding		Payables outstanding	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Subsidiaries	94,078	60,936	83,083	66,984

Interest is charged on intercompany loans at market rates.

There were no Dividends paid by the Company to the Directors during the year (2021: nil).

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.

	Carrying value						
28 February 2022	FVPL £'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	–	19,676	–	–	19,676	19,676	3
Convertible loans	283	–	–	–	283	283	3
	283	19,676	–	–	19,959	19,959	
Financial assets not measured at fair value							
Trade and other receivables	–	–	68,030	–	68,030	[1]	
Cash and cash equivalents	–	–	48,564	–	48,564	[1]	
	–	–	116,594	–	116,594		
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(48,236)	(48,236)	[1]	
Trade and other payables	–	–	–	(50,386)	(50,386)	[1]	
	–	–	–	(98,622)	(98,622)		

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

Notes continued

31. Financial instruments continued

Fair values continued

a) Accounting classifications and fair values continued

Group continued

28 February 2021	Carrying value FVPL £'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	–	14,760	–	–	14,760	14,760	3
Convertible loans	3,122	–	–	–	3,122	3,122	3
	3,122	14,760	–	–	17,882	17,882	
Financial assets not measured at fair value							
Trade and other receivables	–	–	66,781	–	66,781	1	
Cash and cash equivalents	–	–	55,198	–	55,198	1	
	–	–	121,979	–	121,979		
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(65,114)	(65,114)	1	
Trade and other payables	–	–	–	(46,751)	(46,751)	1	
	–	–	–	(111,865)	(111,865)		

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

Company

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

28 February 2022	Carrying value FVPL £'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	–	3,485	–	–	3,485	3,485	3
Convertible loans	–	–	–	–	–	–	3
	–	3,485	–	–	3,485	3,485	
Financial assets not measured at fair value							
Trade and other receivables	–	–	133,162	–	133,162	1	
Cash and cash equivalents	–	–	16,236	–	16,236	1	
	–	–	149,398	–	149,398		
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(48,236)	(48,236)	1	
Trade and other payables	–	–	–	(111,067)	(111,067)	1	
	–	–	–	(159,303)	(159,303)		

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

31. Financial instruments continued

Fair values continued

a) Accounting classifications and fair values continued

Company continued

28 February 2021	FVPL £'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	—	4,184	—	—	4,184	4,184	3
Convertible loans	74	—	—	—	74	74	3
	74	4,184	—	—	4,258	4,258	
Financial assets not measured at fair value							
Trade and other receivables	—	—	101,913	—	101,913	[1]	
Cash and cash equivalents	—	—	43,095	—	43,095	[1]	
	—	—	145,008	—	145,008		
Financial liabilities not measured at fair value							
Secured bank loans	—	—	—	(65,114)	(65,114)	[1]	
Trade and other payables	—	—	—	(94,103)	(94,103)	[1]	
	—	—	—	(159,217)	(159,217)		

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

Significant inputs	Range in inputs 2022	Range in inputs 2021	Change in input	Impact on fair value 2022 £'000	Impact on fair value 2021 £'000
Forecast annual revenues – with adjustments applied to Company forecasts	0-60%	10-70%	+/(-)15%	1,440/(1,418)	2,771/(2,719)
Risk-adjusted discount rate	35-60%	25-60%	-/(+)5%	1,544/(1,245)	2,212/(1,797)
Market multiple exit values – revenue based valuation	1x-8x	2.5x-5x	+/(-)15%	991/(990)	1,559/(1,559)

Notes continued

31. Financial instruments continued

Fair values continued

b) Measurement of fair values continued

Reconciliation of Level 3 fair value

Group

	Convertible loans £'000	Unquoted equities £'000
Balance at 1 March 2021	3,122	14,760
Purchases	—	5,106
Disposals	(2,311)	(699)
Adjustments to fair value	—	(95)
Transfers	(521)	521
Foreign exchange gain	(8)	84
Balance at 28 February 2022	**282**	**19,676**

	Convertible loans £'000	Unquoted equities £'000
Balance at 1 March 2020	3,447	15,750
Purchases	—	2,163
Disposals	(421)	(6,242)
Adjustments to fair value	—	3,175
Advances	165	—
Foreign exchange gain	(69)	(86)
Balance at 28 February 2021	3,122	14,760

Company

	Convertible loans £'000	Unquoted equities £'000
Balance at 1 March 2021	74	4,184
Disposals/intercompany transfer	(74)	2,510
Changes in fair value	—	(3,277)
Foreign exchange loss	—	68
Balance at 28 February 2022	**—**	**3,485**

	Convertible loans £'000	Unquoted equities £'000
Balance at 1 March 2020	431	12,914
Disposals/intercompany transfer	(357)	(9,500)
Changes in fair value	—	770
Balance at 28 February 2021	74	4,184

31. Financial instruments continued

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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Current assets	74,029	66,591	84,245	56,412
Non-current assets	3,745	3,312	56,877	45,575
Cash and cash equivalents	48,564	55,198	16,236	43,095
	126,338	125,101	157,358	145,082

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

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Europe	12,028	10,206	9,365	6,574
North America	29,842	20,781	91,700	59,085
United Kingdom	21,746	32,285	29,511	32,683
Asia Pacific	4,697	6,631	2,586	3,645
	68,313	69,903	133,162	101,987

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

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
End-user customer	63,644	60,147	36,766	35,907
Convertible and other loans	387	3,356	–	74
Receivable from subsidiaries	–	–	94,078	60,935
Other*	4,282	6,400	2,318	5,071
	68,313	69,903	133,162	101,987

* Other relates mainly to Sundry Debtors including property deposits and trade settlement agreements.

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 2022 %	Gross carrying amount 2022 £'000	Loss allowance 2022 £'000
Not past due	0.29	55,304	162
Past due 0–30 days	0.16	2,555	4
Past due 31–120 days	0.46	3,269	15
Past due 121–180 days	1.64	611	10
Past due 181–365 days	13.92	1,236	172
Past due 366 days +	90.85	1,410	1,281
Total		64,385	1,644

Notes continued

31. Financial instruments continued
Exposure to credit risk continued
Impairment losses continued
Trade receivables and accrued income continued

Expected credit loss assessment continued

Group	Weighted average loss rate 2021 %	Gross carrying amount 2021 £'000	Loss allowance 2021 £'000
Not past due	0.23	53,661	126
Past due 0–30 days	0.46	2,238	10
Past due 31–120 days	1.55	2,625	41
Past due 121–180 days	9.26	1,224	113
Past due 181–365 days	35.89	864	310
Past due 366 days +	98.17	1,029	1,010
Total		61,641	1,610

Company	Weighted average loss rate 2022 %	Gross carrying amount 2022 £'000	Loss allowance 2022 £'000
Not past due	0.43	32,387	139
Past due 0–30 days	0.28	1,424	4
Past due 31–120 days	0.34	1,491	5
Past due 121–180 days	0.28	358	1
Past due 181–365 days	2.31	347	8
Past due 366 days +	93.44	244	228
Total		36,251	385

Company	Weighted average loss rate 2021 %	Gross carrying amount 2021 £'000	Loss allowance 2021 £'000
Not past due	0.03	31,216	9
Past due 0–30 days	0.42	1,371	6
Past due 31–120 days	2.84	650	18
Past due 121–180 days	24.45	230	56
Past due 181–365 days	50.03	218	109
Past due 366 days +	100.00	46	46
Total		33,731	244

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

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Balance at 1 March	1,610	2,485	314	845
Net remeasurement of loss allowance	708	253	112	(332)
Foreign exchange impact	2	(52)	—	—
Amounts written off	(676)	(1,076)	(41)	(199)
Closing balance	1,644	1,610	385	314

31. Financial instruments continued

Exposure to credit risk continued

Impairment losses continued

Trade receivables and accrued income continued

Expected credit loss assessment continued

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.

Debtor days remain unchanged from 2021 at 76 days at year end.

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 2022 %	Gross carrying amount 2022 £'000	Loss allowance 2022 £'000
Other receivables	Medium grade financial services	A+ to BBB-	–	283	–
Non-convertible loans	Non-investment grade pharma	BB+ to B-	–	104	–
Total			–	387	–

Group		Equivalent to external credit rating (S&P)	Weighted average loss rate 2021 %	Gross carrying amount 2021 £'000	Loss allowance 2021 £'000
Other receivables	Medium grade financial services	A+ to BBB-	1.50	3,122	47
Non-convertible loans	Non-investment grade pharma	BB+ to B-	3.85	234	9
Total				3,356	56

Company		Equivalent to external credit rating (S&P)	Weighted average loss rate 2022 %	Gross carrying amount 2022 £'000	Loss allowance 2022 £'000
Other receivables	Medium grade financial services	A+ to BBB-	–	–	–
Total		–	–	–	–

Company		Equivalent to external credit rating (S&P)	Weighted average loss rate 2021 %	Gross carrying amount 2021 £'000	Loss allowance 2021 £'000
Other receivables	Medium grade financial services	A+ to BBB-	–	74	–
Non-convertible loans	Medium grade financial services	A+ to BBB-	–	–	–
Total				74	–

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 28 February 2022 (2021: nil).

Notes continued

31. Financial instruments continued

Exposure to credit risk continued

Non-convertible loans and other receivables continued

Expected credit loss assessment continued

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

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Balance at 1 March	47	85	–	78
Net remeasurement of loss allowance	(47)	(38)	–	(78)
Closing balance	–	47	–	–

Receivables from subsidiaries

Company

The Company has intercompany receivable balances totalling £94,076k at year end (2021: £60,936k). 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 not to provide for an expected credit loss for this balance.

Government grants

At the year end £311k (2021: £216k) for the Group and £311k (2021: £216k) for the Company are receivable from Invest Northern Ireland in respect of grants receivable and £1,052k (2021: £1,064k) 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 £48,564k (2021: £55,198k) and £16,236k (2021: £43,095k) respectively at 28 February 2022 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.

28 February 2022	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	(48,236)	(48,610)	(2,840)	(2,840)	(5,680)	(37,250)	–
Lease liabilities	(23,322)	(26,873)	(2,379)	(2,274)	(3,940)	(10,551)	(7,729)
Trade and other payables	(50,386)	(50,386)	(50,386)	–	–	–	–
	(121,944)	(125,869)	(55,605)	(5,114)	(9,620)	(47,801)	(7,729)

28 February 2021	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	(65,114)	(75,605)	(2,078)	(4,010)	(9,839)	(59,678)	–
Lease liabilities	(27,726)	(32,480)	(2,406)	(2,406)	(4,435)	(12,664)	(10,569)
Trade and other payables	(46,751)	(46,751)	(46,751)	–	–	–	–
Commitment to associate	–	(1,091)	(1,091)	–	–	–	–
	(139,591)	(155,927)	(52,326)	(6,416)	(14,274)	(72,342)	(10,569)

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

Liquidity risk continued

Company

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

28 February 2022	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	(48,236)	(48,610)	(2,840)	(2,840)	(5,680)	(37,250)	–
Lease liabilities	(9,994)	(11,866)	(935)	(893)	(1,316)	(3,676)	(5,046)
Trade and other payables	(111,067)	(111,067)	(111,067)	–	–	–	–
	(169,297)	(171,543)	(114,842)	(3,733)	(6,996)	(40,926)	(5,046)

28 February 2021	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	(65,114)	(75,605)	(2,078)	(4,010)	(9,839)	(59,678)	–
Lease liabilities	(12,840)	(15,336)	(941)	(941)	(1,836)	(5,562)	(6,056)
Trade and other payables	(94,103)	(94,103)	(94,103)	–	–	–	–
	(172,057)	(185,044)	(97,122)	(4,951)	(11,675)	(65,240)	(6,056)

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:

	28 February 2022			28 February 2021		
	CAD £'000	EUR £'000	USD £'000	CAD £'000	EUR £'000	USD £'000
Trade receivables	618	4,032	13,620	187	4,448	14,452
Trade and other payables	–	(1,382)	(1,167)	–	(835)	(342)
Net balance sheet exposure	618	2,650	12,453	187	3,613	14,110

The secure bank loan above excludes bank loans designated in a net investment hedge of £46,901k (2021: £50,836k).

Company

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

	28 February 2022			28 February 2021		
	CAD £'000	EUR £'000	USD £'000	CAD £'000	EUR £'000	USD £'000
Trade receivables	618	4,032	13,197	187	4,448	13,437
Secured bank loans	–	–	(46,901)	–	–	(45,413)
Trade and other payables	–	(1,360)	(1,040)	–	(692)	(341)
Net balance sheet exposure	618	2,672	(34,744)	187	3,756	(32,317)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	2021	2022	2021
USD 1	1.37	1.29	1.34	1.39
EUR 1	1.17	1.12	1.19	1.15
CAD 1	1.72	1.72	1.71	1.78

Notes continued

31. Financial instruments continued

Exposure to credit risk continued

Currency risk continued

Sensitivity analysis

A 10% strengthening of sterling against the above currencies at the end of the year would decrease Group profit or increase Group loss by £1,827k (2021: £1,791k). A 10% weakening of sterling against the above currencies at the end of the year would increase Group profit or loss by £1,644k (2021: £1,612k). 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 year would decrease Company profit or increase Company loss by approximately £3,279k (2021: £2,837k). A 10% weakening of sterling against the above currencies at the end of the year would increase Company profit or decrease Company loss by approximately £2,951k (2021: £2,554k). 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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Variable rate instruments				
• Financial assets	48,564	55,198	16,236	43,095
• Financial liabilities	(48,236)	(65,114)	(48,236)	(65,114)
	328	(9,916)	(32,000)	(22,019)
Fixed rate instruments				
• Financial assets	283	3,122	–	74
• Financial liabilities	(23,332)	(27,726)	(9,994)	(12,840)
	(23,049)	(24,604)	(9,994)	(12,766)

A 10% reduction in interest rates at the end of the year would increase Group equity and profit or decrease loss by approximately £205k (2021: £274k). A 10% increase in interest rates at the end of the year would decrease Group equity and profit or increase Group loss by approximately £195k (2021: £268k). This analysis assumes that all other variables remain constant.

Hedge accounting

Hedge of net investment in a foreign operation

A foreign currency exposure arises from the translation of the Group's net investments in its subsidiaries which have USD functional currencies. The hedged risk is the risk of changes in the GBP/USD spot rates that will result in changes in the value of the Group's net investment in its USD assets when translated into GBP. The hedged items are a portion of the Group's assets which are denominated in USD. The hedging instruments are debt which mitigates an exposure to the effect of a weakening USD on the hedged item against GBP.

It is expected that the change in value of each of these items will mirror each other as there is a clear and direct economic relationship between the hedging instrument and the hedged item in the hedge relationship.

Hedge ineffectiveness would arise if the value of the hedged items fell below the value of the hedging instruments, however, this is unlikely as the value of the Group's assets denominated in USD are significantly greater than the value of the hedging instruments.

The amounts at the reporting date relating to items designated as hedging instruments were as follows:

Foreign exchange risk Foreign currency loan	Nominal amount of the hedging instrument £'000	Carrying amount of the hedging instrument £'000	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for 2022
2022	46,901	46,901	Loans and borrowings	n/a
2021	50,836	50,836	Loans and borrowings	n/a

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: £2.27	Weighted average exercise price 2022	Number of options 2022	Weighted average exercise price 2021	Number of options 2021
Maximum options outstanding at beginning of year	–	–	2.27	12,000
Lapsed during the year	–	–	–	–
Exercised during the year	–	–	2.27	(12,000)
Granted during the year	–	–	–	–
Maximum options outstanding at end of year	–	–	–	–
Exercisable at end of year	–	–	–	–

Range of exercise price: £4.27–£9.00	Weighted average exercise price 2022	Number of options 2022	Weighted average exercise price 2021	Number of options 2021
Maximum options outstanding at beginning of year	7.36	252,000	7.62	309,584
Lapsed during the year	–	–	–	–
Exercised during the year	6.98	(92,000)	8.77	(57,584)
Granted during the year	–	–	–	–
Maximum options outstanding at end of year	7.58	160,000	7.36	252,000
Exercisable at end of year	7.58	160,000	7.36	252,000

The options outstanding at 28 February 2022 above have an exercise price in the range of £4.27 to £9.00 (2021: £4.27 to £9.00) and a weighted average contractual life of 1.7 years (2021: 2.0 years).

Range of exercise price: £12.28–£22.35	Weighted average exercise price 2022	Number of options 2022	Weighted average exercise price 2021	Number of options 2021
Maximum options outstanding at beginning of year	19.54	907,866	18.19	1,400,876
Lapsed during the year	22.10	(98,200)	22.35	(500)
Exercised during the year	15.85	(8,250)	15.70	(492,510)
Granted during the year	14.69	–	–	–
Maximum options outstanding at end of year	19.21	801,416	19.54	907,866
Exercisable at end of year	19.21	538,141	19.54	595,801

The options outstanding at 28 February 2022 above have an exercise price in the range of £12.28 to £22.35 (2021: £12.28 to £22.35) and a weighted average contractual life of 5.2 years (2021: 6.1 years).

Notes continued

32. Share based payments continued

Reconciliation of outstanding share options continued

Range of exercise price: £23.80 – £25.95	Weighted average exercise price 2022	Number of options 2022	Weighted average exercise price 2021	Number of options 2021
Maximum options outstanding at beginning of year	25.95	1,720,058	—	—
Lapsed during the year	25.78	(451,771)	25.95	(7,036)
Exercised during the year	—	—	25.95	(567)
Granted during the year	23.80	633,000	25.95	1,727,661
Maximum options outstanding at end of year	25.27	1,901,287	25.95	1,720,058
Exercisable at end of year	—	—	—	—

The options outstanding at 28 February 2022 above have an exercise price in the range of £23.80 (2021: £25.95) and a weighted average contractual life of 8.7 years (2021: 9.0 years).

The weighted average share price at the date of exercise for share options exercised for the year ended 28 February 2022 was £20.75 per share (2021: £28.86).

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. The grants are measured using an adjusted Black-Scholes or Monte-Carlo model were required (on the basis that a Monte-Carlo simulation model is considered a better model to reflect the impact of vesting conditions such as EPS and TSR, it is used for valuing such shares with the Black-Scholes model used for share options with no performance based vesting conditions), with the following inputs:

	Grant of options during the year ended				
	28 February 2022		28 February 2021		
	Monte Carlo – EPS	Monte Carlo – TSR	Black-Scholes	Monte Carlo – EPS	Monte Carlo – TSR
Grant date	10/08/2021	10/08/2021	09/07/2020	09/07/2020	09/07/2020
Fair value at grant date	8.96	5.78	4.73	8.81	5.90
Share price at grant date	23.80	23.80	25.95	25.95	25.95
Exercise price	23.80	23.80	25.95	25.95	25.95
Number of options	316,500	316,500	120,058	802,500	802,500
Expected volatility (weighted average volatility)	36.00%	36.00%	37.00%	37.00%	37.00%
Option life (expected weighted average life)	4.0 years	4.0 years	1.0 years	4.0 years	4.0 years
Expected dividends	0.00%	0.00%	0.10%	1.00%	1.00%
Risk-free interest rate (based on government bonds)	0.47%	0.47%	0.47%	0.47%	0.47%

The key assumption which may be subject to change is the attrition rate over the vesting period.

Employee expenses

	2022 £'000	2021 £'000
Expense relating to:		
Share options granted in 2015/16	—	17
Share options granted in 2016/17	123	157
Share options granted in 2017/18	128	111
Share options granted in 2018/19	(114)	133
Share options granted in 2019/20	263	293
Share options granted in 2020/21	524	1,539
Share options granted in 2021/22	610	—
Total amount recognised as share based payment charge	1,534	2,250

32. Share based payments continued

Employee expenses continued

	2022 £'000	2021 £'000
Total expense recognised as employee benefit expense	1,534	2,250
National Insurance contributions on employee benefit expense	137	120
Share based payment and related costs	1,671	2,370

33. Contingent liabilities

There are no contingent liabilities to report for the year end 28 February 2022.

34. Subsequent events

There were no subsequent events at signing date.

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D Troy	–	Non-Executive Chairman^+
S Keating	–	Chief Executive Officer
R Preston	–	Chief Financial Officer
V Gambale	–	Non-Executive Director*^
T Seifert	–	Non-Executive Director*+
A Sayed	–	Non-Executive Director^+
U Fayyad	–	Non-Executive Director*

* Member of the Audit and Risk Committee.

^ Member of the Nomination and ESG Committee.

\+ Member of the Remuneration and Talent Committee.

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