

16 May 2017

First Derivatives plc
("FD", the "Company" or the "Group")

Preliminary results for the year ended 28 February 2017

FD (AIM:FDP.L, ESM:FDP.I) today announces its results for the year ended 28 February 2017.

Financial Highlights

Revenue £151.7m (2016: £117.0m)	+30%
Adjusted EBITDA* £28.8m (2016: £23.3m)	+24%
Profit before tax £12.5m (2016: £10.4m)	+20%
Adjusted** profit before tax £20.8m (2016: £16.8m)	+24%
Adjusted** fully diluted EPS 61.3p (2016: 51.7p)	+19%
Full year dividend 20.0p per share (2016: 17.0p)	+18%
Net debt £13.5m (2016: £15.1m)	

Business Highlights

- Strong growth in software revenue, up 47% as a result of new contract wins and continued penetration of the existing customer base
- Further growth and strategic progression in managed services and consulting with increased scale and broader expertise resulting in revenue growth of 11%
- FinTech revenue up 28% to £117.4m (2016: £91.9m), driven by contract wins in software and the breadth of services provided to our global banking client base
- MarTech revenue up 39% to £30.7m (2016: £22.1m), driven by the launch of a subscription-based Marketing Cloud platform powered by our Kx technology
- Strategic partnership agreement with Thomson Reuters for the use of Kx to drive the latest version of its Velocity Analytics platform
- Kx established in the retail analytics market with the recruitment of a team of domain experts
- FD named by Glassdoor as one of the top 10 Best Places to Work in the UK
- Post period end, FD signed a contract with a Fortune 500 precision engineering manufacturer for the use of Kx to analyse sensor data
- Secured a collaboration with Airbus Defence and Space to use Kx as a platform to analyse Earth Observation data
- Positive start to the current financial year.

*Adjusted for share based payments and acquisition costs

**Adjusted for amortisation of acquired intangibles, share based payments, acquisition costs and changes in deferred consideration, finance translation income/charges, share of loss on associate (and exceptional taxation for EPS)

Seamus Keating, Chairman of FD, commented: “During the year we made strong progress on our strategic objectives, while delivering a solid financial performance. Our increasing scale is leading to larger and longer-term managed services and consulting engagements and we are confident this trend will continue as we develop our service capabilities. Demand for the ultra-high analytics processing that Kx delivers continues to grow and this is reflected in a strong pipeline of opportunities across the business. It is clear that the leading performance that Kx delivers in capital markets readily transfers to other end markets, as evidenced by our growth in digital marketing. We are engaged in numerous discussions across industries and believe our products and services are well placed competitively. Consequently we anticipate another year of strong growth.”

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About FD

FD is a global technology provider with 20 years of experience. The Group's Kx technology is used by some of the world's largest finance, technology and energy institutions. FD employs over 1,700 people worldwide and has operations in London, New York, Stockholm, Singapore, Hong Kong, Tokyo, Sydney, Palo Alto, Toronto, Philadelphia, Dublin, Belfast and its headquarters in Newry.

For further information, please visit www.firstderivatives.com

Chairman's Statement

We are pleased to report another year of strong growth and progress against our strategic objectives. Group reported revenue increased by 30% to £151.7m, reported profit before tax increased by 20% to £12.5m and adjusted EBITDA increased by 24% to £28.8m, while we continued our investment to address new vertical markets with our software.

In addition to delivering revenue, profit before tax and EBITDA growth, we increased adjusted earnings per share by 19% to 61.3p (2016: 51.7p). Net debt (loans and borrowings less cash and cash equivalents) at the period end was £13.5m (2016: £15.1m). The Board has recommended payment of a final dividend of 14.00p per share (2016: 12.00p per share) which, together with the interim dividend of 6.00p per share paid in December 2016, gives a total dividend for the year of 20.00p per share, an increase of 18% compared to the prior year. The final dividend, if approved at the AGM on 23 June 2017, will be paid on 15 July 2017 to those shareholders on the register on 16 June 2017.

Our software platform, branded under Kx technology ("Kx") is the established market leader in real-time capture and analysis of market data in high volume environments. Clients include financial regulators, stock exchanges and 19 of the top 20 global investment banks. Our competitive advantage is the ability to manage large volumes of data in real-time which is utilised for such purposes as risk management, balance sheet optimisation and regulatory compliance.

Our strategy is to build on the technology leadership developed in our core market of FinTech to establish Kx in other high value industries where its performance capabilities on large, fast, streaming data sets can deliver compelling business solutions.

In addition, FD is a leading provider of professional services to the capital markets industry, supporting business critical systems for our global banking clients. Our strategy in this area is to be the provider of choice within capital markets for the support and transformation of mission critical systems across asset classes, through front, middle and back office environments.

We made significant progress during the year against these strategies, thereby increasing our ability to deliver sustainable, long-term growth. Within this set of results, we report revenue by key market sector, evidencing the progress we are achieving.

Our revenue from finance (FinTech) increased by 28% to £117.4m (2016: £91.9m), driven by demand from clients for our solutions. In the year we have invested in software development, pre-sales and bid costs, sales and marketing, implementation and support teams to allow us to deliver current levels of revenue in addition to managing our expected growth. We also secured a number of multi-year consulting support contracts, delivered from our near shore centre in Northern Ireland.

A strong example of our strategic progress is our marketing technology (MarTech) business which increased revenue by 39% to £30.7m (2016: £22.1m). We are very encouraged by our market penetration which has been assisted by the acquisition of Prelytix LLC in 2015. Applying Kx has allowed us to develop an end-to-end predictive analytics and lead management service platform with clients such as Cisco, HP and Fujitsu.

As we broaden our vertical market reach, we continue to build partnerships and evaluate strategic acquisitions. During the year we agreed an important partnership with the UK based Business Growth

Fund, to identify and support early stage businesses operating in sectors where our Kx technology can offer significant advantage. We are pleased with the pipeline of opportunities across the Group which should support our growth potential in future years.

Post year end we announced another important strategic success in a new vertical with a Fortune 500 engineering solutions corporation to use Kx to provide fault detection solutions to its precision manufacturing client base.

In executing our strategy we are committed to the delivery of sustainable, long term growth across our activities. During the last five years the Group has more than trebled its revenues and achieved broadly the same uplift in operating profit while undertaking significant investment for future growth and doubling the workforce, which is now approaching 2,000 people.

Board Change

Jon Robson, who joined our board as a Non-Executive Director in 2015, has joined the executive team as executive vice-president and consequently stepped down from the board. I thank Jon for his contribution as a Non-Executive Director and I am sure he will be a strong addition to the executive team.

Current Trading and Outlook

FD has made an encouraging start to the current financial year. We benefit from high revenue visibility as a result of our software subscription model along with high levels of repeat and contracted revenue on the services we provide. We are engaged in numerous discussions across industries and believe our products and services are well placed competitively. Consequently we anticipate another year of strong growth.

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

Seamus Keating
Chairman

15 May 2017

Chief Executive's Statement

This has been another monumental year for FD, with revenue growth of 30%, reported profit before tax growth of 20% and adjusted EBITDA growth of 24% being delivered alongside an investment programme designed to bring our technology to new markets such as pharma, Internet of Things ("IOT") and space.

Our Software division, branded as Kx technology ("Kx"), grew by 47% powered by 55% growth in FinTech and 39% growth in MarTech, where our offering is delivering on early potential. We are making substantial investments in R&D, marketing and direct and indirect sales channels in order to bring our technology to new markets. Recent announcements relating to strategic partnerships and contract wins are evidence that the power of Kx has applications beyond its Capital Market beginnings.

In our Managed Services and Consulting division we delivered a 20th successive year of double digit growth. Our core philosophy is to combine domain knowledge with best in breed technology to provide premium services to our customers with the aim of locking in recurring revenue streams. Our growth in this division is increasingly derived from nearshore managed service engagements as we drive toward this goal.

Software

FD's software, Kx, allows organisations to meet the most demanding data challenges they face. In recent years, Kx has established a leading position within banks for market data capture and analytics with the Group now targeting a range of other markets and industries where it believes Kx will provide compelling return on investment. Our brand awareness has been significantly raised with a website revamp (www.kx.com) and our alignment with Porsche as a result of a 2 year sponsorship deal. Kx and Porsche are both premium brands associated with power, speed and precision engineering.

Our software solutions, for all end use cases, are based on a common technology platform, driven by a single R&D team and pooled 24/7 global support. This approach generates significant economies of scale, reduces time to market for new products and provides operational leverage given the low incremental cost of acquiring and supporting new customers. Our two key strategic goals for software are firstly to increase the use of Kx within financial services, building on the successful deployments of the technology to date; and secondly, use the Kx platform to enter additional markets where data challenges are increasing and existing solutions are unable to cope effectively.

We have a significant market opportunity - estimates from independent industry analysts such as IDC and ABI Research show a total addressable target market in the sectors we are targeting in excess of \$60 billion per annum.

The technology landscape continues to evolve rapidly with innovations in areas such as machine learning, blockchain, the IOT, cyber security, Augmented Reality and Virtual Reality all generating column inches and attracting significant investment dollars. These themes have applications across multiple vertical markets and by focussing much of our R&D efforts on these areas we can gain further operational leverage. We are working closely with chip providers such as Intel to optimise our technology for their new products and are working on a number of joint marketing initiatives. At the other end of the scale our solutions have been deployed on the cloud with AWS and Google. These investments help us to maintain our technology lead against the competition, as evidenced by the fact that we hold 32 of the 41 independent STAC benchmark records.

FinTech

Software in FinTech recorded another solid period of growth, with revenues increasing by 55% to £54.0m (2016: £34.9m). The Group continues to grow Kx's established presence, building on the successes of our reference clients for existing applications and finding new applications for our technology; either through internal development, partnership, OEM or acquisition. Our successes included but were not limited to, extensions and new deployments of our core database technology within investment banks and hedge funds; new customer wins for our market surveillance application

with regulators, exchanges and global investment banks; and the use of our technology within investment banks for the purposes of regulatory reporting and transaction cost analysis.

We also increased the routes to market for our software in financial services. We signed a landmark deal with Thomson Reuters as a channel to market for Kx as the analytics engine for its Velocity Analytics Data product. We also signed technology licensing agreements with Quantile Technologies, a provider of counterparty risk products, and Cobalt, which uses blockchain technology to reduce post-trade cost and risk for financial market participants.

MarTech

In MarTech our success has led us to break out our revenue from this activity for the first time; it was up 39% to £30.7m (2016: £22.1m). During the year we launched our subscription-based self-service Marketing Cloud platform, with Kx at its core, which applies sophisticated predictive analytics to data including internet searches, customer web site traffic, CRM data and other sources to determine buying intent globally and to identify potential purchasers. This data can then be used for various marketing tactics such as display advertising where a real-time bidding engine can be used for serving creative ads and optimising digital marketing spend. We provide a premium concierge service to operate the platform and convert clicks to meetings. We believe that this end-to-end marketing platform is a unique offering.

While initial customers are mostly from the technology industry, we believe the power of our solution to uncover potential buyers of products and services is of interest to companies in all sectors. Return on investment is high for our solution and we expect it to continue to deliver strong growth.

Other Markets

The Group has invested heavily in raising brand awareness in other markets. Revenue in other markets rose by 20% to £3.6m (2016: £3.0m). Customers using our software include the Ontario electricity regulator, IESO (Utilities), Purdue (Pharma) and Wireless Republic (Telco), with Airbus (Space) and a Fortune 500 company (Industrial Internet of Things) contracts signed recently. These deals plus our current pipeline give us confidence that the performance advantages we enjoy in FinTech translate into similar outperformance against established technologies in other markets. This adds to our belief in the commercial potential of our software within these markets.

We have various routes to market in the sectors we target which are not necessarily mutually exclusive;

- *Building our own teams* - during the year we entered the retail analytics market by hiring a team of retail technology specialists and committing to the development of solutions based on Kx. We are currently evaluating the most pressing use cases for our technology, in conjunction with a number of potential clients who are attracted by the ability of our software to deliver meaningful and actionable insights on the very large data sets generated across the retail environment.
- *Supporting entrepreneurs/domain specialists with the help of investment partners* - in January we signed a strategic alliance agreement with the Business Growth Fund (“BGF”) under which

BGF will provide finance and support to entrepreneurial companies seeking to use Kx technology as a platform to disrupt markets, with use cases ranging from areas such as personal medicine to robotics. Together, FD and BGF are currently working through a number of opportunities to support exciting companies with ambitious growth plans.

- *Signing OEM deals* - after the period end we announced a contract win with a Fortune 500 engineering solutions company for the use of Kx to analyse sensor data for the purpose of fault detection. This deal is a flagship win for FD both for its expected value outside finance as well as the potential it provides for Kx to establish itself as a leading technology for sensor analytics in the Industrial Internet of Things. This market alone is expected to reach \$80–120 billion by 2018, according to ABI Research.
- *Going to market jointly with established players in a sector* - also after the year end we announced a partnership with Airbus Defence and Space, for the large-scale processing of geospatial data using Kx, a market opportunity which is expected to reach \$6.5 billion per annum by 2023. Work is currently underway to establish the priority commercial use cases.

Whilst the scale of the opportunity is immense, we are competing against heavily funded software companies, many based in Silicon Valley, with an operating model based on gaining market share rather than delivering profitability in the short-term. Nevertheless, the contract wins and new initiatives put in place set the Group up for another successful year in software.

Managed Services and Consulting

Managed Services and Consulting recorded another solid period of growth, with revenues increasing by 11% to £63.5m (2016: £57.0m). Our service activities focus on the support of mission critical systems within global investment banks. We have more than 20 years of experience working with software from third party providers such as Murex, Calypso and Summit as well as a range of legacy and in-house systems. In addition to implementation, development and support services we have developed a number of complementary offerings such as managing regulatory and compliance initiatives. This enables us to assemble multi-disciplined teams to provide upgrades, testing, customisation and development of interfaces for our clients.

FD's services are provided both at the client's site and remotely from near shore centres including our headquarters in Newry. We operate a comprehensive training programme to provide our consultants with expertise in data science and domain knowledge in capital markets. This investment in our data science professionals differentiates FD from our competitors and allows us to utilise our consultants not only for third party products but also divert them to provide professional services relating to our own software. This was particularly beneficial in the second half of this financial year as resource was diverted to assist in the delivery of new software client implementations.

Our reputation for both delivery and client satisfaction and the growing breadth and depth of our skills base allows us to bid for increasingly larger projects, to lock-in recurring revenue and to cross-sell software products. This has been evidenced by some of the more significant new contracts during the year including:

- An initial five year deal with the European operations of a Japanese investment bank which involves the management of a number of the bank's applications on a managed service basis.
- A multi-location support programme for regulatory change within a large US investment bank, which also has a managed services component.
- An initial five year deal with a Scandinavian asset manager to support its Murex platform, delivered through a hybrid near shore and on-site model.

Our service activities already benefited from a high level of visibility due to the repeat nature of the majority of our engagements with clients. The contract wins referenced above, while requiring initial investment, provide increased levels of contracted and recurring revenue, further enhancing our ability to plan for growth.

Recent regulatory and compliance requirements, including MiFID II and the Market Abuse Regulation (MAR), are providing opportunities for FD. For example, in areas of data management, transaction cost analysis and order book reconstruction capabilities, as well as monitoring and visualisation solutions, to enable our clients to meet the challenges of the legislation, including proving best execution.

We have a strong pipeline of potential new engagements with existing and new clients and remain confident that we can deliver good growth in our Managed Services and Consulting business in the coming years.

Management and Personnel

The Group now employs over 1,750 people, up from over 1,600 people at the same time last year. Our growing reputation as a technology leader combined with the opportunity to work in premier locations around the world continues to help us secure new talent and achieve high retention rates. The emphasis and resource we place on developing talent is another key driver of our continued strong employee retention rates.

The Group continues to grow rapidly, providing a dynamic work environment with considerable opportunities for career development. This was reflected in FD being named by Glassdoor in the top 10 Best Places to Work in the UK during the year. Once again I would like to thank all FD employees for the contribution they have made to our growth through their hard work, talent and flexibility.

Summary

It has been another year of strong progress towards our strategic objectives. In services we have increased the scale of our operations as well as the breadth of capabilities we provide while adding significantly to our recurring revenue base. In software we have continued to add new clients and expand within existing clients within both FinTech and MarTech, while expanding our channels to market in new industries through partnerships, internal development and OEM agreements. At the year end we also signed a significant new client in the Industrial Internet of Things, which continues to justify the potential we see to expand our software into other verticals.

Our addressable market is very large, our Kx technology is world class and, while maintaining our financial discipline, we remain confident that we are on course to provide significant returns for shareholders by executing our strategy.

Brian Conlon
Chief Executive Officer

15 May 2017

Financial Review

Group revenue increased by 30% to £151.7m (2016: £117.0m), which was predominantly organic. An analysis of revenue is provided in the table below.

	2017	2016	Increase
	£000	£000	
Managed services and consulting	63,495	57,014	11%
Software:			
Recurring revenue	31,525	21,402	47%
Implementation and support	49,490	35,257	40%
Perpetual	7,187	3,360	114%
Software total	88,202	60,019	47%
Total	151,697	117,033	30%

Software revenue increased to 58% of Group revenue (2016: 51%). Revenue from FinTech was £117.4m (2016: £91.9m) representing an increase of 28% while revenue from MarTech was £30.7m (2016: £22.1m), an increase of 39%.

Reported profit before tax increased by 20% to £12.5m (2016: £10.4m). Adjusted EBITDA increased by 24% to £28.8m (2016: £23.3m), with an adjusted EBITDA margin of 19% for the period (2016: 20%), a strong performance given the ongoing investment to deliver future growth in FinTech, MarTech and other markets. We have continued to add sales and marketing capability across the Group, in presales software teams and concept teams to break into new markets, to add to our software solutions delivery teams while incurring set-up and bid costs in regard to new managed services contracts. The adjusted profit after tax for the year of £16.1m (2016: £12.9m) represented growth of 24%.

While we do not operate a hedging policy on trading activities, the current structure of the Group results in natural hedging against trading currency movements by matching foreign denominated revenues with a corresponding cost base. The impact of currency movements overall during the year after the reported gain of £1.5m (2016: £0.8m) was broadly neutral to the Group's earnings, with benefits to revenue and adjusted EBITDA balanced by an increase in dollar denominated interest payments and translation of overseas tax.

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

	2017	2016
	£000	£000
Capitalisation of R&D costs	7,085	6,840
Amortisation of R&D	(4,944)	(3,681)
Net capitalisation	2,141	3,159
Proportion of software revenue	2%	5%

The Group's effective tax rate was 28% (2016: 25%) with this movement predominantly being attributable to an increase in overseas profits which are subject to higher tax rates than profits in the UK. An additional factor was the implementation of the new Research and Development Expenditure Credit (RDEC) tax legislation which the Group adopted from 1 March 2016. The introduction of RDEC reduced the Group's profit after tax by £0.1m.

The fully diluted average number of shares in issue increased to 26.2m (2016: 25.0m). This resulted in adjusted fully diluted earnings per share of 61.3p, representing growth of 19% for the year (2016: 51.7p).

The calculation of adjusted profit after tax is detailed below.

	2017	2016
	£'000	£'000
Reported profit after tax	9,012	7,831
Adjustments for:		
Amortisation of acquired intangibles	4,759	4,198
Share based payment and related costs	2,056	1,405
Acquisition costs, associate disposal costs and changes in contingent purchase consideration	2,953	1,547
Gain on foreign currency translation	(1,475)	(779)
Share of loss of associate	24	-
Tax effect of the above	(1,252)	(1,256)
Adjusted profit after tax	<u>16,077</u>	<u>12,946</u>
Adjusted EPS (fully diluted)	61.3p	51.7p

The Group generated £30.3m of cash from operating activities before taxation payments (2016: £17.0m), representing a 105% conversion of adjusted EBITDA (2016: 73%). At the year end, net debt was £13.5m (2016: £15.1m).

Net debt was negatively impacted by £3.2m of foreign exchange differences on the Group's debt, which is principally dollar-denominated. Total assets at 28 February 2017 were £253.2m compared to £222.9m at 29 February 2016.

Consolidated statement of comprehensive income

Year ended 28 February 2017

	<i>Note</i>	2017 £'000	2016 £'000
Revenue	2	151,697	117,033
Cost of sales		<u>(110,121)</u>	<u>(84,397)</u>
Gross profit		41,576	32,636
Other income		2,148	1,042
Administrative expenses		(31,485)	(22,849)
Operating profit		<u>12,239</u>	<u>10,829</u>
Acquisition costs, associate disposal costs and contingent purchase consideration			
		2,953	1,547
Share-based payment and related costs		2,056	1,405
Depreciation and amortisation		6,750	5,277
Amortisation of acquired intangible assets		4,759	4,198
Adjusted EBITDA		<u>28,757</u>	<u>23,256</u>
Finance income		1	1
Finance expense		(1,193)	(1,225)
Gain on foreign currency translation		1,475	779
Net finance income/(costs)		<u>283</u>	<u>(445)</u>
Share of loss of associate using the equity method, net of tax		(24)	-
Profit before taxation		<u>12,498</u>	<u>10,384</u>
Income tax expense		(3,486)	(2,553)
Profit for the year		<u>9,012</u>	<u>7,831</u>

Consolidated statement of comprehensive income (continued)

Year ended 28 February 2017

	Note	2017 £'000	2016 £'000
Profit for the year		9,012	7,831
Other comprehensive income			
<i>Items that will or may be reclassified subsequently to profit or loss</i>			
Net exchange gain on net investment in foreign subsidiaries		10,836	4,764
Net loss on hedge of net investment in foreign subsidiaries		(2,871)	(2,704)
Other comprehensive income for the period, net of tax		7,965	2,060
Total comprehensive income for the period attributable to owners of the parent		16,977	9,891
Earnings per share		Pence	Pence
Basic	4(a)	36.7	33.3
Diluted	4(a)	34.4	31.3

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

Consolidated Balance Sheet

As at 28 February 2017

	<i>Note</i>	2017 £'000	2016 £'000
Assets			
Property, plant and equipment	5	6,628	6,301
Intangible assets and goodwill	6	163,391	151,338
Trade and other receivables		3,630	2,504
Investments in equity – associated investees		1,548	-
Other financial assets		3,121	-
Deferred tax asset		14,859	9,030
Non-current assets		<u>193,177</u>	<u>169,173</u>
Trade and other receivables		43,738	38,665
Cash and cash equivalents		16,250	15,100
Current assets		<u>59,988</u>	<u>53,765</u>
Total assets		<u><u>253,165</u></u>	<u><u>222,938</u></u>
Equity			
Share capital		124	120
Share premium		72,275	65,903
Share option reserve		10,225	7,217
Currency translation adjustment reserve		8,335	370
Retained earnings		40,772	39,654
Equity attributable to owners of the Company		<u><u>131,731</u></u>	<u><u>113,264</u></u>
Liabilities			
Loans and borrowings		26,357	26,795
Trade and other payables		35,114	31,963
Deferred tax liabilities		12,932	12,289
Contingent deferred consideration		3,169	1,176
Non-current liabilities		<u>77,572</u>	<u>72,223</u>
Loans and borrowings		3,404	3,428
Trade and other payables		33,681	27,262
Current tax payable		426	1,488
Employee benefits		5,492	2,554
Contingent deferred consideration		859	2,719
Current liabilities		<u>43,862</u>	<u>37,451</u>
Total liabilities		<u><u>121,434</u></u>	<u><u>109,674</u></u>
Total equity and liabilities		<u><u>253,165</u></u>	<u><u>222,938</u></u>

Consolidated statement of changes in equity

Year ended 28 February 2017

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

Consolidated statement of changes in equity

Year ended 29 February 2016

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

Consolidated cash flow statement

Year ended 28 February 2017

	2017 £'000	2016 £'000
Cash flows from operating activities		
Profit for the year	9,012	7,831
Adjustments for:		
Net finance income/costs	(283)	445
Depreciation of property, plant and equipment	1,806	1,596
Amortisation of intangible assets	9,703	7,879
Increase in deferred consideration	2,125	-
Equity settled share-based payment transactions	1,100	815
Grant income	(2,148)	(1,042)
Share of loss of associate	24	-
Tax expense	3,486	2,553
	<u>24,825</u>	<u>20,077</u>
Changes in:		
Trade and other receivables	(2,536)	(6,540)
Trade and other payables	7,970	3,476
Cash generated from operating activities	<u>30,259</u>	<u>17,013</u>
Taxes paid	(6,592)	(2,044)
Net cash from operating activities	<u>23,667</u>	<u>14,969</u>
Cash flows from investing activities		
Interest received	1	1
Disposal of investment, net of tax	-	3,973
Acquisition of subsidiaries, net of cash acquired	-	(4,934)
Acquisition of other investments	(4,269)	-
Acquisition of property, plant and equipment	(1,800)	(1,594)
Acquisition of intangible assets	(7,656)	(6,952)
Deferred consideration paid	(1,275)	-
Net cash used in investing activities	<u>(14,999)</u>	<u>(9,506)</u>
Cash flows from financing activities		
Proceeds from issue of share capital	4,317	5,717
Repayment of borrowings	(3,585)	(3,157)
Payment of finance lease liabilities	(58)	(61)
Interest paid	(1,216)	(1,214)
Dividends paid	(7,253)	(6,244)
Net cash used in financing activities	<u>(7,795)</u>	<u>(4,959)</u>
Net increase in cash and cash equivalents	872	504
Cash and cash equivalents at 1 March	15,100	14,705
Effects of exchange rate changes on cash held	278	(109)
Cash and cash equivalents at 28/29 February	<u><u>16,250</u></u>	<u><u>15,100</u></u>

Notes

1 Basis of preparation

The consolidated financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The financial information included in this preliminary announcement does not constitute statutory accounts of the Group for the years ended 28 February 2017 or 29 February 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Both the consolidated financial statements and the Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs").

2 Operating segments

Business segments

The group has disclosed below certain information on its revenue by geographical location. Details of total revenue can be found in the statement of comprehensive income.

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

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

Revenue by division

	2017	2016
	£'000	£'000
Managed Services and Consulting	63,495	57,014
Software	88,202	60,019
	<hr/>	<hr/>
Total	151,697	117,033
	<hr/>	<hr/>

Geographical location analysis

	Revenues		Non-current assets	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
UK	55,821	42,502	32,155	26,016
Rest of Europe	23,413	17,245	16,620	16,534
America	60,578	50,886	127,958	116,115
Australasia	11,885	6,400	1,585	1,478
	_____	_____	_____	_____
Total	151,697	117,033	178,318	160,143
	_____	_____	_____	_____

Revenue by industry

	2017	2016
	£'000	£'000
FinTech	117,449	91,930
MarTech	30,668	22,112
Other	3,580	2,991
	_____	_____
Total	151,697	117,033
	_____	_____

3 Dividends

	2017	2016
	£'000	£'000
Final dividend relating to the prior year	2,918	2,323
Interim dividend paid	1,482	1,224
	_____	_____
	4,400	3,547
	_____	_____

The dividends recorded in each financial year represent the final dividend of the preceding financial year and the interim dividend of the current financial year.

The final dividend relating to the prior year amounted to 12.00 (previous year: 10.20) pence per share and the interim dividend paid during the year amounted to 6.00 (previous year: 5.00) pence per share. The cumulative dividend paid during the year amounted to 18.00 (previous year: 15.20)

pence per share.

After the respective reporting dates, the following dividends were proposed by the Directors. The dividends have not been provided for and there are no income tax consequences.

	2017 £'000	2016 £'000
14.00 pence per ordinary share (2016: 12.00 pence)	3,482	2,881
	<hr/>	<hr/>

4 (a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 28 February 2017 was based on the profit attributable to ordinary shareholders of £9,012k (2016: £7,831k), and a weighted average number of ordinary shares in issue of 24,542k (2016: 23,512k).

	2017 Pence per share	2016 Pence per Share
Basic earnings per share	36.7	33.3
	<hr/>	<hr/>

Weighted average number of ordinary shares

	2017 Number '000	2016 Number '000
Issued ordinary shares at 1 March	24,009	22,777
Effect of share options exercised	513	283
Effect of shares issued as purchase consideration	19	254
Effect of shares issued for cash	-	198
Effect of shares issued as remuneration	1	-
	<hr/>	<hr/>
Weighted average number of ordinary shares at 28/29 February	24,542	23,512
	<hr/>	<hr/>

Diluted

The calculation of diluted earnings per share at 28 February 2017 was based on the profit attributable to ordinary shareholders of £9,012k (2016: £7,831k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 26,212k (2016: 25,047k).

	2017	2016
	Pence	Pence
	per share	per share
Diluted earnings per share	34.4	31.3
	<hr/>	<hr/>
<i>Weighted average number of ordinary shares (diluted)</i>		
	2017	2016
	Number '000	Number '000
Weighted average number of ordinary shares (basic)	24,542	23,512
Effect of dilutive share options in issue	1,670	1,535
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 28/29 February	26,212	25,047
	<hr/>	<hr/>

At 28 February 2017 90,000 options (2016: 250,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive and 250,000 (2016: nil) were excluded as the related conditions had not been satisfied. The average market value of the Group's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

4 (b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £12,498k (2016: £10,384k). The number of shares used in this calculation is consistent with note 4(a) above.

	2017	2016
	Pence per	Pence per
	share	share
Basic earnings before tax per ordinary share	50.9	44.2
	<hr/>	<hr/>
Diluted earnings before tax per ordinary share	47.7	41.5
	<hr/>	<hr/>

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

2017	2016
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	Pence per share	Pence per share
Basic earnings per share	36.7	33.3
Impact of taxation charge	14.2	10.9
	<hr/>	<hr/>
Adjusted basic earnings before tax per share	50.9	44.2
	<hr/>	<hr/>
Diluted earnings per share	34.4	31.3
Impact of taxation charge	13.3	10.2
	<hr/>	<hr/>
Adjusted diluted earnings before tax per share	47.7	41.5
	<hr/>	<hr/>

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

4 (c) Normalised earnings after tax per ordinary share

Normalised earnings after tax per share are based on profit after taxation of £16,077k (2016: £12,946k). The adjusted profit after tax has been calculated by adjusting for the amortisation of acquired intangibles after tax effect £3,955k (2016: £3,395k), share based payment and related charges after tax effect £1,853k (2016: £1,124k), acquisition and associate disposal costs after tax effect £2,412k (2016: £1,219k), share of loss of associate after tax effect £24k (2016: £Nil), and for the gain on foreign currency translation after tax effect £1,179k (2016: gain of £623k). The number of shares used in this calculation is consistent with note 4(a) above.

	2017 Pence per share	2016 Pence per share
Basic earnings after tax per ordinary share	65.5	55.1
Diluted earnings after tax per ordinary share	61.3	51.7
	<hr/>	<hr/>

5 Property, plant and equipment

<i>Group</i>	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2016	2,757	8,288	543	11,588
Additions	19	1,666	115	1,800
Exchange adjustments	117	628	18	763
At 28 February 2017	2,893	10,582	676	14,151
Depreciation				
At 1 March 2016	868	4,099	320	5,287
Charge for the year	299	1,418	89	1,806
Exchange adjustments	72	345	13	430
At 28 February 2017	1,239	5,862	422	7,523
Cost				
At 1 March 2015	2,580	6,322	467	9,369
Additions	140	1,389	65	1,594
Acquisition through business combinations	-	71	-	71
Exchange adjustments	37	506	11	554
At 29 February 2016	2,757	8,288	543	11,588
Depreciation				
At 1 March 2015	656	2,583	182	3,421
Charge for the year	195	1,271	130	1,596
Exchange adjustments	17	245	8	270
At 29 February 2016	868	4,099	320	5,287
Carrying amounts				
At 1 March 2015	1,924	3,739	285	5,948
At 29 February 2016	1,889	4,189	223	6,301
At 28 February 2017	1,654	4,720	254	6,628

6 Intangible assets and goodwill

Group

	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2016	102,603	12,364	24,878	708	35,665	176,218
Development costs	-	-	-	-	7,085	7,085
Additions	-	-	863	-	-	863
Exchange adjustments	10,833	1,249	2,826	69	828	15,805
At 28 February 2017	113,436	13,613	28,567	777	43,578	199,971
Amortisation and impairment losses						
Balance at 1 March 2016	-	4,051	9,435	345	11,049	24,880
Amortisation for the year	-	1,475	3,203	81	4,944	9,703
Exchange adjustment	-	482	1,191	37	287	1,997
At 28 February 2017	-	6,008	13,829	463	16,280	36,580
	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2015	86,734	9,525	21,182	560	28,179	146,180
Development costs	-	-	-	-	6,840	6,840
Acquisitions	9,945	1,946	1,313	97	-	13,301
Additions	-	-	112	-	-	112
Exchange adjustments	5,924	893	2,271	51	646	9,785
At 29 February 2016	102,603	12,364	24,878	708	35,665	176,218
Amortisation and impairment losses						
Balance at 1 March 2015	-	2,421	5,803	239	7,113	15,576
Amortisation for the year	-	1,323	2,796	79	3,681	7,879
Exchange adjustment	-	307	836	27	255	1,425
At 28 February 2016	-	4,051	9,435	345	11,049	24,880
Carrying amounts						
At 1 March 2015	86,734	7,104	15,379	321	21,066	130,604

At 29 February 2016	102,603	8,313	15,443	363	24,616	151,338
At 28 February 2017	113,436	7,605	14,738	314	27,298	163,391

7 Report and accounts

Copies of the Annual Report will be available as of 2 June 2017 on the Group's website, www.firstderivatives.com and from the Group's headquarters at 3 Canal Quay, Newry, BT35 6BP.