



17 May 2016

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

**Preliminary results for the year ended 29 February 2016**

FD (AIM:FDP.L, ESM:FDP.I), a leading provider of software and consulting services, announces its results for the year ended 29 February 2016.

**Financial Highlights**

Revenue £117.0m (2015: £83.2m)	+41%
Adjusted EBITDA* £23.3m (2015: £15.5m)	+51%
Profit before tax £10.4m (2015: £17.5m)	-41%
Adjusted** profit before tax £16.8m (2015: £10.8m)	+56%
Adjusted** fully diluted EPS 51.7p (2015: 38.8p)	+33%
Full year dividend 17.0p per share (2015: 13.5p)	+26%
Net debt £15.1m (2015: £15.7m)	

\*Adjusted for share-based payments, profit on disposal of property and acquisition costs

\*\*Adjusted for amortisation of acquired intangibles, share-based payments, profit on disposal of property, net gain on disposal of investment in associate, acquisition costs, finance translation income/charges (and exceptional taxation for EPS)

**Business Highlights**

- Consulting revenue up 29% to £75.0m (2015: £58.3m), driven by high levels of repeat revenue and a number of new multi-year assignments within large investment banks.
- Software revenue up 69% (organic: 27%) to £42.0m (2015: £24.9m), driven by a record number of software wins during the year. These included a number of flagship wins across our range of capital markets products, the full financial benefit of which will be felt in the current financial year.
- Further investment in the business, as FD gears up to deliver continued high levels of growth in revenue in both software and consulting.
- Strategic acquisitions of Affinity Systems and ActivateClients enabling the Group to expand its software revenues beyond capital markets.
- Board strengthened through the appointments of Virginia Gambale and Jon Robson.
- Strong start to the current financial year.

**Seamus Keating, Chairman of FD, commented:** “This was another successful period for FD, with progress across the Group resulting in record results and positioning us strongly for future years. In consulting we are becomingly involved in client projects earlier and in a more strategic way, leading to deeper relationships and enabling us to maintain our high level of revenue visibility as we scale up. In software, technology trends continue to move in favour of our Kx technology platform, which is world leading in its big fast data capabilities. Software contract wins in capital markets accelerated through the year, driven by strong feedback from reference clients and our ability to assist our clients to address issues such as compliance and regulation. We are also pleased with developments in other markets for our software and in particular utilities and digital marketing, where we are already generating revenue. We expect another year of strong growth, at least in line with market forecasts, while continuing to invest for growth in the future.”

**For further information, please contact:**

First Derivatives plc

Brian Conlon, Chief Executive Officer

Graham Ferguson, Chief Financial Officer

Ian Mitchell, Head of Investor Relations

+44(0)28 3025 2242

[www.firstderivatives.com](http://www.firstderivatives.com)

Investec Bank plc

(Nominated Adviser and Broker)

Dominic Emery

Carlton Nelson

Sebastian Lawrence

+44 (0)20 7597 4000

Goodbody (ESM Adviser and Broker)

Linda Hickey

Finbarr Griffin

+353 1 667 0420

Walbrook PR

Paul Cornelius

Nick Rome

Helen Cresswell

Sam Allen

+44 (0)20 7933 8780

**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 1,600 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](http://www.firstderivatives.com)

## **CHAIRMAN'S STATEMENT**

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

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

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

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

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

### **Software**

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

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

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

## **Consulting**

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

## **Corporate Development**

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

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

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

## **Board Changes**

On 24 March 2015, Pat Brazel resigned as a Non-Executive Director to join the Group in an executive role, as Global Head of Software Sales. On behalf of the Board I would like to thank Pat for his contribution to the Group both as a Non-Executive Director and in the growth of our software business over the past year. After the year end, Non-Executive Director David Anderson stepped down from his position after 14 years, including 11 years as Chairman of the Group, from the time of its IPO on AIM in 2002. His contribution to the success of the business has been invaluable and on behalf of my Board colleagues I thank him and wish him a happy retirement.

Virginia Gambale was appointed a Non-Executive Director of the Group on 3 March 2015. A U.S. citizen, Ms Gambale has extensive experience as an enterprise technology buyer in capital markets, a technology venture capital partner and an independent director across diverse industry sectors. On 3 August 2015, Jon Robson joined the Board as a Non-Executive Director. Jon has significant experience in global capital markets, as former CEO of NYSE Technologies Inc, and previously as a senior executive in Thompson Reuters. I welcome both Virginia and Jon to the Board and thank them for the contribution they are making.

## **Current Trading and Outlook**

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

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

Seamus Keating  
*Chairman*

16 May 2016

## **CHIEF EXECUTIVE'S STATEMENT**

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

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

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

### **Review of activities**

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

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

### **Software**

Software sales during the period increased by 68.7% to £42.0m (2015: £24.9m). Our software products are based on Kx technology, an enterprise platform that incorporates the world's highest performing time series database. Our software has a number of features that mark it out as ideal for the increasing number of applications that require streaming analytics – it provides high-performance in-memory

capabilities, time stamps data to the nanosecond for true real-time applications and incorporates geolocation to allow analytics to be performed on devices in motion. It also has a small footprint, lowering the total cost of ownership and increasing the competitiveness of our software.

We have also developed a number of software applications which sit on top of our Kx technology platform, which means that our software is easier to support, deploy and upgrade. Our approach fosters rapid prototyping and innovation and allows us to convert ideas to products very quickly. From its conception we made a conscious decision to deploy applications in the cloud and on mobile platforms - this decision has been validated by recent technology trends. Our HTML5-based visualisation solution, launched during the year, has been well received by potential clients and is helping us demonstrate the power of our Kx platform to potential clients.

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

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

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

### **Capital Markets Software**

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

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

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

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

### **Digital Marketing**

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

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

### **Utilities**

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

### **Additional vertical markets**

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

During the year we have advanced on a number of fronts in markets such as pharmaceutical, telecoms and sensor analytics. We are building a pipeline of opportunities and in certain of these, we are in the process of arranging proofs of concept to demonstrate our technology's capabilities. The typical



feedback from our discussions is that Kx technology is considerably higher performing than competing solutions and that potential clients appreciate the robustness of the solution and the competitive total cost of ownership. We are also in discussions with a number of organisations that have domain expertise in these markets to act as potential partners to further accelerate our route to market.

## **Consulting**

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

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

Our multi-vendor application support provides a single team to support a range of third party applications such as Calypso, Murex and Summit as well as legacy in-house systems. This multi-disciplined team is also responsible for upgrades, testing, customisation and development of interfaces at the client.

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

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

As a result, we have ongoing contracts with many of the leading global banks, providing implementation, support and development across a range of asset classes including credit, interest rate, foreign exchange, equity, cash and derivatives markets.

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

- A contract with a major investment bank to lead a strategic transformation programme, using our global experience to advise across the bank's operations.
- A multi-year agreement for the support of mission critical applications with a major investment bank. The contract includes near shore support across the bank's applications.

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

## **Management and Personnel**

The Group now employs over 1,600 people, up from over 1,200 people at the same time last year. The increasing competitiveness of our products and services together with the opportunity to work on cutting edge technologies in locations around the world continue to help us secure new talent and achieve high retention rates.

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

## **Summary**

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

Brian Conlon  
*Chief Executive Officer*

16 May 2016

## **Financial Review**

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

The Group's EBITDA margin increased to 19.9% for the period (2015: 18.6%) the principal driver being the greater proportion of higher margin software sales achieved in the period against consulting sales. The Group continued to invest for future growth but kept tight control of costs, with administrative

expenses (before depreciation, amortisation and profit on disposal of property) up just 13.4% to £13.4m. The adjusted profit after tax for the year of £12.9m (2015: £8.7m) represented growth of 48.0%.

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

The calculation of adjusted profit after tax is detailed below.

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

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

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

## Consolidated statement of comprehensive income

Year ended 29 February 2016

	<i>Note</i>	2016 £'000	2015 £'000																								
Revenue	2	117,033	83,216																								
Cost of sales		<u>(84,397)</u>	<u>(59,497)</u>																								
<b>Gross profit</b>		<b>32,636</b>	<b>23,719</b>																								
Other operating income		1,042	1,045																								
Administrative expenses		<u>(22,849)</u>	<u>(16,288)</u>																								
<b>Results from operating activities</b>		<b>10,829</b>	<b>8,476</b>																								
<table> <tbody> <tr> <td>Acquisition costs, associate disposal costs and contingent purchase consideration</td> <td></td> <td style="text-align: right;">1,547</td> <td style="text-align: right;">984</td> </tr> <tr> <td>Share-based payment and related costs</td> <td></td> <td style="text-align: right;">1,405</td> <td style="text-align: right;">1,495</td> </tr> <tr> <td>Gain on disposal of property, plant and equipment</td> <td></td> <td style="text-align: right;">-</td> <td style="text-align: right;">(1,669)</td> </tr> <tr> <td>Depreciation and amortisation</td> <td></td> <td style="text-align: right;">5,277</td> <td style="text-align: right;">3,959</td> </tr> <tr> <td>Amortisation of acquired intangible assets (IFRS 3)</td> <td></td> <td style="text-align: right;"><u>4,198</u></td> <td style="text-align: right;"><u>2,205</u></td> </tr> <tr> <td><b>Adjusted EBITDA</b></td> <td></td> <td style="text-align: right;"><b>23,256</b></td> <td style="text-align: right;"><b>15,450</b></td> </tr> </tbody> </table>				Acquisition costs, associate disposal costs and contingent purchase consideration		1,547	984	Share-based payment and related costs		1,405	1,495	Gain on disposal of property, plant and equipment		-	(1,669)	Depreciation and amortisation		5,277	3,959	Amortisation of acquired intangible assets (IFRS 3)		<u>4,198</u>	<u>2,205</u>	<b>Adjusted EBITDA</b>		<b>23,256</b>	<b>15,450</b>
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Finance income		1	3																								
Finance expense		(1,225)	(723)																								
Gain on foreign currency translation		<u>779</u>	<u>138</u>																								
<b>Net financing expense</b>		<b>(445)</b>	<b>(582)</b>																								
Share of profit of associate using the equity		-	57																								
Loss on dilution in associate using the equity		-	(60)																								
Gain on disposal of investment in associate and settlement of pre-existing relationships		-	9,585																								
<b>Profit before taxation</b>		<b>10,384</b>	<b>17,476</b>																								
Taxation		<u>(2,553)</u>	<u>(1,561)</u>																								
<b>Profit for the year</b>		<b>7,831</b>	<b>15,915</b>																								

## Consolidated statement of comprehensive income (continued)

Year ended 29 February 2016

	<i>Note</i>	2016 £'000	2015 £'000
<b>Profit for the year</b>		<b>7,831</b>	15,915
<b>Other comprehensive income</b>			
<i>Items that will or may be reclassified subsequently to profit</i>			
Net exchange gain on net investment in foreign subsidiaries and associate		<b>4,764</b>	2,334
Net loss on hedge of net investment in foreign subsidiaries and associate		<b>(2,704)</b>	(1,099)
Reclassification of loss on net investment in associate		-	(59)
Reclassification of gain on hedge of investment in associate		-	174
Reclassification of associate revaluation reserve		-	(167)
<b>Other comprehensive income for the period, net of tax</b>		<b>2,060</b>	1,183
<b>Total comprehensive income for the period attributable to</b>		<b>9,891</b>	17,098
<b>Earnings per share</b>		<b>Pence</b>	Pence
Basic	5	<b>33.3</b>	77.2
Diluted	5	<b>31.3</b>	70.6

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

## Consolidated Balance Sheet

As at 29 February 2016

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

\*Restatement relating to measurement period adjustment – refer to note 3 for further details

## Consolidated statement of changes in equity

Year ended 29 February 2016

	Share capital £000	Share premium £000	Share option reserve £000	Currency translation adjustment £000	Retained earnings £000	Total equity £000
<b>Balance at 1 March 2015</b>	<b>114</b>	<b>55,286</b>	<b>6,262</b>	<b>(1,690)</b>	<b>38,352</b>	<b>98,324</b>
<b>Total comprehensive income for the year</b>						
Profit for the year	-	-	-	-	7,831	7,831
<b>Other comprehensive income</b>						
Net exchange gain on net investment in foreign subsidiaries	-	-	-	4,764	-	4,764
Net exchange loss on hedge of net investment in foreign subsidiaries	-	-	-	(2,704)	-	(2,704)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,060</b>	<b>7,831</b>	<b>9,891</b>
<b>Transactions with owners of the Company</b>						
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)
<b>Balance at 29 February 2016</b>	<b>120</b>	<b>65,903</b>	<b>7,217</b>	<b>370</b>	<b>39,654</b>	<b>113,264</b>

## Consolidated statement of changes in equity

Year ended 28 February 2015

	Share capital	Share premium	Share option reserve	Revaluation reserve	Currency translation adjustment	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 1 March 2014</b>	<b>98</b>	<b>22,251</b>	<b>6,627</b>	<b>167</b>	<b>(3,040)</b>	<b>25,959</b>	<b>52,062</b>
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	15,915	15,915
<b>Other comprehensive income</b>							
Net exchange loss on net investment in foreign subsidiaries and associate	-	-	-	-	2,334	-	2,334
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	-	(1,099)	-	(1,099)
Reclassification of loss on net investment in associate	-	-	-	-	(59)	-	(59)
Reclassification of gain on hedge of investment in associate	-	-	-	-	174	-	174
Reclassification of associate revaluation reserve	-	-	-	(167)	-	-	(167)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(167)</b>	<b>1,350</b>	<b>15,915</b>	<b>17,098</b>
<b>Transactions with owners of the Company</b>							
Income tax relating to share options	-	-	(199)	-	-	-	(199)
Exercise of share options	4	4,243	(867)	-	-	-	3,380
Change in fair value of NCI put	-	-	-	-	-	(1,017)	(1,017)
Issue of shares	5	12,102	-	-	-	-	12,107
Issue of shares as purchase consideration	7	16,690	-	-	-	-	16,697
Share based payment charge	-	-	721	-	-	-	721
Transfer on forfeit of share options	-	-	(20)	-	-	20	-
Dividends	-	-	-	-	-	(2,525)	(2,525)
<b>Balance at 28 February 2015</b>	<b>114</b>	<b>55,286</b>	<b>6,262</b>	<b>-</b>	<b>(1,690)</b>	<b>38,352</b>	<b>98,324</b>



## Consolidated cash flow statement

Year ended 29 February 2016

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

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

- Consulting activities which includes services to capital markets; and
- Software activities which includes the sale of intellectual property and related services.

#### Revenue by division

	<b>2016</b>	2015
	<b>£'000</b>	£'000
Consulting	<b>75,025</b>	58,320
Software	<b>42,008</b>	24,896
	<hr/>	<hr/>
Total	<b>117,033</b>	83,216
	<hr/> <hr/>	<hr/> <hr/>

#### Geographic location analysis

<b>Revenues</b>		<b>Non-current assets</b>	
<b>2016</b>	2015	<b>2016</b>	2015
<b>£'000</b>	£'000	<b>£'000</b>	£'000
			<i>Restated</i>

UK	<b>42,502</b>	35,182	<b>26,016</b>	20,983
Rest of Europe	<b>17,245</b>	13,231	<b>16,534</b>	10,160
America	<b>50,886</b>	28,531	<b>116,115</b>	112,636
Australasia	<b>6,400</b>	6,272	<b>1,478</b>	1,641
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>117,033</b>	83,216	<b>160,143</b>	145,420
	<hr/>	<hr/>	<hr/>	<hr/>

### 3 Measurement period adjustment

During the current year, the Group obtained further information in respect of the identifiable assets and liabilities during the measurement period relating to the value of a 2% investment held by Kx Systems in an unquoted entity, a private US company.

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

### 4 Dividends

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

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

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

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

	<b>2016</b>	2015
	<b>£'000</b>	£'000
12.00 pence per ordinary share (2015: 10.20 pence)	<hr/> <b>2,881</b>	<hr/> 2,323

## 5 (a) Earnings per ordinary share

### **Basic**

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

	<b>2016</b>	2015
	<b>Pence per share</b>	Pence per Share
Basic earnings per share	<b>33.3</b>	77.2

### *Weighted average number of ordinary shares*

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

### **Diluted**

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

	<b>2016</b>	2015
	<b>Pence per share</b>	Pence per share
Diluted earnings per share	<b>31.3</b>	70.6

### *Weighted average number of ordinary shares (diluted)*

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

At 29 February 2016 72,940 options (2015: Nil) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Group's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

## 5 (b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £10,384k (2015: £17,476k). The number of shares used in this calculation is consistent with note 5(a) above.

	<b>2016</b>	2015
	<b>Pence per share</b>	Pence per share
Basic earnings before tax per ordinary share	<b>44.2</b>	84.8
Diluted earnings before tax per ordinary share	<b>41.5</b>	77.5

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

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

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

## 5 (c) Normalised earnings after tax per ordinary share

Normalised earnings after tax per share are based on profit after taxation of £12,946k (2015: £8,745k). The adjusted profit after tax has been calculated by adjusting for the amortisation of acquired intangibles after tax effect £3,395k (2015: £1,764k), share based payment and related charges after tax effect £1,124k (2015: £1,196k), profit on disposal of property, plant and equipment after tax effect £nil (2015: £1,316k), acquisition and associate disposal costs after tax effect £1,219k (2015: £787k), gain on foreign currency translation after tax effect £623k (2015: gain of £109k) and for the gain on disposal of investment £nil (2015: £9,492k). The number of shares used in this calculation is consistent with note 5(a) above.

	<b>2016</b>	2015
	<b>Pence per share</b>	Pence per share
Basic earnings after tax per ordinary share	<b>55.1</b>	42.4
Diluted earnings after tax per ordinary share	<b>51.7</b>	38.8

## 6 Property, plant and equipment

<i>Group</i>	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
<b>Cost</b>				
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
<b>At 29 February 2016</b>	<b>2,757</b>	<b>8,288</b>	<b>543</b>	<b>11,588</b>
<b>Depreciation</b>				
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
<b>At 29 February 2016</b>	<b>868</b>	<b>4,099</b>	<b>320</b>	<b>5,287</b>
	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
<b>Cost</b>				
At 1 March 2014	2,792	4,687	235	7,714
Additions	32	1,960	236	2,228
Acquisition through business combinations	-	25	-	25
Disposals	(241)	-	-	(241)
Exchange adjustments	(3)	(350)	(4)	(357)
<b>At 28 February 2015</b>	<b>2,580</b>	<b>6,322</b>	<b>467</b>	<b>9,369</b>
<b>Depreciation</b>				
At 1 March 2014	460	1,744	152	2,356
Charge for the year	221	936	36	1,193
Disposals	(20)	-	-	(20)
Exchange adjustments	(5)	(97)	(6)	(108)
<b>At 28 February 2015</b>	<b>656</b>	<b>2,583</b>	<b>182</b>	<b>3,421</b>
<b>Carrying amounts</b>				
At 1 March 2014	2,332	2,943	83	5,358
At 28 February 2015	1,924	3,739	285	5,948
<b>At 29 February 2016</b>	<b>1,889</b>	<b>4,189</b>	<b>223</b>	<b>6,301</b>

## 7 Intangible assets and goodwill

Goodwill £'000	Customer lists £'000	Acquired Software £'000	Brand name £'000	Internally developed software £'000	Total £'000
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<b>Cost</b>						
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
<b>At 29 February 2016</b>	<b>102,603</b>	<b>12,364</b>	<b>24,878</b>	<b>708</b>	<b>35,665</b>	<b>176,218</b>
<b>Amortisation and impairment losses</b>						
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
<b>At 29 February 2016</b>	<b>-</b>	<b>4,051</b>	<b>9,435</b>	<b>345</b>	<b>11,049</b>	<b>24,880</b>

	<b>Goodwill</b>	<b>Customer lists</b>	<b>Acquired Software</b>	<b>Brand name</b>	<b>Internally developed software</b>	<b>Total</b>
	<i>Restated</i>					<i>Restated</i>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>						
Balance at 1 March 2014	13,526	3,547	9,011	361	22,394	48,839
Development costs	-	-	-	-	6,594	6,594
Acquisitions	70,281	5,659	12,332	194	-	88,466
Additions	-	-	551	-	-	551
Disposals	-	-	(785)	-	-	(785)
Exchange adjustments	2,927	319	73	5	(809)	2,515
<b>At 28 February 2015</b>	<b>86,734</b>	<b>9,525</b>	<b>21,182</b>	<b>560</b>	<b>28,179</b>	<b>146,180</b>
<b>Amortisation and impairment losses</b>						
Balance at 1 March 2014	-	1,653	4,430	186	4,545	10,814
Amortisation for the year	-	644	1,509	52	2,766	4,971
Exchange adjustment	-	124	(136)	1	(198)	(209)
<b>At 28 February 2015</b>	<b>-</b>	<b>2,421</b>	<b>5,803</b>	<b>239</b>	<b>7,113</b>	<b>15,576</b>
<b>Carrying amounts</b>						
At 1 March 2014	13,526	1,894	4,581	175	17,849	38,025
At 28 February 2015	86,734	7,104	15,379	321	21,066	130,604
<b>At 29 February 2016</b>	<b>102,603</b>	<b>8,313</b>	<b>15,443</b>	<b>363</b>	<b>24,616</b>	<b>151,338</b>

## 8 Report and accounts

Copies of the Annual Report will be available as of 31 May 2016 on the Group's website, [www.firstderivatives.com](http://www.firstderivatives.com) and from the Group's headquarters at 3 Canal Quay, Newry, BT35 6BP.