Delivering on strategy

Annual Report 2023

FDTechnologies plc

Delivering on strategy

This has been a year of marked acceleration across the business, both in the financial performance of KX and First Derivative and the execution of strategy.

The decisions taken by the Board and executed by senior management in recent years have positioned KX as the high-performance engine for real-time analytics, just as a range of industries are beginning to understand the value they can generate from these insights.

Donna Troy
Chair

Our purpose

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

Who we are

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

What we do

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

Highlights

Financial highlights

Revenue

£296.0m

Adjusted EBITDA

£34.8m

Business unit KPIs

KX growth in Annual Recurring Revenue (ARR):

39%

First Derivative revenue growth:

18%

MRP revenue decline:

19%

Operational highlights

- KX exceeded its targets with annual recurring revenue (ARR) up 39% to £65.3m (FY22: £47.0m) and net revenue retention of 119% (FY22: 106%); incremental annual contract value (ACV) increased by 93% to £18.7m (FY22: £9.7m)
- Launched the industry's first Data Timehouse, positioning KX as the engine for real-time analytics in the cloud and delivering up to 100x the performance at $1/10^{th}$ of the cost of alternative solutions*
- Significant progress with a range of existing and potential partners, including the general availability of kdb Insights Enterprise on Microsoft Azure and an agreement to partner with AWS
- Continued our drive to accelerate time to value for customers, as well as making our technology easier to adopt and use; our progress is reflected in continued growth in industry, which accounted for more than 30% of ACV
- Momentum set to continue in the current year, benefiting from growing demand for real-time analytics as the foundation for AI-driven business innovation, the strengthening of KX leadership and growing market recognition for the return on investment that KX delivers
- First Derivative delivered revenue growth of 18%, also ahead of target, benefiting from multi-year strategic growth drivers, particularly relating to regulatory compliance and digital transformation
- Weaker demand environment continued at MRP, with revenue down by 19%; cost base aligned to protect EBITDA in the current year

* From independent benchmarking exercises and customer feedback.

In this report

Delivering impact

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

KX

Software to accelerate AI-driven innovation

FY23 revenue:

£80m

ARR growth:

39%

KX's mission is to accelerate the speed of AI-driven business innovation, enabling customers to transform into real-time, intelligent enterprises. Built for the most demanding data environments, at the intersection of big and fast temporal data, its Data Timehouse platform is trusted by the world's top investment banks and hedge funds and leading companies in the life and health sciences, semiconductor, telecommunications, and manufacturing industries.

At the heart of its technology is the kdb+ time-series database and real-time analytics engine, independently benchmarked as the fastest on the market. It can process and analyse time-series and historical data at unmatched speed and scale, empowering developers, data scientists, and data engineers to build high-performance data-driven applications and turbo-charge their favourite analytics and AI tools in the cloud, on-premise, or at the edge.

Ultimately, its technology enables the discovery of richer, actionable insights for faster decision making which drives competitive advantage and transformative growth for customers.

→ See page 14

First Derivative

First Derivative – Consulting services which drive digital transformation in financial services and capital markets

FY23 revenue:

£174m

Revenue growth:

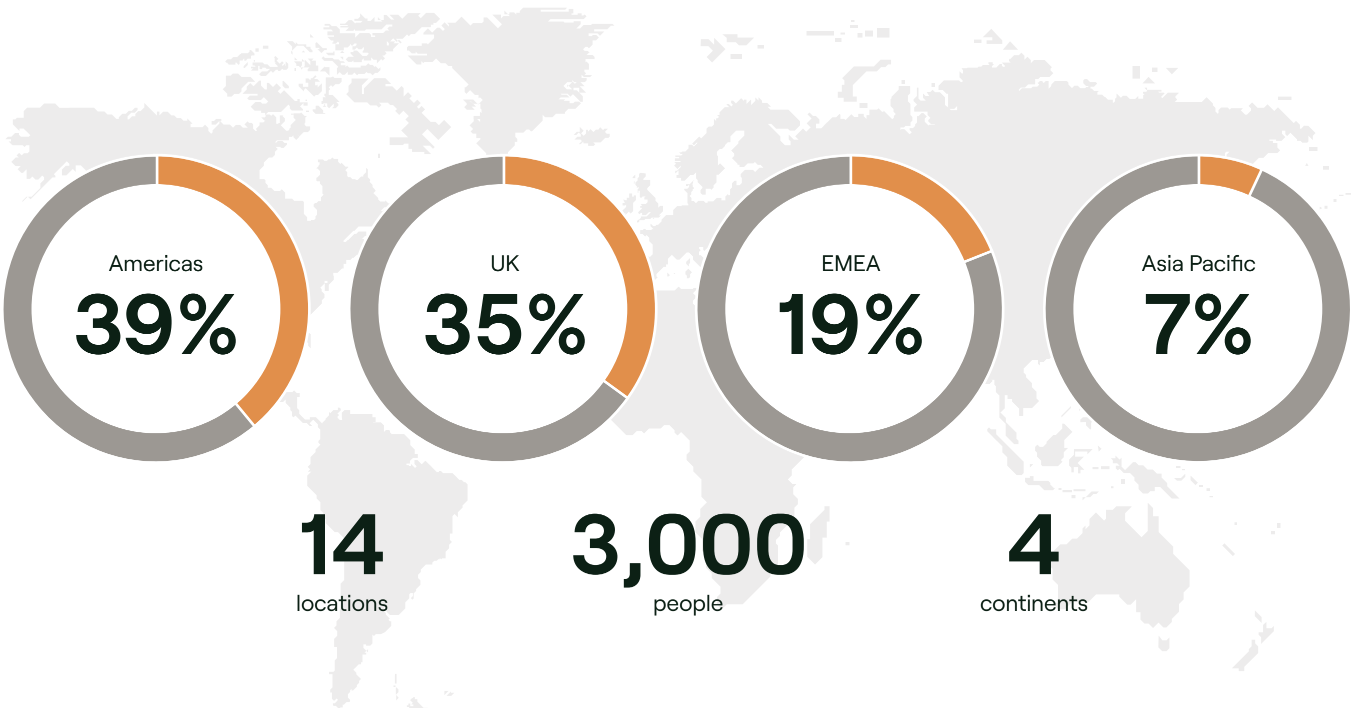
18%

First Derivative is a specialist consulting firm operating in areas where expert knowledge is critical to success, whether it's in the realm of business, technical, or both. With deep vertical expertise in capital markets, banking operations and asset servicing – it has one of the largest fully dedicated capital markets consulting teams in the world – First Derivative's commitment to training and continuous improvement is the bedrock of its reputation of being able to solve the toughest of operational, data and technology challenges.

Offering one of the world's largest dedicated capital markets consulting teams, First Derivative operates from centres of excellence in the UK, Ireland, Canada, the US and mainland Europe.

→ See page 17

Our global reach for scale and growth*



* Based on split of revenue.

MRP

Technology-enabled services for enterprise demand generation

FY23 revenue:
£41m

Revenue decline:
19%

Servicing more than 1,000 clients across the world, MRP focuses on the needs and challenges of enterprise sales and marketing teams. MRP Prelytix®, the only enterprise-class, account-based marketing (ABM) platform, is purpose-built to simplify the complexity of clients' operating environments, enabling account-based programmes that are coordinated with existing marketing programmes, across all global marketing initiatives. Ultimately MRP delivers growth to its customers through the highest quality, most innovative products and services in the ABM space.

→ See page 19

Powering ahead on our growth journey

"KX's ability to deliver up to 100x the performance at 1/10th of the cost truly resonates across the modern data landscape and represents a major proof point for our technology. Our competitive advantage is such that every participant in the industry should explore the business impact KX can have, either as a customer or partner."

Donna Troy
Chair

This has been a year of marked acceleration across the business, both in the financial performance of KX and First Derivative and the execution of strategy. The decisions taken by the Board and executed by senior management in recent years have positioned KX as the high-performance engine for real-time analytics, just as a range of industries are beginning to understand the value they can generate from these insights.

KX's ability to deliver up to 100x the performance at 1/10th of the cost* is truly resonating across the modern data landscape and represents a major proof point for our technology. Our competitive advantage is such that every participant in the industry should explore the business impact KX can have, either as a customer or partner.

Our technology is also ideally suited to accelerate AI workloads and this is a key driver of the growth in our total addressable market, which, according to Gartner's report 'Measuring the opportunity in the AI software market', now stands at $135bn. The Board is mindful of the need to ensure that KX sustains the higher growth rates we have seen this year while also taking the steps needed to deliver a meaningful share of this enormous opportunity.

As part of that process, the Board approved the recruitment of a number of senior executives during the year, including a CEO for KX, Ashok Reddy, and we have been pleased with the progress that has been achieved.

In addition to exceeding all the financial targets set for the year, KX delivered important operational and commercial milestones, including the general availability of kdb Insights Enterprise on Azure, further progress on key partnerships with Microsoft and others, important advances in our technology to make it easier to adopt and use and the signing of landmark customer contracts across industries. These developments provide a solid foundation for KX to deliver its mission to accelerate the speed of AI-driven innovation across all enterprises.

The growth at KX has been enabled by the accelerated growth strategy introduced in May 2021, as part of which the Board decided to change the structure of the Group into three business units. Alongside KX, First Derivative and MRP are both benefiting from these changes.

First Derivative achieved another strong year of progress, also delivering growth ahead of our guidance, as it used its strong brand identity and market reputation to capitalise on the structural growth drivers in its business, namely regulatory change, digital transformation and the need for clients to drive value from their investment in technology. We expect First Derivative to continue to take market share and also to drive improvement in its margin over the next three years.

MRP's performance during the year was below our expectations, driven by macroeconomic weakness in its markets. The creation of MRP as a separate business unit enabled us to identify these trends and to take corrective action to align the cost base as the year progressed. We expect this action to lead to improved profitability at MRP in the current year and will continue to monitor its progress closely.

Governance

The Board comprises highly skilled individuals with expertise and experience in scaling world-leading technology companies, which was one of the factors that gave us confidence to implement the accelerated growth strategy in 2021. Board composition was unchanged during the year, which provided stability and depth of understanding to our discussions.

This Annual Report provides details of the Board's work in areas such as risk management and corporate responsibility. Of particular note was the implementation of our enterprise resource planning system, which is assisting the Board in its monitoring role by providing additional insight into the Group's operations. In addition, the Board has focused on bringing in the talent to scale our business units and accelerate our growth.

Summary and outlook

The past year has seen the delivery of accelerated growth rates in KX and a positive performance in First Derivative, enabled by the strategy adopted by the Board. Given the structural growth drivers and competitive advantages we enjoy in both these businesses, we are confident we have a platform for another year of strong progress.

It is now just two years since we set out our accelerated growth strategy. Much has been achieved, but equally there is a great deal of potential still to be unlocked and we are laser-focused on how to achieve that. We will continue to evaluate and evolve our strategy and I look forward to updating on our progress.

On behalf of the Board, I would like to thank all of our colleagues for their efforts to help our customers succeed and our communities thrive. We have a clear purpose, great talent and a positive culture that will enable us to continue to deliver sustainable growth for all our stakeholders.

All modern companies must build a diverse, equitable and inclusive workforce, and I am proud to take an active role in driving programmes that achieve that. By ensuring that FD Technologies is representative of the world that it operates in, we help to secure the future of the business, through the attraction and retention of new and existing customers and employees.

Ensuring that every single employee feels that they can achieve the absolute best for themselves is a Board priority. I am proud to say that the Group has several long-running initiatives focused on improving the representation and professional development of women in the Group as well as colleagues from minority and underrepresented backgrounds.

While being interviewed at one of the Group's Women's Network meetings last year, I was reminded of the wealth of female talent we have in the business. We can and will do more to reduce our gender pay gap and ensure there is greater representation of women in senior roles. I look forward to continuing to champion the work being done across the Group to deliver on our promise of building a business where everyone can thrive both professionally and personally.

Donna Troy
Chair
22 May 2023

* From independent benchmarking exercises and customer feedback.

Enabling our business units to deliver sustainable value creation

Our business model is founded on our strategic purpose and enshrined by our values to create a business that generates sustainable returns for our stakeholders. We use our skills and strategies to ensure our business units have the resources they need to deliver products and services that delight our customers, while generating earnings for shareholders, tax receipts for society and a positive impact on the local communities in which we are based.

Inputs

People
Our people are at the core of our success, providing a vibrant culture centred around customer success and excellence. We recruit heavily from universities around the world, as well as experienced talent, and provide our employees with exciting careers that challenge and stimulate them to solve problems for our clients that are at the forefront of technology. Working on-site or based in one of our 14 locations around the world, we have a diverse and inclusive culture with a shared work ethos that drives our success.

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

R&D
Our world-leading technology uses data to unlock the value of insight, hindsight and foresight. In recent years this commitment has been evidenced by substantial increases in our development, making our technology easier to use and integrate with other technologies. We are committed to our investment in research and development, expanding our teams of data scientists that are passionate about pushing the boundaries.

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

What sets us apart

Focused
We are focused on large and fast-growing addressable markets driven by data

Differentiated
We deliver differentiated technology products and solutions for extreme volume, complexity and latency data requirements

Deep expertise
We provide deep expertise and exceptional strength

Business units

KX
Software to accelerate AI-driven innovation.

FIRST DERIVATIVE
Consulting services which drive digital transformation in financial services and capital markets.

mrp
Technology-enabled services for enterprise demand generation.

Creating value

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

→ Read more on page 8

Financial
The Group has developed a culture of financial discipline, together with a strong governance and risk management focus. These values engendered confidence in achieving our business unit strategy and financial targets and executing against this strategy has provided an exciting range of opportunities available to scale our businesses, in particular KX, as detailed in the Business review.

→ Read more on page 12

Outputs

Returns for shareholders
Five-year view

Revenue compound annual growth rate (CAGR)

10%

Total cash generated from operations

£165.7m

Returns for the Group
Positive culture

82%
sustainable engagement*

Profits to reinvest for growth

* → See page 31

Returns for society
Taxes paid

Financial year 2023

£1.5m

Last five years

£9.5m

Benefits for local communities

928
new jobs last year

3,454
over last five years

£35,000
donated by the Group to charity in past year, with a further

£40,000
raised by employees for a range of local, national and international charities

Analysing our performance

The Group's structure is designed to enable its business units to communicate their distinct value proposition and maximise their growth opportunity. Our growth strategy is founded on growing demand for time-series data analytics and our increased ability to deliver, following advances in our technology, leadership and commercialisation capabilities. Our strategy is defined below, with appropriate KPIs also provided.

1 Driving growth in KX

What this means
We are focused on accelerating our growth and investing to achieve our mission to use our performance and scale advantages to accelerate the speed of data and AI-driven innovation across all enterprises.

How we do it
- Provide products and platforms that enable enterprises to innovate at the speed of thought.
- Work with our strategic partners to provide broad access to our technology, horizontally across industries.
- Scale our operations to deliver the growth envisaged by the Board.

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

2 Growing market share at First Derivative

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

How we do it
- Continue to enhance our engagement model to deliver propositions that focus on helping our customers meet their challenges.
- Focus on areas of emerging demand such as data engineering to help broaden our revenue base.
- Invest in sales and marketing to maximise our growth.

Progress
- Continued strong revenue growth representing an increasing share of our customers' spend.

3 Group performance

What this means
The Board monitors the performance of the Group to assess overall growth, as a measure of the resources available to it and the value delivered to shareholders.

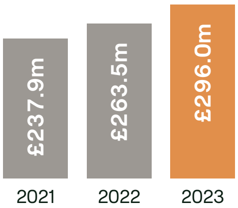
How we do it
- Assess revenue growth to measure the commercial performance of the products and services of the business units.
- Track adjusted EBITDA* as a key metric for operational performance and a proxy for operational cash generation.
- Monitor net cash/debt as an indicator of the level of capital available to allocate.

Progress
- All three measures tracked well against the Board's expectation and in line with its strategy.

* As defined in accounting policies note 1(r).

Key performance indicators

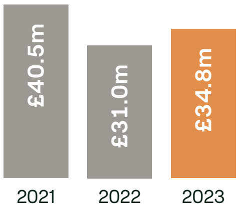
The Board uses the following KPIs to measure sustainable and profitable growth as we aim to create value for all stakeholders.



Group revenue

Measures the total of all revenue streams generated by the Group.

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

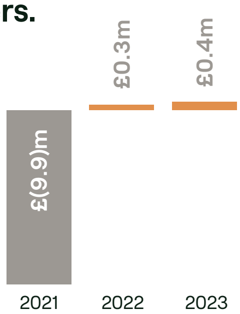


Group adjusted EBITDA*

Measures EBITDA adjusted for costs deemed non-operational and is the headline performance measure for the Group.

Adjusted EBITDA is considered the headline measure of operating performance, ability to generate cashflow and to enable the Board and investors to most easily determine the impact of the Group's strategy on performance.

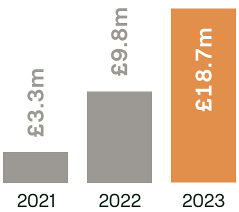
* See reconciliation of adjusted EBITDA to reported profit before tax in the Financial Review.



Group net cash/(debt)

Measured as the amount of debt (excluding lease obligations) less cash and cash equivalents.

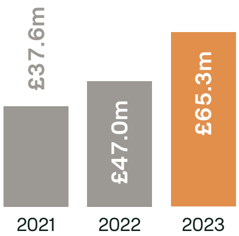
The Board monitors its net cash/(debt) position to assess its working capital performance as well as to ensure it has sufficient capacity within its facilities to continue deliver its strategy.



KX annual contract value (ACV)

The sum of the value of each KX customer contract signed during the period divided by the number of years in each contract.

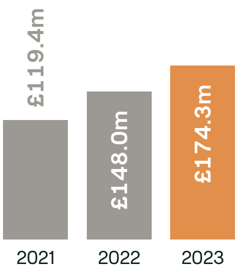
This KPI is new and is included to provide the annual contract value of contracts signed in the year. ACV grew by 93%, highlighting the significant sales successes in the year.



KX annual recurring revenue (ARR)

The value at the period end of KX recurring software revenue to be recognised in the next twelve months, formerly defined as "exit annual recurring revenue".

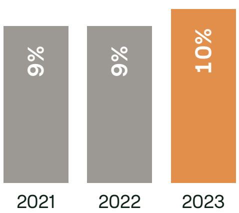
KX Annual Recurring Revenue measures the growth of valuable recurring revenues, which grew by 39% in the year.



First Derivative revenue

Measures First Derivative revenue which is an indicator of the business' size and progress of strategic initiatives.

First Derivative's revenue is derived from capital markets, principally from providing services requiring deep domain skills to large investment banks. The strategy, to focus on key areas where it has the greatest expertise, has delivered growth of 18% in the year.



First Derivative adjusted EBITDA margin

Margin from First Derivative EBITDA adjusted for costs that are deemed to be non-operational in nature.

First Derivative EBITDA margin measures underlying performance and the ability to deliver on operating leverage. The three-year target is to achieve an adjusted EBITDA margin of 15%.

Note: The Board has identified that the opportunities in both KX and First Derivative represent significantly greater opportunities to realise shareholder value and has therefore removed MRP from the KPIs.

Strengthening our stakeholder relationships

This section provides insight into how the Board engages with our stakeholders to understand what matters to them. The findings from this engagement have been considered in board discussions and decision-making.

Our stakeholders include our shareholders, employees, customers, suppliers, the environment and the communities we operate in. The Board recognises that engaging with stakeholders is essential to enable the Group to take balanced strategic decisions and build a successful business that creates long-term value for all our stakeholders.

This was particularly important this year as the Group implemented a significant amount of operational change, including the introduction of a new ERP system that provides additional levels of monitoring, insight and control. Employee involvement was key in designing the system and it benefits them by automating the management of benefits and personnel administration, with numerous self-service options. It is intended that suppliers will benefit from more streamlined payment processing procedures, which is a key area of focus within our supplier management policy.

The Directors give careful consideration to the views of stakeholders when discharging their duties and are supported by a range of means, including regular reports and presentations from members of the executive team throughout the year, the presence of a designated workforce representative on the Board, and specific briefings on the impact on stakeholders where the Board believes they would be impacted by a decision under consideration.

Employees

Reason why we engage

As detailed in the Corporate responsibility and sustainability section of this report, our people are vital to the success of our business and the recruitment and retention of top-level talent is a Board priority. Our culture is central to this and we actively promote diversion and inclusivity at all levels. We have also created a culture of learning and development to continually strengthen the talents and capabilities of our employees. Through these initiatives, we seek to deliver products and services that delight our customers and enable the Group to achieve its strategy.

Method of engagement

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

Key developments during the year

The results of our latest employee engagement survey point to an engaged, enabled and energised workforce and across our business. However, we accept that there is still work to do, particularly around enhancing reward and benefits. The Group has a Survey Actions Working Group that analyses the results and implements change designed to make improvements on the issues that matter most to our employees. For the coming year, our priorities will be focused on enhancing employee experience across every aspect of our business. This is a multi-year programme which is focusing on improving every interaction we have with each employee from recruitment and onboarding through to continuous feedback, learning and development, inclusion and supporting employee health and wellbeing.

Customers

Reason why we engage

Achieving the Group's growth strategy requires cross and upselling to existing customers as well as attracting new customers to each of its business units. Our engagement with customers and potential customers helps to shape our development strategy and allocation of resources and capital and feedback is reported regularly to the Board.

Method of engagement

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

Key developments during the year

To further facilitate direct customer feedback into our strategy we committed during the year to creating a customer advisory board comprising representatives from a number of key clients. We also decided during the year to reinstate our annual customer summit, which was disrupted due to COVID, which facilitates discussion with and feedback from our customers.

Partners

Reason why we engage

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

Method of engagement

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

Key developments during the year

During the year KX worked closely with its strategic partner Microsoft to release the industry's first Data Timehouse, kdb Insights Enterprise on Microsoft Azure. KX also expanded its partner team in response to opportunities to work with other hyperscale cloud providers and data analytics independent software vendors. Partnerships are a key strategic channel to achieve our goal of KX being the horizontal platform for time-series analytics and we will continue to resource these efforts appropriately.

Shareholders

Reason why we engage

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

Method of engagement

During the past year the Group has communicated regularly with the investment community through regulatory announcements and updates to our website. Additionally, the CEO, the CFO, the Board and executive team members have taken part in one-to-one meetings with investors and potential investors to communicate the Group's investment case and strategy. While these meetings are regularly scheduled following the publication of interim and full year results, the Group has an investor communication programme that also involves ad hoc meetings and appearances at investor conferences, as well as engaging directly with existing and potential investors.

Key developments during the year

The Group has further increased its shareholder dialogue over the past year, particularly in the US, where an adviser was engaged to help target potential shareholders. We also invited and received feedback from our larger shareholders on our long-term incentive arrangements.
A priority for the year ahead is to hold an investor event which will provide existing and prospective investors with a deeper understanding of the opportunities available to KX.

Communities

Reason why we engage

The Group has a strong focus on how it does business and how we interact with our stakeholders and in particular how we interact with the communities where we live and work. Whilst we operate internationally all of our people remain rooted in the communities where they live and work and helping those less fortunate has been at our very core for more than 20 years. We recognise our responsibility to act as an effective corporate citizen and to provide suitable environments for the wellbeing of employees. We support employee initiatives designed to benefit and support their communities and also provide direct assistance where we believe it appropriate.

Method of engagement

The Group engages with local communities by supporting initiatives to train and develop talent. It provides educational and career support aimed at assisting individuals in local communities to enter the technology industry, often through partnership with community groups and organisations; for example, we have a senior leadership partnership with Queen's University Belfast to drive joint initiatives. We also provide placements and higher level apprenticeships for school leavers as an alternative to attending university full time, enabling them to undertake an undergraduate degree whilst working and gaining experience across the Group. In addition, many of our staff volunteer to support local organisations in their community across a range of charitable pursuits, whether directly in terms of contributing their time and skills or indirectly through fundraising activities.

Key developments during the year

To coordinate our charity activities, we established a charity policy with the aim of being a good neighbour in the communities in which we operate and to use the energies and talents of our employees in charitable fundraising activities. A team comprising representation from across the Group was formed to coordinate these activities. We focused our support during the year towards fundraising efforts for Ukraine, and our employees directly donated £35,000 which was matched by the Group so that a total of £70,000 was donated to charities on the ground in Ukraine.

Other stakeholders

The Group recognises that it plays an important role in relation to many other stakeholders, including suppliers, governmental agencies and the wider public, which benefit directly or indirectly from its products and services. As one of the largest private sector enterprises headquartered in Northern Ireland, it is particularly aware of its responsibilities to maintain high standards in all aspects of its business. The Group regularly interacts with these stakeholders to understand their views and communicate its strategy and policies.

Execution of strategy is delivering momentum

"We are pleased with a year of strong execution on our strategy, with KX and First Derivative beating our expectations for FY23."

Seamus Keating
Chief Executive Officer

KX in particular has made strong commercial and strategic progress. Our price to performance advantage is particularly compelling for the hyperscale cloud providers, as evidenced by our partnerships with market leaders Microsoft and AWS. We have a range of initiatives that we are progressing with these and other partners that provide confidence in our outlook.

First Derivative also performed strongly in FY23, delivering impressive revenue growth of 18% for the period. We continue to see multi-year strategic growth drivers that underpin demand for our services. MRP, our smallest business unit, suffered from a weak demand environment for demand generation and we have aligned its cost base to enable a return to growth in EBITDA in FY24.

We have set ourselves ambitious but sustainable growth targets for the years ahead which will ensure we are focused on driving high-quality recurring revenue growth from an expanding list of customers across a wide range of industries, while generating long term value for shareholders.

Our values

No problem

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

No limits

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

No better

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

People

The Group currently employs c. 3,000 people, similar to the number employed at the same time last year. Our employee policies are designed to enable us to attract and retain top talent and during the year we implemented a number of initiatives to assist these goals.

We continued to pay particular attention to learning and development, with a strong focus on leadership, as well as the Group's culture. We introduced our Aspiring Leadership Programme, which offers a structured and practical path to fast track high-potential individuals into leadership roles, while we also appointed leaders to run our talent and people initiatives. We also evaluated and benchmarked every employee across the Group to ensure everyone is paid competitively.

We continue to evolve the ways in which our people connect and collaborate, with our latest annual engagement survey showing an increase in the number of our employees that feel engaged to 82%. During the year we completed the implementation of an Oracle Cloud Fusion ERP system that includes a Human Resources Information System, enabling us to work more strategically.

Outlook

KX and First Derivative both delivered strong growth in their KPIs for the year and are well placed to deliver on their potential following a year of execution of strategy. In KX the growing importance of time-series analytics and our ability to accelerate AI workloads, combined with our product and commercial strategies, are establishing us as a key component of modern data architecture. First Derivative continues to evolve its service offerings to assist customers with their strategic objectives and we expect this to enable growth ahead of its market. MRP's performance is expected to improve following the alignment of its cost base, with growth expected to return when demand for demand generation increases.

"We continue to evolve the ways in which our people connect and collaborate, with our latest annual engagement survey showing an increase in the number of our employees that feel engaged to 82%."

Accelerating the speed of AI-driven business innovation

KX

"Our mission is to accelerate the speed of AI-driven business innovation across all enterprises by helping them build a Data Timehouse."

Ashok Reddy
Chief Executive Officer of KX

Discover more at kx.com

Data Timehouse – where cloud data lakehouse and AI meet temporal data

Persistent and effective execution has been the hallmark of KX over the last financial year, in which the Company achieved or exceeded all key performance indicators outlined to the market. We committed to double-digit growth and delivered ahead of market expectations. The proportion of new bookings from our initiatives with the hyperscale cloud vendors, strategic products and/or OEM channel partners also met market expectations. This level of performance is encouraging given the backdrop of challenging macroeconomic conditions, and confirms we are making real progress to achieve the growth strategy outlined in FY22.

Our mission is to accelerate the speed of AI-driven business innovation across all enterprises by helping them build a Data Timehouse. As per Gartner analyst Daryl Plummer in his keynote address, "The New Economics of Technology and Data", enterprises should stop "force fitting" time into traditional data warehouses. A Data Timehouse is a new class of data and AI management platform designed for temporal data generated by digital transformation. It enriches traditional data warehouse and lakehouse stores for a more complete, real-time view of the business to enable better decision making at the speed of thought. With a Data Timehouse, developers, data scientists and engineers can deliver rich, informed insights from their data and applications – faster than ever before. Our results show momentum is clearly with us. However, there is still work to be done on our go-to-market strategy if we are to realise the rapid, transformative growth that we believe is achievable.

Cloud computing is central to expanded use of data, but cloud costs are spinning out of control. Price to performance is where KX excels. From independent benchmarking exercises and customer feedback, we can deliver up to 100x the performance at 1/10th of the cost of alternative solutions, enabling businesses to spend less time wrangling with complex data pipelines and sprawling data architectures and more time driving mission-critical data science and application development activities for transformative results.

The strategy for the year ahead therefore is to position KX, and specifically our kdb Insights family of products and Data Timehouse platform, as the high-performance data and AI management platform designed for temporal data and real-time analytics within the hyperscale cloud platforms, and also on premise and at the edge. We will focus on application developers, data engineers, data scientists and business users, opening up our technology and widening our user base through free trials, enhanced developer communities, and deeper interoperability with popular programming languages such as SQL and Python.

In summary, I'm extremely pleased with how the business performed over the last financial year. While we have set ourselves ambitious growth targets for the year ahead, our goal to make KX the engine for time-series data and real-time analytics in the cloud, will ensure we stay focused on driving repeatable, recurring revenue from an ever-expanding base of users across a wide range of industries.

Delivering the industry's first Data Timehouse on Microsoft Azure

Our success to date rests on serving the needs of the most data and performance-intensive applications. Our pervasive adoption in financial services and other realms such as manufacturing, life sciences, and telecommunications is based on the power of kdb not only to process time-series data, but also to collect and integrate huge amounts of related information. This enables the traders to ask the quant team: "What new trading strategies may work given what the market is doing?" Unlike other approaches, the quants can provide an answer in hours, not days or weeks, because of the powerful arsenal of data engineering and data science capabilities kdb supports.

Now almost all enterprises, regardless of sector or size, are struggling with ever expanding volumes of data, much of it machine generated and time-stamped. Trends such as observability are awakening a huge number of companies to the fact that they too can benefit from applications that allow the equivalent of new trading strategies to be discovered and implemented.

The traditional data lake and data warehouse architectures are struggling to deliver on this opportunity as they prioritise data storage over modelling, intelligence, and insight. Enter the Data Timehouse, a game-changing new data management platform, developed by KX and championed by the major hyperscale cloud vendors and forward-thinking enterprises across all major industry sectors.

A new class of data and AI management platform designed for temporal data generated by digital transformation, the Data Timehouse provides data scientists and application developers with precision access to temporal data on real-time and massive historical data sets enabling faster and more accurate analysis for enhanced business outcomes. And because it's built specifically for time-series data, it delivers up to 100x the performance of alternative solutions at 1/10th of the cost. KX is at the forefront of this technology, offering modern enterprises a powerful solution to overcome the challenges of managing and extracting value from their time-series data.

Strategic objectives and addressable market

Our products address a sizeable portion of the big data, streaming analytics and data science and machine learning (DSML) markets, as well as the bulk of the time-series database market. Additionally, kdb+ vector based time-series analytics is a foundational technology for rapidly growing market segments including generative AI, with knowledge management, recommendation systems and similarity search use cases. According to PitchBook, investment in generative AI has increased considerably, seeing a 425% jump from 2020, with $2.1bn invested in 2022 alone, while leading analyst firm Gartner cites adaptive AI systems as one of its top ten strategic trends of 2023. According to the Gartner report 'Measuring the Opportunity in the AI Software Market', the total market opportunity for the AI software market alone is expected to be $134.8bn in 2025 with a four-year compound annual growth rate (2022-2025 CAGR) of 29.2%. Of this total addressable market, we estimate that our current serviceable market opportunity is approximately $34bn by 2025, taking into account the industries and geographic markets we are targeting.

While this is a crowded and complex competitive landscape, our strategy is to focus our product development and go-to-market efforts on solving a persistent and critical business problem that few, if any, of our competitors can address - namely, the intersection of fast data with big data volumes, involving time-series data analytics and AI based on temporal data. By launching the industry's first Data Timehouse, a new class of data and AI management platform designed to handle big fast data with a temporal component, we see a significant market opportunity to seize, define and own this segment of the data science market. We believe that the business is incredibly well placed to achieve this goal, targeting at least 35% year-on-year ARR growth.

Business unit review: KX continued

KX in action

Revolutionising clinical trials with Syneos Health

Syneos Health is a global contract research organisation that offers a range of services to help pharmaceutical and biotechnology companies develop and commercialise new drugs and medical devices.

KX transformed the Company's data infrastructure, building a low-latency, highly performant Data Timehouse running on Azure capable of running 100,000 simultaneous simulations of clinical trials across 1 billion patients. KX also enabled Syneos Health to reduce its data science stack, avoiding multiple data silos and redundant data engineering, while at same time providing a single source of truth for clinical trial study data, delivering 100x the performance at 1/10th of the cost compared to alternative solutions.

With time-series database and real-time analytics engine kdb at its core, KX was able to simplify and make sense of a sprawling and complex data landscape consisting of nearly 300 billion patient records for better, data-informed decision making. The result was that Syneos Health was able to cut millions of dollars in costs and years of delays and inefficiencies in its drug development and clinical trial process, which creates a defensible competitive advantage.

This use case has important lessons for any organisation struggling to organise and manage huge heterogeneous data landscapes, apply data science, and build applications at scale.

> "Our collaboration with KX and Azure has been instrumental in helping further advance our technology and data capabilities with the goal of accelerating development of new therapies for patients. Together, we are working to use the power of data analytics and AI to unblock data access and compute challenges, to compress both timeframes and costs. We are thrilled to take our work to the next level and deliver even stronger results for customers with kdb Insights Enterprise on Azure."

Larry Pickett
Chief Information and Digital Officer, Syneos Health

KX in action

Driving business transformation for a tier 1 investment bank

When a multi-national tier 1 investment bank needed a partner to design and execute a large-scale cloud migration project for its trading and quant data, it trusted KX thanks to its market-leading technology and unbeatable price versus performance.

Delivering the fastest cloud migration
Delivering the fastest cloud migration project in the bank's history – taking just four months from design to completion – KX matched the performance of the previous on-premise solution at a fraction of the cost. With no disruption in service, users were switched over seamlessly to the new cloud based system with between 85% and 90% savings on storage and infrastructure costs.

Moreover, the system has enabled the bank's data science and quant teams to streamline operations, spending more time focusing on business outcomes as opposed to data management. This value-focused approach has already led to the bank being able to run new analysis patterns, unavailable on the previous solution. Running on the AWS platform, the solution also offers improved resilience which allows for greater levels of innovation from business users across the trading and quantitative functions.

With migration to the cloud a top strategic priority for financial services firms, this use case demonstrates the extreme suitability and performance of KX's technology to deliver transformative results.

People augmented with data powered by technology

FIRST DERIVATIVE

David Collins
Chief Executive Officer of First Derivative

Our ability to identify problems and get things done with a deeper impact sets us apart from larger consultancies and positions us for continued success.

I'm extremely proud to reflect on the financial performance of First Derivative over the past year. Although market conditions became less favourable as the year progressed, the business rose to the challenge, delivering a strong set of results across all business lines. Revenue growth in the year was ahead of expectations, reflecting a solid demand environment and improvements to our delivery model. Digital transformation in the financial services sector continues at a pace. The move to the cloud is becoming a catalyst for change as clients look to completely rebuild their core software infrastructure and architectures. This is leading to increased demand for redevelopment, new capabilities, and the application of true DevOps practices. Additionally, the way data is being used and managed within organisations is changing dramatically, creating opportunities for more effective data management and analysis. Looked at as a whole, the market environment is enabling us to achieve greater value for our expertise and domain knowledge, which in FY23 resulted in improved margins despite the impact of wage inflation and attrition during the year.

All of this speaks directly to the core strengths of First Derivative's offering, namely smart people, with deep domain expertise augmented by technology. Nowhere has this been more apparent than in our software engineering practice which saw impressive growth. Increased demand for our expertise allowed the business to expand operations, including bringing our office in Poland fully onstream. By integrating our engineering teams into our sales and delivery processes, we not only grew business with existing clients but have built a strong pipeline for the coming year.

Discover more at firstderivative.com

Business unit review: First Derivative continued

It's important to note that, despite the uncertain market conditions, we saw strong demand for services from our core practice areas including our Know Your Customer (KYC) and banking operations teams. There will always be a need from banks for help in their core operational areas, such as integrating systems or migrating to a new platform. Again, our deep domain expertise and experience, position us favourably to clients.

We also completely revamped our regulatory reporting team which is generating some market-leading capabilities in regulatory compliance and reporting and, again, we expect to see strong growth in this are over the coming year.

Underpinning our continued growth and success is our ongoing focus on restructuring how our teams are built and deployed, giving clients an end-to-end set of capabilities that not only ensure excellence in delivery but open up new business opportunities. A good example is our work in compliance functions such as surveillance, which are effectively turning into wider business intelligence functions because they are pulling huge quantities of live data from across an organisation. With the right people and the right technologies, we can build analytics engines in stream, delivering critical insights and driving value across an organisation. It's this holistic approach that is paying real dividends and building strong momentum and pipeline for the new financial year.

Overall, we have a great deal to be confident about in the current year. I believe that First Derivative is well positioned to continue to win business, both with existing clients and new customers. The complex nature of capital markets businesses, with a deep network of interlinked applications, requires not only technological expertise but also a deep understanding of the underlying business. Our ability to identify problems and get things done with a deeper impact sets us apart from larger consultancies and positions us for continued success.

Strategic objectives and addressable market

First Derivative is a specialist consulting firm operating in areas where expert knowledge is critical to success, whether it's in the realm of business, technical, or both. With deep vertical expertise in capital markets, banking operations, and asset servicing, we offer specialised horizontal expertise in real-time data. Our team is equally at home with tick data, IoT, or any time-series data sets. At First Derivative, we bring together technical expertise and domain knowledge to deliver industry-leading solutions for complex business and technical challenges.

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

First Derivative in action

Streamlining deleverage programmes for banks

First Derivative was tasked with executing a multi-year, multi-discipline deleverage and disposal programme for a UK banking client. The goal was to significantly reduce off balance sheets exposures including Non-Performing Loans (NPLS), Third Party Administrators (TPAs) and risk-weighted assets (RWAs), to free up tied capital.

Over a four-year period (one year ahead of schedule), we delivered exceptional results and during the period the client saw the following reductions: TPAs by 85% (£258bn to £38bn), RWAs by 75% (£171bn to £42bn), and staff numbers by 92% (32,771 to 2,592). This was achieved through a combination of disposals, run-off, and impairments.

Following this success, we expanded our services to Irish banking clients, where we have since partnered with numerous banks to sell over 25 performing and non-performing loan portfolios. In total, these portfolios amounted to nearly €50bn in outstanding balances. Our most recent project involved leading the exit of a long-standing client from the Irish market after 160 years.

These complex programmes demand expertise across various functions, including PMO, data analytics, customer documentation, legal due diligence, customer communications and outreach, asset valuation, compliance and regulation, data migration, account closing, and records management. Throughout the process, we ensured compliance with all legal and regulatory requirements while keeping the rights and needs of customers at the core of our work.

The successful completion of this project clearly demonstrates the ability of First Derivative to deliver value-driven, efficient deleverage and disposal programmes for banking clients, emphasising both legal compliance and customer centricity.

Driving demand, scaling engagement and accelerating revenue for our customers

MRP enables enterprise B2B sales and marketing leaders to accelerate engagement, demand, and pipeline revenue using a unique and powerful combination of technology, tech-enabled services, and robust orchestration capabilities.

Discover more at mrpfd.com

An award-winning, analyst-recognised B2B marketing technology and tech-enabled services leader, MRP's solutions help sophisticated organisations identify, prioritise, and target prospective buyers through a coordinated delivery of personalised digital and non-digital engagement and manage these interactions throughout the buyer's journey.

Ultimately, MRP gives its clients the power to reach and connect to the right buying groups and decision makers across all key marketing channels at the right time, increasing revenue while cost effectively driving engagement globally and at scale.

FY23 financial performance was significantly below expectation, as customer budgets continue to remain under pressure due to the macroeconomic environment. Our revenue run rate has started to stabilise and, along with the steps that were taken to align the cost base, we expect the business to deliver an improved EBITDA performance for the current year. Given our long-term relationships with clients, we believe MRP has the opportunity to deliver revenue growth when B2B marketing budgets improve.

Strategic objectives and addressable market

The addressable market for MRP's products and services is considerable, with the Company serving six core vertical sectors: ABM, sales intelligence, data management, display advertising, content syndication and direct mail. We estimate, based on market sizing from multiple sources including Gartner, KBV Research and MarketsandMarkets, that this presents a total addressable market of some $25bn when considering CAGR growth for each sector.

The strategy, therefore, is to continue to develop the power and functionality of the MRP Prelytix® ABM platform, consolidate offerings in established sectors such as display advertising and direct mail and take advantage of rapid growth in content syndication, sales intelligence and data management. Moreover, the omnichannel capabilities of MRP mean that clients can benefit from end-to-end campaigns running across all of the above sectors and the firm's go-to-market strategy will be sharply focused on providing clients with fully integrated solutions.

Strong growth in key business units

"The Group delivered double-digit increases in both revenue and adjusted EBITDA."

Ryan Preston
Chief Financial Officer

Revenue and margins

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

	FY23				FY22				
	Group £m	KX £m	First Derivative £m	MRP £m	Group £m	KX £m	First Derivative £m	MRP £m	Group change
Revenue	296.0	80.2	174.3	41.5	263.5	64.4	148.0	51.1	12%
Cost of sales	(173.7)	(22.3)	(127.0)	(24.4)	(157.3)	(19.9)	(108.6)	(28.8)	10%
Gross profit	122.3	58.0	47.3	17.0	106.1	44.5	39.4	22.2	15%
Gross margin	41%	72%	27%	41%	40%	69%	27%	44%	
R&D expenditure	(27.1)	(23.0)	(0.4)	(3.7)	(21.1)	(18.6)	(0.2)	(2.3)	28%
R&D capitalised	23.1	19.0	0.4	3.7	18.6	16.1	0.2	2.3	25%
Net R&D	(4.0)	(4.0)	–	–	(2.6)	(2.6)	–	–	54%
Sales and marketing costs	(50.9)	(26.3)	(15.3)	(9.4)	(47.4)	(23.6)	(14.5)	(9.3)	8%
Adjusted admin expenses	(32.7)	(11.1)	(15.4)	(6.2)	(25.2)	(8.6)	(10.9)	(5.7)	30%
Adjusted EBITDA	34.8	16.6	16.7	1.4	31.0	9.8	14.0	7.3	12%
Adjusted EBITDA margin	12%	21%	10%	3%	12%	15%	9%	14%	

The Group delivered double-digit increases in both revenue and adjusted EBITDA. Revenue growth was driven by strong growth in recurring revenue at KX and strong growth by First Derivative offset by a revenue decline in MRP as a result of difficult market conditions. This drove 15% growth in gross profit to £122.3m (FY22: £106.1m), with increasing scale and growth in higher margin revenues resulting in gross margin of 41% (FY22: 40%). We continue to invest in line with our strategic objectives, including investments in systems and people. In addition, inflationary cost pressures which increased admin expenses and the impact of MRP, resulted in adjusted EBITDA margin remaining at 12%.

Revenue growth was boosted during the period by the strength of the dollar against sterling, our reporting currency, with constant currency revenue growth of 6%. Due to the natural hedge of our operations in the US the impact on profitability was marginal.

KX

	KX total			Financial services			Industry		
	FY23 £m	FY22 £m	Change	FY23 £m	FY22 £m	Change	FY23 £m	FY22 £m	Change
Revenue	80.2	64.4	25%	67.9	55.4	23%	12.4	9.1	37%
Recurring	57.6	39.2	47%	50.2	35.5	41%	7.4	3.7	102%
Perpetual	1.6	3.6	(57%)	0.2	1.8	(88%)	1.3	1.8	(24%)
Total software	59.1	42.8	38%	50.4	37.4	35%	8.7	5.4	61%
Services	21.1	21.6	(2%)	17.5	18.0	(3%)	3.6	3.6	0%
Gross profit	58.0	44.5	30%						
Adjusted EBITDA	16.6	9.8	70%						

KX delivered a strong performance in the year, with 25% revenue growth driven by 47% growth in recurring revenue to £57.6m, balanced by a 2% reduction in services to £21.1m. The growth was enabled by a near doubling of incremental annual contract value added to £18.7, resulting in 39% growth in ARR to £65.3m. Services revenue, related to the implementation of our software, declined marginally to £21.1m as we enabled our customers to achieve time to value more quickly, reducing the cost and complexity of adopting KX and increasing the return on investment for our customers. Revenue from perpetual license sales continues to decline following our decision in 2021 to focus exclusively on subscription sales for new customers, and now represents just 2% of KX revenue.

Financial services revenue grew by 23% to £67.9m, with recurring revenue up 41%. We continue to benefit from adoption of kdb Insights by existing and new customers, attracted by its performance, ease of use and rapid time to value, as well as native integration with important developer languages such as Python and SQL.

Industry revenue grew by 37% to £12.4m with recurring revenue growing by 102% to £7.4m. Growth was led by subscription contracts across the healthcare, energy and manufacturing markets with both new and existing customers.

Alongside the growth in ARR our go-to-market team was also engaged with partners, particularly Microsoft and AWS, on joint go-to-market initiatives to support general availability of kdb Insights Enterprise on Microsoft Azure and kdb Insights on AWS FinSpace.

Performance metrics	FY23	FY22	Change
Annual recurring revenue (ARR) £m	65.3	47.0	39%
Net revenue retention (NRR)	119%	106%	
Gross margin	72%	69%	
R&D expenditure as % of revenue	29%	29%	
Sales and marketing spend as % of revenue	33%	37%	
Adjusted EBITDA margin	21%	15%	

The annual contract value signed in the period was £18.7m, up 93% on the prior year (FY22: £9.7m) and driven by the growth in new subscription deals in the period and our work with partners. This resulted in ARR increasing by 39% to £65.3m. NRR of 119% is ahead of the 106% in FY22 and in line with our mid-term target of 120%, with customer churn remaining at low levels.

First Derivative

	FY23 £m	FY22 £m	Change
Revenue	174.3	148.0	18%
Gross profit	47.3	39.4	20%
Adjusted EBITDA	16.7	14.0	20%

Revenue for the period was £174.3m, with growth of 18% ahead of our target for the year of 15%. We saw the strongest growth in supporting our customers in their near shore operations, which are expanding as they pull offshore delivery work into centres such as Dublin. We believe our services are well aligned with our customers' strategic priorities, with regulatory change, digital transformation and cost efficiency consistent themes.

Attrition and wage inflation rates were challenges across the industry during the year, which we managed effectively, although they did limit scope for margin improvement. We see an easing of these pressures in the year ahead in response to some caution from customers, as discussed in the Business Review. This is reflected in our guidance for lower revenue growth during the year, although reduced recruitment and onboarding costs and our growing scale should enable EBITDA margin progress.

Financial review continued

First Derivative continued

Performance metrics	FY23	FY22
Gross profit margin	27%	27%
Adjusted EBITDA margin	10%	9%

Gross margin was maintained at 27% for the year. Underlying this were increased costs in recruiting, training and deploying new consultants in response to industry-wide attrition pressures, mitigated by our ability to pass through wage inflation and the impact of delivering greater value from our expertise and domain knowledge.

MRP

	FY23 £m	FY22 £m	Change
Revenue	41.5	51.1	(19%)
Gross profit	17.0	22.2	(23%)
Adjusted EBITDA	1.4	7.3	(80%)

MRP derives revenue by combining cutting-edge predictive analytics with a full suite of account-based sales and marketing solutions. Throughout the year, concerns over the business outlook caused many of our customers to pause or reduce their demand generation activity, leading to a decline in revenue at MRP.

While we took action to align costs during the year, adjusted EBITDA decreased to £1.4m (FY22: £7.3m). In response, MRP has implemented cost savings that have reduced annualised operating costs by c. £6.0m and as a result we expect an improved performance in adjusted EBITDA in FY24.

Performance metrics	FY23	FY22
Gross margin	41%	44%
Adjusted EBITDA margin	3%	14%

Gross margin declined slightly to 41% (FY22: 44%) as a result of lower services utilisation balanced by cost efficiencies in third-party costs incurred in our display marketing offering. Admin expenses increased as we invested in upgrading cybersecurity protection, improved legal capability and incurred wage inflation.

Group performance

Adjusted EBITDA

The reconciliation of operating (loss)/profit to adjusted EBITDA is provided below:

	FY23 £m	FY22 £m
Operating (loss)/profit	(1.5)	6.4
Restructure and non-operational costs	8.7	3.1
Non-operational other income	—	(2.5)
Non-operational IT expenses*	5.6	2.3
Share based payment and related costs	0.4	1.7
Depreciation and amortisation	21.6	20.1
Adjusted EBITDA	34.8	31.0

* Non-operational IT expenses represents ERP implementation costs that are required to be expensed under accounting standards.

Profit before tax

Adjusted profit before tax increased to £12.1m, with the increase in adjusted EBITDA partially offset by higher depreciation and software amortisation charges. Financing costs increased by £0.9m, reflecting a combination of higher interest rates partially offset as we continue to pay down debt.

The Group reported a loss before tax of £1.2m for the year, compared to a profit of £9.0m in FY22. The major factors were restructuring costs, particularly at MRP, the cost of implementing the Group's new Oracle ERP system and one-off costs to address legacy employee tax liabilities while on assignment.

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

	FY23 £m	FY22 £m
Adjusted EBITDA	**34.8**	31.0
Adjustments for:		
Depreciation	(7.3)	(6.8)
Amortisation of software development costs	(11.5)	(10.2)
Net financing costs	(3.9)	(3.0)
Adjusted profit before tax	12.1	11.0
Adjustments for:		
Amortisation of acquired intangibles	(2.8)	(3.1)
Share based payment and related costs	(0.4)	(1.7)
Restructure and non-operational costs	(8.7)	(3.1)
Non-operational other income	–	2.5
Non-operational IT expenses	(5.6)	(2.3)
Profit/(loss) on foreign currency translation	2.1	(1.8)
Share of profit of associate	–	0.3
Profit on disposal of associate	3.0	7.0
Net financing costs	(0.9)	0.2
Reported (loss)/profit before tax	**(1.2)**	9.0

(Loss)/earnings per share

The Group reported a loss after tax of £4.0m for the year, compared to a profit after tax of £6.4m in FY22. Adjusted profit after tax was £9.9m, an 8% increase on the prior year, resulting in a 9% increase in adjusted diluted earnings per share for the period to 35.3p.

The calculation of adjusted profit after tax is detailed below:

	FY23 £m	FY22 £m
Reported (loss)/profit before tax	**(1.2)**	9.0
Tax	(2.8)	(2.6)
Reported (loss)/profit after tax	**(4.0)**	6.4
Adjustments from (loss)/profit before tax (as per the table above)	13.3	2.1
Tax effect of adjustments	(2.4)	(1.3)
Discrete tax items	3.0	1.9
Adjusted profit after tax	**9.9**	9.1
Weighted average number of ordinary shares (diluted)	28.0m	28.0m
Reported (LPS)/EPS (diluted)	(14.4p)	22.9p
Adjusted EPS (diluted)	35.3p	32.3p

Financial review continued

Group performance continued

Cash generation and net cash (excluding lease liabilities)

The Group generated £33.5m of cash from operating activities before the exceptional Oracle ERP implementation cash outlay incurred during the year of £5.1m, representing a 96% conversion of adjusted EBITDA. We continued to focus on cash collection and working capital improvements and the target for the full year from operating activities' cash conversion was in the range of 80-85% of adjusted EBITDA.

At the year end we had a net cash position of £0.4m, broadly unchanged from the prior year. The factors impacting the movement in net cash (excluding lease liabilities) are summarised in the table below:

	FY23 £m	FY22 £m
Opening net cash/(debt) (excluding lease liabilities)	**0.3**	(9.9)
Cash generated from operating activities before non-operational IT expenses	33.5	29.9
Non-operational IT expenses	(5.1)	(1.0)
Cash generated from operating activities	28.5	28.9
Taxes paid	(1.5)	(0.4)
Capital expenditure: property, plant and equipment	(2.9)	(2.8)
Proceeds from sale of property, plant and equipment	–	0.9
Capital expenditure: intangible assets	(23.4)	(18.9)
Sale of other investments and associates	0.1	11.0
Investments	8.1	0.1
Issue of new shares	3.1	0.8
Interest, foreign exchange and other	(11.9)	(9.3)
Closing net cash (excluding lease liabilities)	**0.4**	0.3

The drivers of cash performance in FY23 were the increasing spend on research and development, of which £23.1m was capitalised, and the sale of our investment in Quantile Technologies, following the completion of its sale to LSEG during the year.

After the year end we refinanced our banking facilities, which had been due to expire in June 2024, on improved terms. The total facility remains at £130m and is entirely comprised of a revolving credit facility, replacing a £65m term loan and £65m revolving credit facility. The interest rate payable is SONIA/SOFR plus a fixed margin that depends on the level of debt relative to adjusted EBITDA. The margin on the new revolving credit facility is equal to 1.85% to 2.85%, this compares favourably to the previous margin of 2% to 3%. The lead arranger for the facility remains Bank of Ireland, with continued participation from Barclays and AIB and new participation from HSBC.

Definition of terms

The Group uses the following definitions for its key metrics:

- **Annual recurring revenue (ARR):** the value at the end of the accounting period of recurring software revenue to be recognised in the next twelve months, formerly defined as "exit annual recurring revenue".
- **Annual contract value (ACV):** the sum of the value of each customer contract signed during the year divided by the number of years in each contract.
- **Net revenue retention rate (NRR):** is based on the actual revenues in the quarter annualised forward to twelve months and compared to the annualised revenue from the four quarters prior. The customer cohort is comprised of customers in the quarter that have generated revenue in the prior four quarters.
- **Adjusted admin expenses:** is a measure used in internal management reporting which comprises administrative expenses per the statement of comprehensive income of £66.6m (FY22: £51.9m) adjusted for depreciation and amortisation of £21.6m (FY22: £20.1m), share based payments and related costs of £0.4m (FY22: £1.7m), restructure and non-operational costs of £8.7m (FY22: £3.1m), IT systems implementation costs expensed £5.6m (FY22: £2.3m) and other income £(2.4)m (FY22: £(0.5)m).

Delivering value through risk management

Effective risk management is core to our management practices that help deliver our strategy and our commitments to our customers. We are focused on conducting our business responsibly, safely, and legally, while making risk-informed decisions when responding to opportunities or threats that present themselves. With the leadership of the Board and guided by our risk appetite, we understand, prioritise, and manage our risks. Our risk management framework, which we have further enhanced this year, enables us to undertake this exercise with structure and rigour.

Risk management framework (RMF)

The primary objective of risk management is to ensure that the outcomes of risk taking activities are consistent with the Group's strategic objectives, operating plans and risk appetite, and that there is an appropriate balance between risk and return. The RMF enables the Group to identify, assess, manage and monitor our risks.

Risk identification and assessment

We identify and assess risks at the Group and business unit level, along with horizon scanning for emerging risks. To enable better assessment, the identified risks are categorised into one or more of the following risk types: strategic, operational, financial or regulatory.

Management assesses risks on a continuous basis. The Group adopts a qualitative and quantitative approach to measuring and scoring risks using the Group risk matrix. A risk probability and impact matrix are applied to arrive at the inherent risk score. The risk assessment is then repeated with the application of controls, taking into account the overall effectiveness of the controls in arriving at the residual risk score.

Risk management and controls

Risk management strategies have been developed and implemented for all significant risks. These strategies include robust controls, policies and procedures and financial reserves.

Risk monitoring

A plan is agreed with the Audit and Risk Committee to ensure key controls are tested regularly and any incidents reported result in a reassessment of the risks and controls. The Group maintains up-to-date information on its main risks and controls which the Board and the Audit and Risk Committee review and agree on a regular basis. Appropriate reporting procedures and feedback loops ensure that risk management is actively monitored and managed by all relevant personnel, the Executive Committee, the Audit and Risk Committee and the Board.

Risk appetite

The purpose of the Risk Appetite Statement (RAS) is to express the level and nature of risk the Group is willing to accept in achieving its strategic objectives. The RAS is used to guide strategy execution, decision making and planning processes. The RAS is reviewed and approved at least annually by the Board, on the recommendation of the Audit and Risk Committee, with periodic review of the RAS occurring in the event of changes to the Group's activities or operating environment.

Principal risks and uncertainties continued

FD Technologies employs a three lines model to manage risk

Board, Audit and Risk Committee, Executive Committee

First line
Identify
Manage
Own

Business units

Second line
Advise
Support
Challenge

Legal functions
Finance functions
Infosec functions
HR functions

Third line
Independent
Objective
Assurance

Internal audit
Appointed external advisers

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

Oversight

The Board and the Audit and Risk Committee are the primary stakeholders served by the "three lines of defence" model.

First line

Responsible for identifying, managing and owning risks. First line refers to all of the business functions which carry out the day-to-day operations of the Group and whose activities require personnel to operate in accordance with and adhere to the required risk policies and frameworks.

Second line ("central functions")

Develops, maintains and ensures implementation of control policies and frameworks across the Group along with monitoring, advising, challenging and supporting front line business units (i.e. the First line). Includes functions such as legal, finance and infosec.

Third line ("independent advisers")

Provides the Board and management with independent, objective assurance that the policies and frameworks in place are appropriate, proportionate and adequately adhered to across the Group in the First and Second lines. Includes internal audit and appointed external advisers.

Risk factors

Risk	Potential impact	Mitigation
Attracting and retaining talent As a software and consultancy provider, the Group is dependent on the skill, experience and commitment of its employees, which places huge importance on the recruitment, development and retention of key staff. It is also important to align the current and future resourcing levels and capabilities with the changing needs of the Group and our customers. The success of the Group is built upon effective teams that consistently deliver superior performance. If the Group cannot attract, retain or develop suitably qualified, experienced and motivated employees, this could have an impact on business performance. **Change over prior year** Increased	The long-term performance of the Group would be adversely affected if we fail to attract, develop and retain staff in a highly competitive labour environment and if the required staffing levels of sufficient calibre are not achieved and sustained. There is the potential to impact the achievement of the Group's strategic objectives in the event that the current and future resourcing levels and capabilities are not aligned with the needs of our customers. There is also the potential for short-term revenue impact if staffing levels fall below the level required to service customer demand.	The Group maintains a constant focus on this area with competitive remuneration packages and a strong commitment to training and career development. The Group has structured succession plans in place. Our policies and procedures are reviewed and regularly updated by Group Human Resources, divisional leaders and the executive team. The Group also has systems in place to accurately forecast demand requirements including the level of recruitment and the types of skills/ expertise required to meet client requirements. Should a mismatch occur, the Group has contingency plans in place that would cover the period until sufficiently skilled additional staff can be recruited and trained.
Cybersecurity The Group is at risk of financial loss and/or reputational damage relating to breaches of IT security policies and controls, including unauthorised access to confidential data or technology disruption to our Group or client IT systems and platforms. **Change over prior year** Unchanged	The risk has implications which include operational disruption to critical IT systems and platforms, client exposure through cyber-attacks and significant data leakage. This could lead to potential litigation and regulatory actions as well as commercial implications including loss of customer confidence, reputational damage, contractual impact and negative publicity.	As a provider of software to leading financial services organisations around the world, the Group is required to operate stringent IT and cybersecurity practices. The Group has extensive documented policies to mitigate risk in these domains. To provide assurance on the effectiveness of these policies, the Group has, in certain cases, adopted SSAE 18 SOC1, a standard from the American Institute of Certified Public Accountants, on the effectiveness of the IT security controls. The Group recently renewed its Cyber Essentials Plus accreditation. Material investment has been undertaken in upgrading the security infrastructure of the Group as detailed in the Report of the Audit and Risk Committee.
Competition and markets External factors, outside the direct influence of the Group, including economic cycles, inflation and market trends, could significantly impact on performance in a competitive and cyclical market environment. These factors could also impact the suitability of our products, services and solutions to meet current and future client requirements. This makes it more difficult to forecast future demand from clients. **Change over prior year** Unchanged	The Group's resourcing decisions could lead to excess staff levels reducing profitability in the short term, or underinvestment in our products, services and solutions, leading to missed commercial opportunities and/or client dissatisfaction. This may result in a weakening of our market position. Demand for our services could decrease and, consequently, revenues decline in the event of a global economic downturn or political unrest.	The Group addresses the impact of these external factors through a focus on strong financial management, a broad spread of products and customers across the divisions, regular reviews of our products and services, and careful geographic expansion. In addition, the Group's careful and select expansion into new industries reduces our exposure to sector-specific impacts.

Principal risks and uncertainties continued

Risk	Potential impact	Mitigation
Intellectual property infringement The Group's intellectual property (IP) is centred around the software and services it develops for customers. The Group has to manage the risk of infringing a third party's intellectual property rights in the development of its software and services. If this risk is not managed effectively, it could result in a violation or breach of protected intellectual property. **Change over prior year** Reduced	This risk has implications in terms of potential litigation and regulatory actions as well as commercial implications resulting from loss of customer confidence and negative publicity.	The Group has policies and procedures in place to protect against the risk of intellectual property infringement. These policies and procedures are reviewed on a periodic basis by senior management. The Group enters into formal non-disclosure agreements with employees, independent contractors and third parties in the ordinary course of its business. Staff are made aware of the importance of client confidentiality and the requirements in this area. Employment and consultancy contracts have clauses to protect intellectual property rights and these are regularly reviewed with external counsel to ensure that they are suitable. The Group actively monitors the use of third-party software in its product offerings. The choice of third-party components is subject to technical review and assessment at design stage.
Technology Technological advancements in the software industry, which are constantly evolving and ever changing, could result in increased competition or potential obsolescence of our current products. **Change over prior year** Unchanged	In order to remain competitive, it is essential that the Group's products, services, technology and solutions are up to date and our development plans are flexible. This risk has implications in terms of the ability of our products, services, technology and solutions to address current and future customer requirements.	The Group makes significant ongoing investments in technological research and development to proactively develop new and enhanced capabilities within our software offerings. This allows for the identification of, and adaptation to, any technological changes that occur externally, thereby ensuring that the Group's products continue to meet our clients' requirements and our technology and information systems meet our requirements. Our product teams meet with actual and prospective clients to consider product roadmap developments whilst the KX user community provides similar feedback. In addition to our central research and development team, the Group constantly evaluates technology trends and new software product opportunities. A technology sub-committee, comprised of Non-Executive Directors and executive management, exists to address this risk, as well as assessing emerging opportunities to ensure our technology maintains its leadership position.
Political, regulatory and compliance Long-term changes in the global political environment and societal expectations are leading to greater regulation of businesses and potential penalties. Further, the war in Ukraine has increased political complexities. **Change over prior year** Unchanged	Failure to comply with legal and other requirements in an increasingly regulated and complex political environment results in fines, criminal penalties, consequential litigation, and an adverse impact on our reputation, financial results, and/or our ability to do business. Failure to address and monitor these risks could impact the financial performance of the Group.	The Group has policies and procedures in place to constantly monitor international relations, macroeconomics, geopolitical events and global trends in all of the jurisdictions in which it operates. The Group is confident that it has the foresight and flexibility in its operations and legal team to mitigate the material impact of any potentially negative consequences stemming from international operations. The impact of the war in Ukraine is being carefully monitored for its impact on our clients, suppliers and employees and appropriate diligence is being undertaken to ensure compliance with sanctions as they apply.

Risk	Potential impact	Mitigation
Management of growth As the Group continues to experience strong growth, there is a risk that if this growth accelerates exponentially (without being controlled and managed effectively), the Group may not be in a position to maintain the high standards of customer service that our customers are accustomed to. **Change over prior year** Unchanged	If the correct level of investment in people and technology is not maintained it is possible that the quality of the Group's service offering will drop and/or cost control and operational effectiveness will deteriorate.	The Group has a programme of continual investment in all aspects of the business (operational, financial and management controls, reporting systems and procedures and training programmes). This is constantly reviewed and monitored to ensure that the Group can continue to maintain the high standards of customer service. As a result of the constant focus, the Group can ensure that the level of investment is relative to the growth of the Group and that optimum operational efficiency is achieved. Delivery models have been evolved to provide greater resourcing flexibility in the provision of growing services to our clients.
Internal controls The Group's resources and finances must be managed in accordance with rigorous standards and stringent controls. A failure to meet those standards and implement appropriate controls may result in the Group's resources being improperly utilised or its financial statements being inaccurate or misleading. There is also a risk that the Group could suffer financial loss owing to fraudulent activity or unauthorised access to or misuse of Group bank accounts and/or other resources leading to the loss of funds. **Change over prior year** Unchanged	The consequences of failure to update controls and processes for changes in the business mean that it is possible that key risks will not be appropriately mitigated. There is also a potential for inaccurate reporting and fraudulent events to occur which could damage the Group's reputation.	The Group has processes and procedures in place which act as controls to mitigate risk. The Group has completed the implementation of its new enterprise resource planning (ERP) system which further enhances internal controls. The ERP implementation has introduced streamlined and enhanced business processes with process documentation updated accordingly. An internal audit function has been established with an agreed twelve month work plan.
Data privacy We hold customer and colleague personal data. Although the threat landscape has been ever changing, the risk remains unchanged. We continue to monitor and manage the risk closely, through robust governance and oversight mechanisms. **Change over prior year** Unchanged	Failure to comply with legal or regulatory requirements relating to data privacy in the course of our business activities results in reputational damage, fines, or other adverse consequences. These can include criminal penalties and consequential litigation which may result in adverse impacts on our financial performance or unfavourable impacts on our ability to do business.	Our data privacy policies and processes (including privacy notices, records of processing, impact assessments and data governance) establish how we protect and appropriately use personal data. We recognise the importance of ongoing training and communication to raise awareness of good data handling practices, and to help prevent personal data incidents. We carry out regular induction, awareness, and refresher training for our colleagues.
Business continuity The Group is exposed to risks that, should they materialise, may give rise to the interruption of critical business processes that could adversely impact the Group and/or its customers. There is also a risk that the IT systems and infrastructure may be affected by loss of service or system availability which impacts the provision of services to customers. **Change over prior year** Unchanged	Failure to address this risk could result in key processes and systems being unavailable in the event of a significant incident affecting their availability.	The Group has resiliency built into its critical IT systems/processes and maintains backup and recovery capabilities as well as testing to ensure availability is not interrupted or adversely affected. Key IT systems including the ERP and CRM are cloud based with resilience established which helps to mitigate loss of service risk.

Emerging risks

Our emerging risks are reported to the Audit and Risk Committee alongside our principal risks. We conduct horizon scanning to enable a medium and longer-term view of emerging risks to our business including feedback from customers, reviewing external publications and discussions with our advisers. We are currently tracking several emerging risk themes including technological, political, and economic. We continue to monitor the risk indicators on a periodic basis for these emerging risks.

We are a people front and centre business

We take pride in being a people-first business. Whether it is servicing our customers, engaging our colleagues or supporting our local communities, a people-centric approach is at the core of our sustainability approach.

Our priorities

Our sustainability focus continues to be centred on those areas that have the greatest impact on our strategy. We believe that acting responsibly is the key to delivering long-term success and goes right to the heart of our values and culture as an organisation. We have identified our core pillars of sustainability as being **Our People, Our Environment and Our Communities**, as outlined below with references to the applicable UN Sustainable Development Goals. We are committed to building on the efforts outlined below to ensure that we continue to adopt best practices across the entire spectrum of the Group's activities.

Our People

We have always had a strong focus on our people, recognising that they provide the key to our success.

3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Our Environment

We take our environmental responsibilities seriously and we continuously strive to embed these in our operating model. We aspire to apply sustainability management standards equal to the Group's business ambitions.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION

Our Communities

Giving back goes to the core of our Group. We strive to make a difference in the communities we operate in globally with a particular focus on giving back to charities and collaborating with local educational initiatives.

3 GOOD HEALTH AND WELL-BEING, 4 QUALITY EDUCATION, 5 GENDER EQUALITY, 10 REDUCED INEQUALITIES, 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Our People – creating the world's most rewarding employee experience

Evaluated and benchmarked every employee across the business to make sure everyone is being paid competitively and fairly for the critical work that they do

Successful implementation of our new Human Resources Information System (HRIS), Oracle Cloud Fusion, to help us work more strategically

Over **81,600** hours of accredited learning undertaken

Sustainable engagement at **82%** showing that our employees are engaged, enabled and energised

Attracting top talent

During the year, we embarked on a people brand awareness programme to promote the employee experience across the Group. With an ongoing "war on talent" globally, attracting the right people remains critical to our ongoing success. We have invested heavily in our talent acquisition team to ensure we continue to remain strategically aligned to the Group's goals. We continue to attract a high number of applications with 12,500 in FY23 (FY22: 12,000) and we hired 928 people during the year (FY22: 1,118). Several of these hires were for key strategic roles across the Group. In order to ensure our approach to talent acquisition is sustainable we have greatly reduced our use of recruitment agencies and directed our investment into our global talent acquisition team.

Creating a culture of learning and development

We strive to continuously create a culture of learning and development for all of our people. By creating an inspirational place to work we empower our people to fulfil individual career ambitions whilst simultaneously increasing the rate of growth in our business. Our focus is on the continued development of our people with high levels of engagement in our learning and development offerings. We continued to enhance both our internal and external training offerings to ensure the training needs of both our business and our people were met.

This has been a transformative year for us with a clearer strategic focus on employee development. Last year we introduced our People Management model, enhanced our continuous ongoing review programme and introduced a route to self-promotion. We shifted the focus to empower our people to fuel their own growth and development and we see this as key to our longer-term success.

People Manager model	Performance	Leadership programmes	Development tools and recognition
Last year we introduced the People Manager model and this year we developed this by rolling out professional and personal development training to equip 500 + People Managers to support their teams and colleagues across the business. The model seeks to establish consistent engagement and people management practices across our business and ensures that every colleague is allocated a People Manager.	We shifted our focus from a traditional annual review to delivering continuous, regular on-the-pulse feedback. We have also enhanced our promotion process across the Group and for the first time introduced the ability for our people to self-nominate for promotion.	We have designed two bespoke programmes to offer structured and practical training for both our high-potential leaders (Aspiring Leadership Programme) and our Senior leaders (Leadership Excellence Programme). By constantly upskilling our People we are ensuring we have a pipeline of talent primed to take on leadership roles in the future.	This year we introduced a richly integrated performance management tool which facilitates the ongoing engagement with people and allows for 360-degree feedback and also recognition on a timely basis.

Corporate responsibility and sustainability continued

Our People continued

Reward and recognition

The post-pandemic climate saw a "war on talent" and in order to remain competitive and appealing we continued to prioritise our reward and recognition strategy. As part of this we evaluated and benchmarked all roles across the business to make sure our people were being paid competitively and fairly for the important work that they do. We value effort and excellence and recognise that we have an exceptionally talented and diligent team, which cares passionately about the work it does and the service it provides to clients.

Cultivating a culture of wellbeing

To ensure our people are fully supported we commit to a People-Care approach. We have an all -encompassing approach to wellbeing to ensure we are addressing the five pillars of wellbeing (financial, physical, mental, emotional and environmental). From global wellbeing seminars to issuing mental health first aid training to all managers we have introduced a raft of measures to ensure that the wellbeing of our people is a priority.

Actively promoting inclusion and diversity at all levels

This year we were honoured to be awarded the Silver accreditation from Diversity Mark NI. The Diversity Mark accreditation is a "Mark of Progress" that recognises our progress with inclusion and diversity across the Group. We pride ourselves on the diverse, inclusive and vibrant team that we have built and to ensure they remain at the very heart of what we do we will continue to embed networks and support initiatives across the Group to support multiple diverse groups.

Our diversity efforts

Gender diversity remains a challenge within the wider industry, where just approximately 19% of roles are undertaken by women (Tech Nation, 2022). During the year, the proportion of women in the Group increased to 30% (FY22: 29%). We remain committed to improving the proportion of women in the Group with focused talent acquisition campaigns alongside the delivery of key initiatives such as our internal Strive Mentorship programme and our corporate partnership with the Lean-In Foundation, which is an initiative designed to get small groups of women together regularly for peer mentorship. We also ensure our Women's Network continues to embed with the appointment of an executive sponsor.

In addition to our efforts to increase our gender diversity we also have two further established networks — FD Pride, representing our LGBTQIA+ community, and FD Multicultural, representing our ethnic diversities across the Group. We have executive sponsorship of these networks and we have also embedded representation from all parts of the Group with the nomination of network representatives. We continue to drive engagement in these networks with a calendar of events to mark key celebrations including Pride and Diwali. We recognise that developing our allies across the Group will be key to the furtherance of our diversity objectives. Subsequently, we have issued mandatory diversity and inclusion training together with unconscious basis training to all of our people.

Neurodiversity

As a Group we appreciate that neurodiversity is an essential form of human diversity. To the Group, the idea that there is one "normal" or "healthy" type of brain or mind or one "right" style of neurocognitive functioning is no more valid than the idea that there is one "normal" or "right" gender, race or culture. This year we put neurodiversity on our agenda for the first time and took key steps to start the process of embedding this awareness across the Group, including Neurodiversity training to all of our senior managers and 'Just A Minute' training to over 800 of our people. This training allows people with a learning difficulty, autism or a communication barrier to tell others they need 'Just a Minute' discreetly and easily. We have also partnered with the NOW Group, a social enterprise supporting people with learning difficulties and autism into jobs with a future.

Empowering employee voice — employee engagement

We are now in the fourth year of running our annual engagement survey. There are many positives to take from the Group results including sustainable engagement being at 82%, showing us that our employees are engaged, enabled and energised. However, we accept that there is still work to do around enhancing reward and benefits. The investments made in learning and development together with people development initiatives are all aimed at empowering our colleagues to progress their careers and achieve their own personal development goals. We strive to ensure our people are engaged and we believe that open and interactive communications are key in cultivating an engaged workforce. Our approach to employee engagement is all encompassing from regular town-halls to people recognition awards.

Our Environment — committed to a sustainable future

All of our people have access to hybrid working

Focus on location strategy to reduce travel-related carbon emissions

24%
reduction in energy usage emissions

Commitment to provide environmental awareness training to all of our people

As a provider of technology and professional services, the Group's direct operations have a minimal impact on the environment. Nonetheless, as the technology sector is forecasted to continually grow, its ability to contribute to global emissions will naturally increase. Therefore, we are committed to reducing our environmental impact. This is central to our relationship with our shareholders, our people, our clients and our communities. The Group recognises that the business community has a responsibility to act to preserve our environment and we are committed to play our part, by minimising the impact our operations have on the environment.

Our approach to the Task Force on Climate-related Financial Disclosures (TCFD)

We understand that climate change is an increasingly significant issue for our regulators, investors and clients, and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations provide an important framework for recognising, evaluating and disclosing the associated risks and opportunities. We commit to publishing annual climate disclosures commencing in 2024. We will adopt an effective TCFD aligned climate disclosure to ensure that we comply with the UK Government's mandate that listed companies should disclose according to TCFD recommendations.

Hybrid working — the future of work

To us, hybrid working is about merging remote and office based working, giving our people greater flexibility to work in the location that best suits them, taking into consideration the needs of their role, their work, their team members, and our clients. Aside from supporting our people to work effectively in a more flexible manner, hybrid working also provides us with a unique prospect to considerably decrease our environmental impact especially with regards to business travel and employee commuting, which are significant contributors to our environmental impact. Our entire workforce has the opportunity for hybrid working and this has had a positive impact on the environment.

Location strategy

Following the onset of the Covid-19 pandemic we significantly reviewed our location strategy. Our focus was to localise our employees in region following a short-term deployment, driven by our motivation to help streamline our operational processes across the Group together with reducing the impact that short-term secondments have on the Group's carbon footprint.

Reducing our energy usage

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

During the year, we focused our efforts on ensuring the environmental efficiency of our corporate real estate, particularly during the refurbishment and upgrade of our Newry office completed in June 2022, in which we upgraded insulation and ensured the use of energy efficient lighting. Further, due to our hybrid working model we were able to consolidate our Belfast office by one floor meaning that our energy usage naturally decreased. During FY23 we implemented the enhancement of our data collection processes so we can publish a more comprehensive data set in relation to our environmental impact, whilst completing ESOS phase 2. In 2023, we will further be setting out a clear and robust environmental strategy, including the targets by which our progress will be measured, whilst working towards ESOS phase 3 compliance. Working with our internal sustainability team to implement an Environmental Management System, the plan will involve a detailed audit of our material impacts and a way forward that reflects our growing business.

Corporate responsibility and sustainability continued

Our Environment continued

Reducing our energy usage continued

For FY23 the UK energy used was 702,325 kWh (FY22: 927,986 kWh/FY21: 1,013,140 kWh) showing the impact of the efforts to increase environmental efficiency. Using the UK Government's GHG Conversion Factors Guidance to calculate the quantity of emissions provides scope 2 emissions of 148 (FY22: 195/FY21: 257) tonnes of carbon dioxide equivalent, representing a 24% reduction in emissions over the prior year. The SECR regulations require a statement of relevant intensity ratios, which are an expression of the quantity of emissions in relation to a quantifiable factor of the business activity. The Group has identified two such intensity ratios, set out below.

Intensity ratios for the year to 28 February 2023 (tonnes of CO_2e per unit)

Total revenue	Employees
0.00 (FY23)	**0.05 (FY23)**
0.00 (FY22)	0.07 (FY22)
0.00 (FY21)	0.10 (FY21)

Environmental benefits of KX technology

Our customers across industries typically use KX as an analytics platform to enable them to reduce waste and improve yield and for predictive maintenance. Not only is KX an enabler of environmentally friendly operations, in addition we have benchmarked ourselves as up to 100x more efficient than competing streaming analytics technologies and have seen reductions in our customers' electricity, cooling, space and hardware requirements in the range of 80–90% against our competitors. We are rightly proud of the undoubted environmental benefits that KX delivers through its energy and environmental efficiency and we have continued to focus efforts on ensuring KX remains the most efficient streaming analytics technology available.

Our Communities — creating a culture of partnership

£35,000
donated by the Group to our three chosen charities in support of Ukraine

Over
£40,000
donated to a range of charities by employees during the year

Social committees in each region to support charity initiatives in all of our offices

We have developed several key partnerships across social, charitable and educational sectors

Whilst our business operates internationally, all of our people remain rooted in the communities where they live and work and helping those less fortunate has been at our core for more than 20 years.

Charity

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

A team comprising representation from across the Group has been formed to coordinate these activities. We focused our support in FY23 towards fundraising efforts for Ukraine; our employees directly donated £35,000 and this sum was matched by the Group so that an overall sum of £70,000 was donated to charities on the ground in Ukraine. Furthermore, our people have also participated in a variety of volunteering activities. The Group remains committed to investing in youth development, and we continue to promote and support our people in providing mentorship and career advice via several partnerships within our communities.

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

Community involvement

The Group also engages with its local communities by supporting initiatives to train and develop talent. Examples include support at both school and university level to assist with developing business and technology skills and to shape the curriculum to ensure they are relevant to modern business requirements. We have also developed several partnerships in connection with our communities, particularly with a number of universities across the UK and Ireland. We have also partnered with several education based initiatives such as Young Enterprise and Business in the Community.

Responsible operations — our approach to governance

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

The Group is committed to the highest standards of security and privacy and is conscious that these matters are of great importance to our stakeholders, such as people, customers and partners. We regard the development and maintenance of privacy and security infrastructure as critical to promoting the sustainable development of the industrialised world because it helps to promote individual wellbeing, supports equality, avoids discrimination and empowers all genders through confidentiality of their information. Privacy and security are also essential to successful partnerships, which can then progress towards sustainable development through cooperation with confidence that shared information is managed safely.

Security business practices

We work with, support and engage with many large organisations from a multitude of sectors who manage sensitive and confidential data. As such, our adherence to high levels of IT and information security is imperative. To ensure compliance with best practices we continue to certify to the UK Government-backed cybersecurity frameworks Cyber Essentials and Cyber Essentials Plus, testing our controls, standardisation, and procedures. Our controls, policies and procedures take a defence-in-depth and risk based approach to secure — access controls, endpoint and network protection, environmental controls, IT system architecture, remote access policies, multifactor authentication, single sign-on, password protection policies, back-up policies, quality assurance, supply chain governance, change controls and system support. All of our people undergo stringent pre-employment screening to ensure secure user onboarding and must then routinely complete IT security and awareness training to highlight the risks of a modern security climate.

Corporate responsibility and sustainability continued

Our Communities continued

Security business practices continued

This informs users of the potential impact a cyber-attack could have, and the steps required to reduce the risk of cyber-crime infiltration and data exfiltration. Regular phishing campaigns are undertaken to understand user risk and subsequent failure training, while incident response exercises, alongside penetration and vulnerability testing of environments, ensure we remediate any platform, process, or system risks.

Training

Delivering robust and regular training is essential to ensure our workforce understands our policies and regulations that apply to them. In addition to cybersecurity training, it is mandatory for each employee to complete the following courses: Anti-Money Laundering and Counter-Terrorist Financing, Anti-Bribery and Anti-Corruption, Discrimination and Harassment, General Data Protection Regulation (GDPR) and Global Code of Conduct. We maintain a quarterly schedule of mandatory training for both new starters and existing employees with training completion rates tracked, followed up and reported to the Executive Committee.

Privacy business practices

The Group has privacy policies and practices in place designed to deliver compliance with privacy and data protection law, including GDPR, to protect the personal information held by the Group relating to stakeholders including clients, partners, prospective people and digital/mobile visitors. Our privacy policy can be found on the Group website here: https://fdtechnologies.com/privacy-policy.

Anti-slavery policy

While we believe the Group's risk of encountering human trafficking and modern slavery may be low in the industry we operate in relative to other industries, we are committed to acting ethically and with integrity in all our business relationships and to having processes to reduce the risk of slavery and human trafficking in our organisation and supply chain. We choose suppliers and contractors which we believe share our commitment. The Board receives an update on the approach to modern slavery and approves the modern slavery statement.

Anti-bribery and anti-corruption policy

The Group has policies and procedures in place to identify and protect against anti-bribery and anti-corruption risks in its business activities both internally and with third parties. All employees must participate in mandatory training courses in this area. The Group employs a mix of risk assessments, due diligence questionnaires and screening. Our continuous improvement has involved strengthening our use of independent screening tools to assess counterparty risk leading to better customer due diligence. Governance and risk assessment of third-party suppliers has also been strengthened during the year with the addition of an experienced Vice President of Procurement and a review of our third-party management policy and procedures. In the event that any concerns are raised of inappropriate business practice related to bribery and corruption, there is an escalation process to senior management.

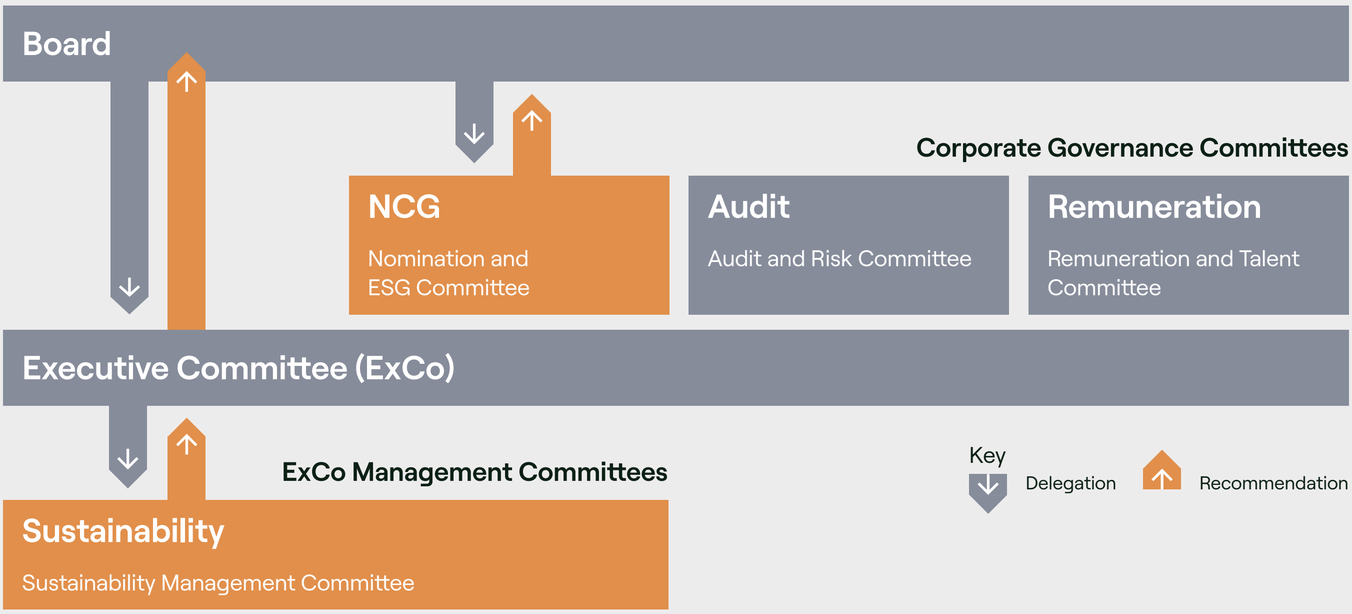
Delegated authority process

The Board delegates sustainability authority as follows:

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

Whistleblowing policy

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



Our corporate responsibility principles

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

UN GC Principles	FD Technologies' business practices
Human rights	FD Technologies is a business based on people and, therefore, we place significant emphasis on all aspects of the welfare and wellbeing of our employees. A foundation of Group policies is the rights of employees and the upholding and enforcement of relevant laws for the many jurisdictions in which we operate. Additionally, the Group seeks to promote the same respect and consideration for rights across its supply chain and endeavours through third-party due diligence assessment to only conduct business with parties that uphold the rights of their employees.
Labour	FD Technologies is committed to the elimination of all forms of forced and compulsory labour, the effective abolition of child labour and the elimination of discrimination in respect of employment and occupation. **Statement on modern slavery** Our statement on modern slavery is available on the Group website here: https://fdtechnologies.com/modern-slavery/.
Environment	FD Technologies is committed to minimising the impact of its operations on the environment and understands the importance of reporting on that impact through recognised corporate responsibility standards. **Environmental impact** As a provider of software and professional services, the Group's direct operations have minimal impact on the environment, broadly limited to its own energy use. The Group does not manufacture or mine and does not transport goods and so consequently its operations have no impact in terms of land, water or air emissions. The Group does not provide Company vehicles to employees or Directors and does not operate its own data centres. Nonetheless, the Group does seek to minimise the limited impact its operations have on the environment through a range of policies focused on environmental, corporate social responsibility and ethical and sustainable business.
Anti-corruption	FD Technologies is committed to working against corruption in all its forms, including extortion and bribery. **Anti-bribery and corruption policy** As well as meeting its obligations under the Bribery Act 2010, the Group operates an Ethics Code of Conduct which includes, inter alia, requirements relating to anti-bribery and corruption.

Corporate governance

In this section

“The past year has increased our ability to execute our strategy, through improvements in enterprise systems, increased senior management capability and engagement throughout the organisation.

The Board has confidence that the Group’s strategy is working and our progress over the past year supports its effective implementation.”

Donna Troy
Chair

Board of Directors

Key:

(A) Audit and Risk Committee

(N) Nomination and ESG Committee

(R) Remuneration and Talent Committee

● Chair

Donna Troy
Chair (Independent)

Committee membership
(N) (R)

Donna joined the Board of First Derivatives in January 2018 as a Non-Executive Director and was appointed Non-Executive Chair in January 2020. She has extensive experience in both senior executive and non-executive roles within multi-national technology companies. She is based in Austin, Texas.

Donna has held CEO, division general management and sales leadership roles in organisations including IBM, Partnerware, McAfee, SAP, Dell and Epicor, delivering revenue and margin growth while implementing global go-to-market strategies in businesses from start-up to $8bn in revenue.

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

Other appointments
Donna is currently on the board of directors of Aptean.

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

Seamus Keating
Chief Executive Officer

Committee membership
None.

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

He was chief financial officer of Logica plc from 2002 until 2010 when he became chief operating officer and head of its Benelux operations. Prior to his role at Logica plc, he worked for the Olivetti Group in senior finance roles in the UK and Italy.

Other appointments
Seamus is currently a non-executive director of Compare the Market (CTM) Limited.

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

Ryan Preston
Chief Financial Officer

Committee membership
None.

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

Other appointments
None.

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

Virginia Gambale

Senior Independent Director, Designated Workforce Engagement Director (Independent)

Committee membership
N A

Virginia joined the Board of First Derivatives in March 2015. A US citizen, she is managing partner of Azimuth Partners LLC, which assists its clients in the development of strategies for growth, innovation and international expansion.

Prior to forming Azimuth, Virginia was a partner at Deutsche Bank Capital Partners and has also held senior management positions such as CIO at Merrill Lynch, Bankers Trust, Deutsche Bank and Marsh & McLennan Companies, Inc.

Other appointments
Virginia is currently lead director of Nutanix, and board director of 10x Banking, Avellino, Consumer Edge, JAMF, Virtu Financial and Regis Corporation.

Skills matrix
Finance industry, strategy, technology, international experience.

Ayman Sayed

Non-Executive Director (Independent)

Committee membership
R N

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

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

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

Skills matrix
Strategy, international experience, technology industry, listed company executive.

Thomas Seifert

Non-Executive Director (Independent)

Committee membership
A R

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

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

Other appointments
None.

Skills matrix
Strategy, international experience, technology industry, listed company executive, accounting qualifications.

Usama Fayyad

Non-Executive Director (Independent)

Committee membership
A

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

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

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

Skills matrix
Finance industry, strategy, international experience, technology industry.

Chair's governance statement

Delivering on strategy

"We have a highly talented and experienced Board and I am confident these skills will serve us well as we accelerate our growth."

Donna Troy
Chair

On behalf of the Board, I am pleased to present the Group's Corporate Governance Report for the year ended 28 February 2023.

As I outlined in my review earlier in this report, this year has been characterised by marked acceleration in the financial performance of KX and First Derivative. The Board's priority has been to support the transformation of the Group with a focus on executing our strategy for the benefit of our stakeholders.

I consider that achieving our goals requires the highest standards of governance and culture. As Chair I seek to demonstrate objective judgement and promote constructive discussions between Board members, while ensuring that Directors continue to receive accurate, timely and clear information that enables them to perform their roles effectively.

The Board received updates from the CEO on business unit performance at every Board meeting and the divisional leaders have all attended Board meetings during the year to provide detailed updates on business unit performance to enable the Board to assess progress and provide direction if needed. Venues for Board meetings rotate through the year to enable the Board to visit the Group's operations, facilitating dialogue with employees at all levels in each location.

The right talent is the cornerstone of our growth and we have continued to strengthen our senior management team to ensure we can deliver on our strategic priorities. Accountability in behaviour and results is core to the structure of our remuneration strategy, linking compensation to achieving the value creation we have laid out in our short and long-term goals. Key to this was the work of the Remuneration and Talent Committee, particularly around the Long Term Incentive Plan awards which are crucial to our recruitment and retention efforts.

We review our succession planning process annually and have action plans in place to continue to develop potential leaders and increase our pipeline depth across the organisation. Two bespoke programmes were introduced this year to offer structured and practical training for both our high-potential leaders (Aspiring Leadership Programme) and our senior leaders (Leadership Excellence Programme). Constantly upskilling our people will ensure we have a pipeline of talent primed to take on leadership roles in the future.

Employee engagement is a key metric that we review to ensure we have the right culture, skills, and strategic alignment to accomplish our mission. I am pleased with the level of engagement from employees, as reflected in our annual employee survey. This demonstrates that in important categories such as sustainable engagement we have an engaged, enabled and energised workforce.

A diverse and inclusive workforce is critical to running a sustainable and successful business. Our work on diversity, inclusion and belonging continued this year resulting in achievement of the Silver accreditation from Diversity Mark NI. We continue to drive clear focused initiatives that are outcome based ensuring we are making measurable progress.

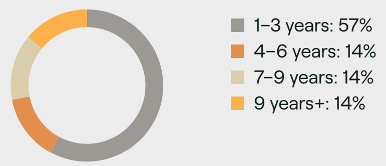
Last year I noted that much work had been done to strengthen enterprise risk management and enterprise reporting systems. I am pleased that a new enterprise reporting system is now in place supporting the business and its decision-making processes by providing increased control and better insights. The work of the

Skills matrix

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

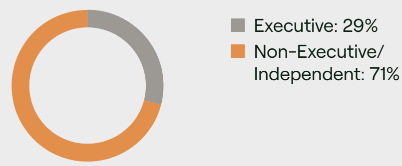
Board composition

Length of tenure



Gender diversity

Balance of Executive/Non-Executive



Audit and Risk Committee continued to expand during the year, as outlined in detail in the Committee's report, and will contribute greatly to our performance in the years ahead by ensuring that our financial reporting processes are robust and our risk management framework reflects the Board's appetite for risk.

Since my last report, there have been no changes to Board composition. This stability and continuity of leadership have strengthened the Board's ability to focus on executing our strategy. We have a highly talented and experienced Board and I am confident these skills will serve us well as we accelerate our growth. We review the composition of our Board on an annual basis and have a well-defined process and skills matrix that is updated to support our strategic goals.

A review of Board effectiveness was undertaken during the year using an independent, externally facilitated questionnaire which asked questions in all key governance areas and covered the Board and its Committees. The Board reviewed the output following the evaluation and agreed the key actions shown on page 50.

In summary, the past year has increased our ability to execute our strategy, through improvements in enterprise systems, and increased senior management capability and engagement throughout the organisation. The Board has confidence that the Group's strategy is working and our progress over the past year reflects this.

Technology and Product Committee

In FY21 the Board established a technology sub-committee to steer the development of our technology, and address emerging opportunities and risks to ensure we retain our leadership position and are on course to meet our strategic goals. Given the importance of these activities to our strategy, the Board has decided that with effect from 1 March 2023 the sub-committee will become a full Board Committee. Known as the Technology and Product Committee, it is chaired by Non-Executive Director Usama Fayyad with Non-Executive Director Ayman Sayed as the other Committee member and meets at least quarterly. Its terms of reference are:

- review, evaluate and make recommendations to the Board regarding the Company's major product and technology plans, strategies and intellectual property, including its research and development activities, the technical and market risks associated with product development and investment, and the protection of the Company's intellectual property;
- review, evaluate and make recommendations regarding talent and skills of the Company's workforce supporting its product, technology, and research and development activities needed to be successful now and in the future;
- monitor the performance of the Company's technology development in support of its overall business strategy;
- monitor and evaluate existing and future trends in technology that may affect the Company's strategic plans, including monitoring of overall industry trends; and
- assess the Company's risk mitigation policies and procedures relating to products based on new technology or significant innovations to existing technology.

Compliance with the UK Corporate Governance Code

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

During the year, the Company has complied with all of the provisions of the Code.

Donna Troy
Chair
22 May 2023

Governance framework

The Board

Led by the Chair, the Board's principal responsibilities are:

- to establish the vision, mission and values of the Group;
- to set strategic objectives and provide the leadership to put them into effect;
- to monitor and assess financial performance;
- to embed a framework of controls which allow for the identification, assessment and management of risk; and
- to ensure the Group fulfils its obligations to shareholders, employees, clients and other stakeholders.

The effective discharge of these responsibilities is intended to achieve high standards of governance within the Group. The Board is acutely aware that good governance is a prerequisite to successful execution of Group strategy on a sustained basis and constantly strives to ensure that its policies and practices in this area are regularly reviewed and, where necessary, updated to reflect the evolution of the Group's operations. This has been particularly important in recent years as the pace of transformation has increased, resulting in accelerated product and services development, a broadening of the range of customers we serve and the increasing scale of our operations.

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

The Board meets regularly to discuss and agree on the various matters brought before it, including trading results, key personnel matters and significant investments. FD Technologies has a highly experienced Board with a depth of skills and expertise relevant to the effective running of the Group, supported by the senior management team.

In addition to the Board meetings, there is regular communication between Executive and Non-Executive Directors to update the Non-Executive Directors on matters requiring attention prior to the next Board meeting. In addition, the Chair meets separately with the Non-Executive Directors.

Responsibilities of the Chair and Chief Executive Officer

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

Composition of the Board

The Code requires that the Board should contain a balance of skills, experience, independence and knowledge of the Company. It should also include an appropriate combination of Executive and Non-Executive Directors and there should be a formal, rigorous and transparent procedure when appointing new Directors to the Board.

These matters are discussed more fully in the Report of the Nomination and ESG Committee, which details the changes to Board composition during the year. Board composition is regularly reviewed to ensure the requisite mix of skills and business experience is maintained and to ensure the proper functioning of the Board.

When a new appointment to the Board is proposed, consideration is given to the capabilities, knowledge and experience that a potential new member could add to the existing Board composition. Before the appointment of a Non-Executive Director is confirmed, the Chair establishes that the prospective Director can commit the time and effort necessary to fulfil their duties, in terms of availability both to prepare for and attend meetings and to discuss matters at other times.

Role of the Senior Independent Director

The Senior Independent Director:

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

Board information and development

Both at its periodic meetings and in separate briefing sessions between Non-Executive Directors and senior management (including Executive Directors), the Board is kept fully apprised of all material commercial and technological developments likely to affect the Group's performance and prospects.

Updates dealing with changes in legislation and regulation relevant to the Group's business are provided to the Board by the Company Secretary/Chief Financial Officer and through the Board Committees. The Company's nominated adviser also attended a Board meeting to provide refresher training on AIM rules and regulations. The Board rotates the venue for its meetings between the major operating centres of the Group to encourage two-way communication between the Board and employees across its operations.

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

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

Re-election

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

Board Committees

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

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal controls and external audits particularly with respect to the integrity, reliability and transparency of published financial information. The Committee has formal meetings prior to the publication of the interim and final results and additional meetings on an ad hoc basis as and when required. The auditor attends the Committee as and when required including the audit plan meeting and the meeting prior to the publication of the final results.

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

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

Conflicts of interest

In order to identify and manage conflicts of interest, all members of the Board are required to promptly notify the Chair and Company Secretary in advance of any matters where there is a reasonable likelihood that such matter could give rise to an actual or perceived conflict of interest. This would include, but is not limited to, other executive roles and directorships, or material shareholdings in companies that may compete with FD Technologies or which may have a customer or supplier relationship with the Group or which may benefit from investment by the Group. In such circumstances, Board members would withdraw from any consideration of the matter by the Board and, in the event that the matter related to competition, may be required to resign from the Board. No conflicts of interest arose during the year.

Internal control

The Board has overall responsibility to ensure that the Group's internal control system is comprehensive, coherent and responsive to the evolving environment in which the Group operates. The Board is also responsible for maintaining a sound system of risk management and internal control that is sufficient to meet its business objectives whilst effectively reducing risks to an acceptable level.

The Group has built a robust framework of internal control around risk identification, impact assessment, probability of occurrence and mitigation strategies, which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. It is reviewed annually by the Board and is in accordance with the guidance included in the FRC's "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". Further information can be found in the Principal Risks and Uncertainties Report.

The internal control framework was monitored and reviewed by Internal Audit with findings presented to the Audit and Risk Committee and the Board. Any controls which did not pass had agreed action plans in place to remediate. The Board confirms that it is not aware of any significant failings or weaknesses in the Group's system of internal controls.

Board effectiveness review

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

Meeting attendance

	Board	Audit and Risk Committee	Remuneration and Talent Committee	Nomination and ESG Committee	Total
S Keating	7/7	–	–	–	7
D Troy	7/7	–	7/7	4/4	18
U Fayyad	6/7	6/6	–	–	12
V Gambale	6/7	4/6	–	4/4	14
R Preston	7/7	–	–	–	7
A Sayed	6/7	–	7/7	4/4	17
T Seifert	5/7	6/6	7/7	–	18
Number of meetings	7	6	7	4	24

Enabling continued growth

Focus in FY23

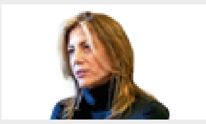
- Governance of the ERP implementation
- Oversight of cybersecurity
- Evolution of the risk management framework

Priorities for FY24

- Governance of debt refinancing
- Oversight of cybersecurity
- Financial statements and reporting

Membership

Thomas Seifert (Chair)



Virginia Gambale

Usama Fayyad

Meeting attendance

Thomas Seifert (Chair)	
Virginia Gambale	
Usama Fayyad	

"The Committee plays an important role in ensuring the integrity of financial reporting, monitoring the effectiveness of the internal control environment and the risk management framework which underpin the Group's ability to deliver continued growth effectively."

Thomas Seifert
Non-Executive Director

Principal activities

Governance of the ERP implementation

The Committee governed the implementation of the enterprise resource planning (ERP) system to ensure there was no risk to the Group reporting of the full year results and to the delivery of the strategy.

Cybersecurity

The Committee ensured that information under Group control is protected from loss or malicious amendment; that systems and applications are protected from attack and disruption; and that the evolving cyber threat landscape is monitored, and controls are implemented to mitigate the risks.

Evolution of the risk management framework

The Committee led a review of the Group risk management framework, building on the work from the prior year, which included enhancements to the three lines of defence, a key enabler of risk management. The Committee, along with the Board, approved the Risk Appetite Statement which expresses the level of risk the Board is willing to accept in achieving strategic objectives.

Dear shareholders

I am pleased to present the report of the Audit and Risk Committee (the "Committee") for the year ended 28 February 2023. This report provides insight into the work carried out by the Committee and outlines the key areas of focus of the Committee during the past year.

Role of the Committee

The Committee has been charged by the Board with the task of providing governance and oversight over the integrity of accounting and financial reporting, reviewing the risk management framework of the Group and managing the relationship with the external auditor. The Committee's agenda includes items such as governance of the ERP implementation, Cybersecurity, the risk management framework, whistleblowing, fraud and policy updates. As detailed below, the Committee also considers the going concern and longer-term viability of the Group. The Committee meets regularly to consider the matters under its remit, including meetings prior to the release of both the interim and full year financial reports.

Composition

The Audit and Risk Committee is chaired by Thomas Seifert, who is currently chief financial officer of NYSE-listed Cloudflare Inc. and who has held CFO roles at global, public technology companies including Symantec and Advanced Micro Devices. The other Committee members are Virginia Gambale, who is a director of other listed companies and was a CIO at Deutsche Bank and Merrill Lynch; and Usama Fayyad, who has held senior technology positions at multi-national technology organisations including Yahoo, Microsoft and Barclays. The members of the Committee have significant experience of financial matters developed during their past and current business careers.

Governance

The Committee sets its own agenda in line with best practice. Only Committee members have the right to attend Committee meetings. Regular attendees include the Chief Executive Officer, Chief Financial Officer and employees from a variety of departments to aid their understanding of the business and to assist in discharging their duties. The external auditor, Deloitte, also attends Committee meetings and has direct access to the Chair of the Committee.

Standing agenda items

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

Accounting and financial reporting

The Committee ensures that the financial results are accurate, timely and in line with accounting standards and provide support on key judgements. During the year, the Committee considered and recommended the approval of the interim financial results, preliminary results and the Annual Report.

The Committee carefully addressed the key issues that faced the Company within the financial statements, including ERP data migration. The Committee also assessed all areas of key reporting estimates and judgements which principally comprise revenue recognition, accounting for equity investments, goodwill impairment, employee taxes, deferred tax and capitalisation of internally developed software and concluded that all judgements were reasonable and appropriate. The outcome of the Committee's findings were discussed with the External Auditor. We are satisfied that the judgements and estimates applied in the financial statements satisfy the requisite standards both in terms of accounting treatment and disclosure.

The Committee ensures compliance with relevant regulations for financial reporting.

Going concern

The Committee reviewed and challenged management's financial forecasts including cashflow projections, borrowing projections, sensitivity analysis on revenue and expenditure plans and the potential impact that the conflict in Ukraine could have on the business. The Committee and the Board concluded that the Company and the Group are going concerns and the financial statements are prepared on that basis. This treatment reflects the reasonable expectation that the Group has adequate resources to continue in business for the foreseeable future taking into account the various risks set out in this Annual Report.

Viability statement

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

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

The Annual Operating Plan involves input from all relevant business leads and the impact of strategic initiatives, together with consideration of key risks. This results in a detailed twelve-month outlook which includes cash flow projections and capital expenditure requirements. The Annual Operating Plan is reviewed and approved by the Board and performance against the plan is reviewed throughout the year. In addition to the detailed Annual Operating Plan, a three-year forecast is prepared using assumptions of future growth and the costs required to support the Group's strategy during the period.

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

Enterprise risk management

The Committee is responsible to the Board for ensuring the Company has appropriate systems and procedures for the identification, assessment, management and monitoring of risk. The Committee reviewed the Group's risk register, principal and emerging risks and mitigation strategies, with particular discussion around the principal risks. Further details are provided in the Principal Risks and Uncertainties Report.

Where risks are insurable, the Committee reviews the cover in place and makes recommendations in line with the Group's Risk Appetite Statement. The Group Risk Appetite Statement is reviewed and approved annually by the Board. The Committee reviews the procedures in place to identify emerging risks within its business units and at the Group level on an annual basis. Emerging risks, after review and where appropriate, are added to the Group's risk register, enabling them to be monitored along with the efforts taken to mitigate them.

Report of the Audit and Risk Committee continued

Principal activities

Implementing the ERP system

Issue: Governing the implementation of the ERP system to ensure there is no risk to the Group reporting results and ongoing management of the system.

How the Committee addressed the issue

The Group went live with its new SaaS enterprise resource planning system in December 2022. The system – encompassing functionality including procurement, human resources, finance and project activities – introduced new, integrated processes and controls that were configured in support of the business operation. Plans, progress, risks and the change management approach were reviewed with and agreed by the Committee throughout the implementation phase. A review of post go live activities and further configurations are discussed and agreed with the Committee.

Cybersecurity

Issue: Ensuring that Group and third-party information under Group control is protected from loss or malicious amendment; that systems and applications are protected from attack and disruption; and that the evolving cyber threat landscape is monitored and controls are implemented to mitigate the risks.

How the Committee addressed the issue

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

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

The updated cybersecurity policy and strategy that resulted from this exercise formalised the Group's cyber risk appetite, aligning it with the Group risk framework, and covers areas such as system and access controls, security awareness and training, governance and reporting. The Committee continues to monitor progress on implementation of these recommendations.

Recognising that cybersecurity is a constantly evolving topic, the Committee reviews cyber risks and the evolving controls implemented to mitigate them.

Risk management framework

Issue: Ensuring risks are identified, assessed, managed and monitored across the Group.

How the Committee addressed the issue

The Group has an established risk management process which ensures that the outcomes of risk-taking activities are consistent with the Group's strategic objectives. The Committee reviewed and approved the Risk Appetite Statement across four risk categories, strategic, operational, financial and regulatory. The Committee reviewed the risk registers and risk dashboards for each business unit and assessed the appropriateness and effectiveness of controls in place. Risks that were identified as outside of appetite have action plans and timelines in place and progress will be monitored by the Committee and reported to the Board. The Committee concluded that the action plans were appropriate.

Compliance and whistleblowing

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

External audit

At the 2019 AGM, Deloitte was appointed auditor for the financial year ended 29 February 2020 and continues to act as external auditor. Our lead audit engagement partner is Richard Howard.

The Committee reviews and makes recommendations regarding the appointment of the external auditor. In making these recommendations the Committee reviews the performance, effectiveness and independence of the external auditor as well as longevity of service. In conducting its annual assessment of external auditor independence, the Committee reviews the External Auditor's own policies and procedures for safeguarding its objectivity and independence. The Committee's primary means of assessing the effectiveness of the external audit is by monitoring performance against the agreed audit plan. The audit plan was presented by Deloitte in March 2023. The Committee holds regular meetings with the external auditor to review matters of interest including interim and year-end reports, the audit plan, management letter observations and updates on ongoing audit work.

To maintain independence the external auditor is not invited to provide any non-audit services where it is felt that this could conflict with its independence or objectivity. In all cases the provision of non-audit services is carefully monitored by and subject to, prior approval of the Committee.

Internal audit function

The internal audit function reports directly to the Committee with a remit to provide independent and objective assurance to the risk management framework. The Internal Audit Charter is reviewed annually by the Committee.

The FY23 Internal Audit Plan was presented to the Committee, reviewed and approved.

Other agenda items

Other specific items addressed by the Committee during the year include reviewing the Group's insurance policies, ensuring the cover is sufficient to realise the Group's strategy, approving updated policies and reviewing the Group's borrowing facilities.

Annual evaluation of performance

The Board conducted an evaluation of its own performance and that of its Committees, Committee Chairs, and individual Directors. The conclusion from the process was that the performance of the Audit and Risk Committee and of the Chair of the Committee was satisfactory. The Committee will focus on agreed actions arising from the evaluation process.

Promoting effectiveness

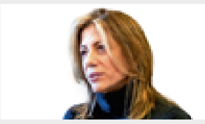
Focus in FY23

- Board effectiveness
- Monitoring progress against ESG priorities
- Succession planning

Priorities for FY24

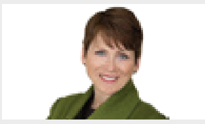
- Board development
- ESG compliance and reporting

Membership



Virginia Gambale (Chair)

Ayman Sayed



Donna Troy

Meeting attendance

Virginia Gambale (Chair)	
Donna Troy	
Ayman Sayed	

> "The review highlighted the Board's strengths and weaknesses which enabled us to set our developmental focus for the year."

Virginia Gambale
Non-Executive Director

Key activity during the year

This year the Committee focused on increasing the effectiveness of the Board, its Committees, members and processes. In order to facilitate the Board effectiveness review the Committee engaged Independent Audit Limited, a leading independent board evaluation partner, to assist with an externally facilitated review using an in-depth questionnaire based approach. The primary purpose of the evaluation is to direct the Board's attention to areas where there might be opportunities to improve its performance.

Dear shareholders

The Nomination and ESG Committee is responsible for effective succession planning, maintaining a pipeline of strong candidates for potential nomination to the Board, while simultaneously ensuring robust succession planning and talent strategy for the Executive Committee. Our role is to ensure there is an appropriate balance of skills, experience, diversity, independence and knowledge on the Board and its Committees, review the size and composition of the Board and make recommendations on these matters to the Board. The Committee also ensures that the Group's environmental, social and governance policies and priorities are aligned to the overall strategy of the Group.

Business during the year

Issues considered by the Committee during the year included items that are a standing part of its remit as well as a number of areas which the Committee considered to require a deeper focus. During the year, to complement the work already being undertaken by the Board, the Committee focused on the following matters:

- evaluation of the effectiveness of the Board and its Committees;
- monitoring progress against ESG priorities;
- succession planning;
- gender pay gap reporting;
- board engagement initiative with employees;
- employee engagement survey; and
- reviewed Board training and development and Board attendance policy.

Appointments

Appointing the right people to the Board and the leadership team is fundamental to the success of the Group. The Committee has a robust strategy and process to ensure the recruitment of individuals with the most appropriate competencies and experience to complement those that already exist. The Committee is committed to achieving diversity in its broadest sense in the composition of the Board and senior management. Our approach to diversity and inclusion on the Board is set out in the Company's Diversity and Inclusion Policy which is reviewed annually by the Committee. The Policy sets out the Group's commitment to having a diverse workforce and pipeline of talent, through recruitment and employment practices and actively supporting inclusion through its succession planning process as well as its open culture and

Report of the Nomination and ESG Committee continued

Appointments continued

support for employee networks that foster diversity and inclusion. Prior to embarking on the selection process for any senior appointment, our approach, policy and ethos are embedded and reflected in the process.

Board effectiveness review

This year the Committee oversaw a review of the effectiveness of the Board and its Committees. Working with Independent Audit Limited, which has no connection with the Group or individual directors, and powered by its Thinking Board self-assessment tool, an in-depth questionnaire was completed by members of the Board and the Committees. The Committee Chair spent time with the evaluator to ensure that the questionnaires were augmented where necessary with any additional questions or areas that the Board and the Committees wished to cover and the Chair also reviewed and provided input to the questions. Following completion of the questionnaires by the directors, the report was provided to the Committee Chair and then circulated to all directors. The evaluator attended a board meeting to present and discuss the findings in the report and to give all of the directors an opportunity to ask questions. The Board and the Committees have discussed the findings of the report in their meetings and decided upon actions This review provided the Board with insightful and comprehensive feedback. The insights gained into how the Board is working will enable it to continually develop.

The summary findings of the review are as follows:

The Board feels it has the right mix of relevant skills and experience and:

- relationships are constructive and open. There is also a clear sense of common purpose, coupled with a determination to ensure the business continues to thrive, grow and deliver value for its shareholders. In addition, there is a strong emphasis on establishing the right culture and values across the organisation. Good consideration is given to issues linked to ESG matters and care is taken to ensure employees are treated fairly;
- it is also considered that risk is controlled well, and that the reporting environment is sound. A recent decision to expand and develop the internal audit function is indicative of the importance the Board attaches to this area of activity; and
- it is generally felt that the Board and its Committees benefit from being led by strong and capable Chairs. Agendas are managed well, and a good level of discussion and debate takes place at meetings. Most feel that NEDs provide firm but constructive challenge to managers.

A number of areas of improvement were identified by the review for particular consideration as follows:

- the quality of papers presented to the Board and its Committees;
- increasing the amount of contact NEDs have with managers and the business;
- how much risk the organisation should be taking; how customer needs are changing and what competitors are doing; the skills and experience which will be needed to execute the strategy; and reviewing progress towards achieving strategic objectives; and
- ensuring the Board has sufficient strategic oversight of succession planning and talent management.

The review concludes that the Board has achieved a great deal over the last few years and has worked hard to put in place a strategy to ensure the business continues to evolve and grow within the highly dynamic markets in which it operates.

The results of the review have been used to create actions in the above areas and will be used to update the annual rolling agendas of the Board and its Committees, will shape the training and development programme for Directors and will continue to inform the Committee over the coming year. No changes to Board composition have been identified as a result of the review although composition and skills are continually kept under review by the Committee.

Monitoring of our ESG progress against priorities

As a global business we recognise the importance our environmental, social and governance policies have on all of our stakeholders. The Nomination and ESG Committee established the Board's oversight role on ESG and determines the Committee structure. The Committee also aligns ESG with the Group's corporate purpose and vision and the Committee seeks to integrate sustainability into the Group's overall strategy. Further, the Committee ensures accountability for ESG strategy implementation.

This year, we defined our ESG priorities as being Our People, Our Environment and Our Communities. We realise the importance of each of these pillars of ESG and seek to ensure the Board establishes the tone from the top with respect to our objectives. Further, we ensure that our Board composition has the necessary expertise and skills to oversee both the Group's ESG risks and opportunities. As we look forward to the year ahead the Committee is dedicated to ensuring that the Board keeps its ESG priorities at the heart of the Group's strategy.

Succession planning

A key area of focus for the Committee is nurturing the Group's leadership and talent pipeline. The Committee's focus this year has been on effective succession planning throughout the Group, particularly at the executive level.

The Committee is fully engaged with the end-to-end talent management and senior succession planning approach that is utilised by the Group. In addition, the Committee manages Board and senior management succession under a structured approach with clear and agreed selection priorities. In terms of Non-Executive Director succession, the Committee is committed to continuing to follow the strategic composition of the Board as discussed in our inclusion and diversity section below. With regards to senior management succession planning the Committee has mapped out principles to guide its approach as follows:

1. a clear and proactive approach to identifying and developing succession candidates;
2. a focus on the long-term nature of succession planning; and
3. advancing progress on all types of diversity.

This year, the Committee undertook an in-depth look across the Group at succession planning and ensured that each business unit has succession planning on its agenda to ensure that the talent pipeline is reviewed in line with the business outlook. To ensure that our internal talent is being developed to meet strategic needs, several talent development mechanisms were introduced such as our Aspiring Leadership Programme and Senior Leadership Programme. These programmes are geared at developing our leaders of the future.

Our focus also remains on bolstering our recruitment efforts at both the graduate and experienced hire level to develop our talent pipeline. The Committee recognises the benefits in attracting external talent to bring further diversity of thought and processes to key roles.

Whilst we continue to invest in recruiting new talent, our priority is also to look after and develop our existing team, as employee retention is an increasingly important element in our approach to talent management and succession planning.

Evaluation and accountability

The Committee's focus continued to be on accountability and pay for performance. The CEO and executive leadership evaluation process includes a mix of self-evaluation, 360-degree feedback and peer and Board review. Each leader, including the CEO, was tasked with reviewing performance against objectives and bonus metrics and reflecting on performance over the last year. For the CEO, the Board provided feedback in relation to a range of competencies including leadership, strategic planning, financial results, succession planning, human resources and diversity, communication, transformation and investor relations. Quantitative and qualitative evidence was sought in reaching evaluation conclusions regarding performance.

Board diversity priorities

Although the Committee monitors the Group's organisational inclusion and diversity strategies and initiatives it also holds itself accountable for the Board's own inclusion and diversity. The Board and the Committee is dedicated to diversity, including ensuring an open and fair recruitment and selection process for all Board appointments. The Committee ensures that its approach to diversity is under regular review, including ensuring the development of a diverse Board. The Board has 29% female representation and has met its target on ethnic diversity and intends to improve its current levels of both gender and ethnic diversity. The Committee will continue to review the diversity of skills and experience on the Board and the need for gender diversity remains a priority. Recognising the benefits of wider experience, Non-Executive Director candidates from a wide variety of backgrounds have been considered when making Non-Executive Director appointments. The recruitment and selection process for Non-Executive Directors ensures that longlists of potential candidates comprise at least 50% female candidates. Going forward the Nomination and ESG Committee and the Board will continue to promote the Group's Board diversity policy and will also review advances in best practice. Prior to embarking on the selection process for any new non-Executive director, the Committee proactively ensures that the search process is sufficiently inclusive to encourage applications from diverse candidates with relevant skills, experience, and knowledge, and that the selection process is fair and transparent. The FRC's guidance on board effectiveness recognises a breadth of diversity that goes beyond just gender and race, and includes personal attributes including intellect, judgement, courage, honesty and tact; and the ability to listen and forge relationships and develop trust.

This ensures that a board is not closely comprised of like-minded individuals. The Committee agrees that diversity is vital when reviewing the composition of the Board and possible new appointees. Appointing the right people to the Board and the executive leadership team with the appropriate balance of skills, knowledge, experience and culture is fundamental to the ongoing success of the Company. The Committee continues to recommend the appointment of the best people with the right skills and potential.

Standing agenda items

Inclusion and diversity

The Board believes that its perspective and approach can be greatly enhanced through diversity of gender and ethnic backgrounds, cognitive and personal strengths, tenure and relevant experience. We recognise that the delivery of our strategy requires the promotion of a high-performing culture, characterised by a diverse and inclusive workforce. The Board is committed to advancing diversity and to instilling a culture that is inclusive to all. This is founded on inclusion being a critical behaviour to ensure diversity, in its broadest sense, is truly embraced and encouraged; bringing broader debate, better decision making and ultimately better results for all stakeholders. As a global business FD Technologies recognises the importance of reflecting the diversity of the customers we serve and the markets we operate in. The Group is proud of its track record on diversity, including gender, ethnicity, nationality, skills and experience, which has resulted in the formation of a diverse, inclusive and vibrant team. Our approach to inclusion and diversity on the Board is set out in the Board's diversity policy which is reviewed annually by the Committee. This year, the Group was awarded a Silver Diversity Mark, from Diversity Mark NI, in recognition of the Group's achievements with regards to inclusion and diversity. Diversity Mark NI provides an accreditation framework and process which is designed to assist the Group set realistic targets and the independent assessment panel provides expert annual feedback to continually support the Group on its inclusion and diversity journey. The Committee seeks to ensure that inclusion and diversity efforts continue to be a focus for our Board.

Gender pay gap

As a Group our mission remains to build a diverse workforce with an equally inclusive workplace. In terms of our senior managers, 76% of our leadership was male versus 24% female. The data shows that there is still much work to be done in this area, particularly in increasing opportunities for women to move into senior roles. The Board remains committed to supporting the efforts of the executive team on these matters. This will be an important area of ongoing focus for the Company and will be monitored by the Committee in the coming year, in line with the Board diversity policy.

The Committee recognises that being transparent about where we are and what our forward focus is on is the key to continuing to make progress with regards to the gender pay gap. Our gender pay gap continued to be significantly lower than the industries in which we operate. More information on the gender pay gap analysis results is available on our website. The Committee's role was to review the results and review the strategies underway to improve the representation of women throughout our business with the aim of narrowing the gender pay gap. The Committee recognises that there is still much work to do around the pay gap with senior roles across the Group and we commit to ensuring this gap is reduced year on year.

Director induction

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

Governance and composition

The Committee sets its own agenda and while only the members of the Committee have the right to attend its meetings, the Committee may from time to time invite third parties to attend. For matters to do with the succession of the chairmanship of the Board, the Committee is chaired by the Senior Independent Director. The composition of the Committee is reviewed on an annual basis. There have been no changes to the composition of the Committee, which is chaired by Virginia Gambale, and the other members are Ayman Sayed and Donna Troy.

Other matters considered

The Committee dealt with a range of other matters during the year, including a review of the annual employee engagement survey and the follow-up action plan and a review of the Board attendance policy and relevant training and development for the Board.

Incentivising for growth

Focus in FY23
- Long-term incentive planning
- Executive benchmarking
- CEO and executive leadership evaluation

Priorities for FY24
- Revising our remuneration policy
- Prioritising pay for performance

Membership


Ayman Sayed (Chair)


Donna Troy


Thomas Seifert

Meeting attendance

Ayman Sayed (Chair)	
Donna Troy	
Thomas Seifert	

"During the year, the Committee invested considerable time in ensuring that our long-term incentive arrangements continue to attract and retain key talent to deliver on the Group's strategy."

Ayman Sayed
Non-Executive Director

Key activity during the year

Long-term incentive planning
The focus of the Committee this year was on introducing a new long-term incentives arrangement as well as evaluating the performance of the executive leadership team, including the CEO and CFO. We have worked closely with independent compensation consultants Insightory on a new Long Term Incentive Plan (LTIP), ensuring our ability to retain and attract talent. Over the coming year, we will continue to monitor changes in UK corporate governance best practice and ensure that our remuneration policy and practices remain appropriate to attract and retain key talent. Ongoing engagement with shareholders remains a priority.

Dear shareholders

The Remuneration and Talent Committee seeks to align reward with the Company's strategy, culture, and delivery of long-term shareholder value. This report is intended to provide insight into the roles and responsibilities of the Committee and to demonstrate how it has carried out this work. The Committee is constituted by the Board to assist it in meeting its responsibilities regarding the determination and implementation of the Group's remuneration policy, including the remuneration of the Chair, Executive Directors and senior management, as well as overseeing the arrangements for the wider workforce. Our remuneration policies, practices and reporting are designed to reflect best practice in corporate governance.

Committee membership

All members of the Committee are independent Non-Executive Directors. None of the Committee members has day-to-day involvement with the business and nor do they have any personal financial interest, except as shareholders, in the matters to be recommended. The number of formal meetings held and the attendance by each member is shown in the table above. The Committee also held informal discussions as required. The Group HR Director acts as Secretary to the Committee and is available to assist the members of the Committee as required, ensuring that timely and accurate information is distributed accordingly. The CEO and other members of the management team may be invited to attend Committee meetings to provide business context and performance updates. However, no member of management is present when their own remuneration is determined.

Role and activities of the Committee

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

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

- long-term incentive planning;
- executive benchmarking; and
- CEO and executive leadership evaluation.

Long Term Incentive Plan (LTIP)

During the year the Committee worked with independent compensation specialists Insightory, which has no connection with the Group or individual directors, to deliver an LTIP that appropriately aligns the interests of employees and shareholders by rewarding performance that results in significant accretion in the value of the Group and also ensures that we are positioned to attract new talent and incentivise the senior executive leadership team — on whose talents and efforts we are reliant to build substantial shareholder value over the next three years and beyond. The LTIP's performance targets are designed to be stretching yet feasible, based on the Group's own track record and the performance of aspirational peer companies, based primarily in the US. The focus on long-term performance based incentives is consistent with both our remuneration policy and the pre-existing dilution authority granted by shareholders.

As in prior years we invited feedback from our larger shareholders in relation to the new LTIP. We are committed to continuing this positive dialogue with shareholders.

Since the year end, the rules of the LTIP have been formally adopted and awards have been granted. Long-term incentive awards to the Executive Directors are through Performance Share Units (PSUs) only.

	Position	PSUs
S Keating	CEO	143,514
R Preston	CFO	38,270
Total		181,784

The PSUs for the CEO and CFO will vest on the achievement of performance metrics linked to the performance of the Group's business units over the three years to 28 February 2026; such metrics are designed to be challenging and to reward value creation. Executive remuneration is aligned to Group purpose and values, and be clearly linked to the successful delivery of the Group's long-term strategy.

The PSUs for the CFO and two-thirds of the PSUs for the CEO will vest based on:

			Threshold	On target	Maximum
	Metric	Weighting	25% vesting	50% vesting	100% vesting
KX	Combined ARR growth and adjusted EBITDA*	65%	88% of target	Target	125% of target
First Derivative	Adjusted EBITDA	25%	84% of target	Target	115% of target
MRP	Adjusted EBITDA	10%	83% of target	Target	117% of target

* KX ARR and adjusted EBITDA (excluding capitalised development costs) metrics are linked to eliminate the impact of any investment decisions taken during the period, such that overperformance in one metric will reduce the target in the other.

Report of the Remuneration and Talent Committee continued

Long Term Incentive Plan (LTIP) continued

The remaining third of the PSUs for the CEO will vest based on total shareholder return (TSR) over the three-year period with vesting starting at 25% for 25% TSR appreciation and increasing on a straight-line basis up to a maximum of 100%. By tracking to the overall Company share price, this portion of the CEO's award is consistent with the ultimate value received by our shareholders.

LTIP awards will, in line with UK market norms, be subject to malus and clawback provisions; a total vesting and holding period of five years applies for Executive directors; the awards include the right to receive dividend equivalents; and early vesting for good leaver scenarios.

Our LTIP offers exciting upside to attract, retain and motivate this crucial talent. In conjunction with the potential rewards, the incentives depend upon achieving challenging performance targets so that participants only benefit if shareholders are also rewarded. These PSUs will vest on the achievement of three-year performance metrics linked to the performance of the Group's three business units, which are designed to be challenging and to reward value creation as overleaf.

In addition to the award to Directors, a total of 109,672 PSUs have been awarded to other senior leaders in the business units and in the Group's central operations again subject to three-year cliff vesting and performance metrics relevant to their part of the Group. A total of 58,186 Restricted Stock Units (RSUs) typically vesting annually over the next three years have also been awarded to senior employees. Based on a share price of £17.42, these awards amount to, in aggregate, 349,642 shares (on the assumption that all vest), representing 1.34% of the Group's currently issued and outstanding shares.

It is envisaged that new shares will be issued to satisfy awards under the LTIP.

Summary

We believe the Long Term Incentive Plan strikes a fair balance between the need to attract, motivate and retain the key generators of value within our business while ensuring that rewards are only achieved through creation of significant shareholder value over an appropriate period. We also believe it will be a key motivator in helping us to attract and retain the talent required to achieve our growth ambitions.

Remuneration policy

The Group's remuneration policy is outlined below and is unchanged from the prior year. The remuneration policy is designed to provide levels of remuneration to attract, retain and motivate Directors and employees. A clear procedure for developing policy on executive remuneration and determining director and senior management remuneration has been put in place. Further Remuneration policies and practices within the Group have been designed to support strategy and promote long-term sustainable success.

The remuneration policy for other employees is based on broadly consistent principles as that for Executive Directors. Annual salary reviews take into account personal performance, divisional performance, local pay and market conditions, and salary levels for similar roles in comparable companies. Some employees below executive level are eligible to participate in annual bonus schemes; opportunities and performance measures vary by organisational level and an individual's role. Senior leaders within the divisions invited into the LTIP (PSU and RSU) participate on broadly similar terms to the Executive Directors (with vesting conditions linked to divisional performance), although award opportunities are lower and vary by organisational level. These awards are structured to reward performance, encourage retention and deliver the strategic objectives of the Group over the longer term.

Remuneration packages are designed to be competitive in value to those offered at similarly sized public companies in related sectors.

Executive remuneration is aligned to Group purpose and values and is clearly linked to the successful delivery of the Group's long-term strategy.

The components of the Executive Directors' remuneration packages are basic salary, bonus, money purchase pension contributions and other benefits including participation in the Long-Term Incentive Plan as described overleaf. No director was involved in deciding their own remuneration outcome. The Non-Executive Directors' remuneration packages do not include bonus, pension, or awards under Group incentive share plans.

During 2023, the Committee will consider whether any changes are required to the policy. Any material changes will be the subject of prior consultation with our major shareholders.

Executive Directors

Basic salary

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

Pension and other benefits

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

Cash bonus

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

Non-Executive Directors

The Board, based on a recommendation by the Chair of the Remuneration and Talent Committee or, in the case of the Chair, the remainder of the Board, determines the remuneration of the Non-Executive Directors. The Non-Executive Directors are not eligible to join the Group's pension scheme nor do they receive share options or cash bonuses. Non-Executive Directors may elect to receive payment in their home currency if based outside the UK. Their remuneration comprises a cash payment (67%), with the remainder in FD Technologies shares. The number of shares to be issued is based on the average closing mid-market share price over the 90 business days prior to the release of the Group's full year results.

Benchmarking senior leadership

During the year a benchmarking exercise was undertaken around all senior leadership roles.

During the year we appointed a number of new executive leaders across the FD Technologies Group and independent advisers Pearl Meyer provided support around reward benchmarking for these appointments. Every senior leader's reward is set on a pay-for-performance basis, with objectives around financial performance and achievement of strategic objectives. The Committee was closely involved in the approval of these newly introduced reward metrics which align all of the senior leadership to the Group's overall strategy.

Following the benchmarking exercise, it was determined that the CFO's remuneration will increase to £300,000 per annum from 1 March 2023.

Remuneration Report

Executive remuneration

Seamus Keating's base salary is unchanged and remains at £450,000 which was determined following a CEO benchmarking exercise carried out by independent external advisers Pearl Meyer, with participation in the Group healthcare and life assurance plans. Upon appointment the CEO elected not to participate in the Group pension scheme. The remuneration table in this report contains accruals for Executive Director bonuses relating to the year to 28 February 2023.

The CEO was not awarded any options during the year.

Non-Executive Director remuneration

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

Senior executive remuneration

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

Alignment of remuneration and performance

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

Remuneration at a glance

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

		Salary and fees £'000	Benefits £'000	Annual bonus £'000	Share based payment £'000	Pension £'000	Total remuneration £'000
Executive Directors							
S Keating	**2023**	**450**	**1**	**236**	**–**	**–**	**687**
	2022	450	1	205	–	–	656
R Preston	**2023**	**275**	**1**	**140**	**–**	**28**	**444**
	2022	263	1	125	–	24	413
Non-Executive Directors							
K MacDonald[1]	**2023**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	36	–	–	18	–	54
D Troy	**2023**	**133**	**–**	**–**	**67**	**–**	**200**
	2022	133	–	–	67	–	200
V Gambale	**2023**	**100**	**–**	**–**	**50**	**–**	**150**
	2022	100	–	–	50	–	150
A Sayed	**2023**	**100**	**–**	**–**	**50**	**–**	**150**
	2022	100	–	–	50	–	150
T Seifert	**2023**	**100**	**–**	**–**	**50**	**–**	**150**
	2022	100	–	–	50	–	150
S Fisher[2]	**2023**	**–**	**–**	**–**	**–**	**–**	**–**
	2022	96	–	–	46	–	142
U Fayyad[3]	**2023**	**100**	**–**	**–**	**50**	**–**	**150**
	2022	13	–	–	6	–	19
Total	**2023**	**1,258**	**2**	**376**	**267**	**28**	**1,931**
	2022	1,291	2	330	287	24	1,934

1 Resigned 8 July 2021. 2 Resigned 31 January 2022. 3 Appointed 19 January 2022.

Report of the Remuneration and Talent Committee continued

Remuneration Report continued

Service contracts

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

Directors' interests in shares (audited)

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

	Number of ordinary shares	
	28 February 2023	28 February 2022
S Keating	38,518	31,014
R Preston	2,415	1,140
D Troy	9,201	5,576
V Gambale	9,952	7,233
A Sayed	3,885	1,166
T Seifert	3,823	1,104
U Fayyad	306	–

Share options

The awards currently outstanding to Directors are as follows:

	1 March 2022	Granted during the year	Vested during the year	Lapsed during the year	Exercised during the year	28 February 2023
S Keating	250,000	–	–	–	–	250,000
R Preston	115,000	–	10,000	–	–	115,000

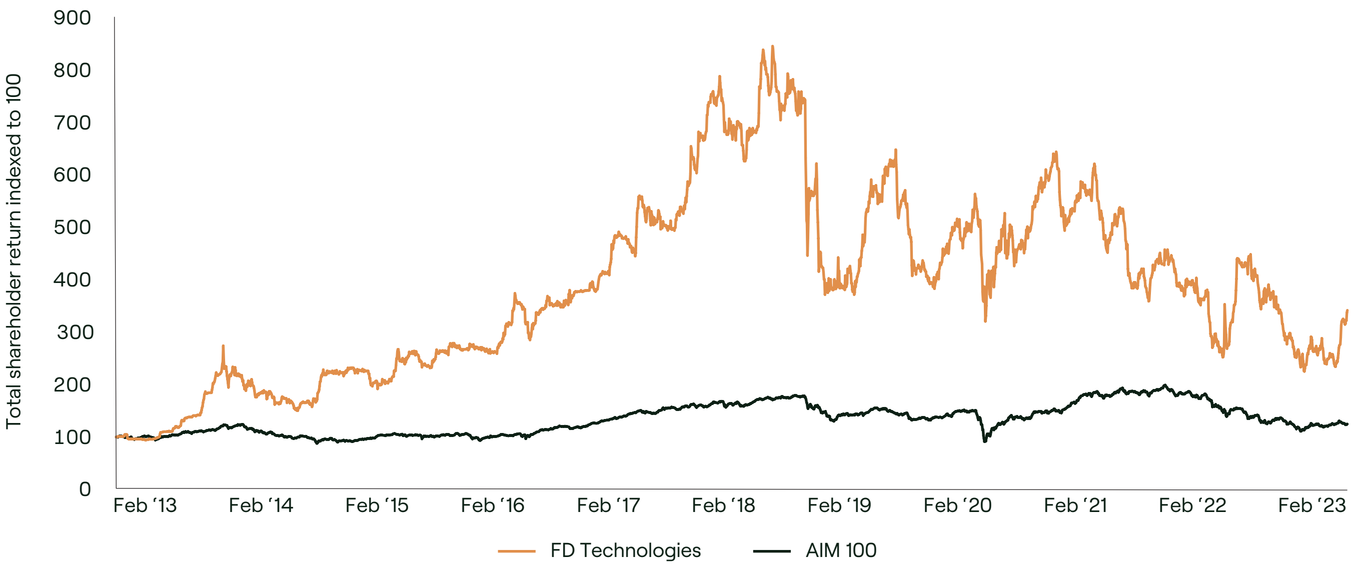
There were no share options granted to the Directors during the year (FY22: 65,000). There were no share options exercised by the Directors during the year (FY22: nil).

Transactions with Directors

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

Performance graph

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



CEO remuneration

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total remuneration (£'000)	276	165	311	657	693	542	435	451	656	687
Annual bonus as a % of maximum opportunity	63%	—	97%	100%	100%	53%	—	—	46%	53%
Long-term incentives as a % of maximum opportunity	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023 CEO total remuneration	**Option A**	**8.8**	**15.0**	**22.6**
2022		9.2	16.2	23.6
2023 CEO base salary	**Option A**	**6.2**	**10.3**	**15.5**
2022		6.6	11.7	17.0

Option A was selected as the basis for the calculations above as it was considered to be the most accurate. The total remuneration for all of the Company's UK employees was calculated, and those employees were then ranked from high to low, based on their total remuneration, with the employees whose remuneration places them at the 25th, 50th and 75th percentile points identified. The date by which these calculations were made was 28 February 2023 and no component of pay has been omitted from the calculations.

Directors' report

The Directors have pleasure in submitting to the shareholders their Annual Report and the audited financial statements of the Group and Company for the year ended 28 February 2023.

Results and dividend

The Group's loss after taxation attributable to shareholders for the year to 28 February 2023 was £4,360k (FY22: profit £6,427k).

The Directors do not propose the payment of a final dividend for the year. As a result, the total distribution relating to the year is £nil (FY22: £nil) per share.

The price of the Company's shares at close of business on 28 February 2023 was £18.68 (FY22: £15.18) and the high and low share prices during the year were £24.50 (FY22: £29.40) and £12.30 (FY22: £13.78) respectively. The average share price during the year was £17.68 (FY22: £16.28).

Directors

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

U Fayyad
V Gambale
S Keating
R Preston
A Sayed
T Seifert
D Troy

Directors and their interests

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

Substantial shareholdings

At 22 May 2023, the Group had received notification of interests in 3% or more of the ordinary share capital from Juliana Conlon (14.3%), Baillie Gifford & Co (13.1%), Octopus Investments (10.9%), Columbia Threadneedle Investments (9.8%), Liontrust Asset Management (5.9%), T Rowe Price (4.9%), Canaccord Genuity (4.8%) and Invesco (4.4%).

Research and development

The Group's policy is to invest in product innovation and engage in research and development activities geared towards the enhancement of its software products. During the year costs of £23,138k (FY22: £18,553k) were capitalised in respect of activities which were deemed to be development activities in accordance with the Group's accounting policies. Research and development costs of £3,974k (FY22: £2,572k) were expensed during the year.

AIM Rule Compliance Report

FD Technologies plc is quoted on AIM and as a result the Company has complied with AIM Rule 31 which requires the following:

- have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules;
- seek advice from its nominated adviser regarding its compliance with the Rules whenever appropriate and take that advice into account;
- provide its nominated adviser with any information it reasonably requests in order for the nominated adviser to carry out its responsibilities under the AIM Rules for Nominated Advisers, including any proposed changes to the Board of Directors and provision of draft notifications in advance of publication;
- ensure that each of the Company's Directors accept full responsibility, collectively and individually, for compliance with the AIM Rules; and
- ensure that each Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.

In addition, the Company maintains compliance with AIM Rule 26, which lists a range of information that the Company is required to make available. AIM Rule 26 also requires the Company to adopt a corporate governance code and it has chosen the UK Corporate Governance Code 2018, against which the Directors are responsible for reporting the Company's compliance.

Section 172 compliance statement

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

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

b) the interests of the Company's employees;

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

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

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

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

An explanation of how the views of stakeholders have been taken into account in the Board's decision making during the year is provided in the Stakeholder Engagement section of this report on pages 10 and 11.

Fair, balanced, understandable

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

Employee engagement

The Group's policy on employees remains to adopt a very open management style, keeping employees informed of all matters affecting them as employees including key financial and economic factors affecting the Group's performance. This is achieved through meetings and informal consultation at all levels. An annual Group-wide employee satisfaction review is conducted by an independent third-party organisation, as detailed in the Corporate responsibility section, with the results being utilised to inform the Group's push to make it an employer of choice in the sector.

Page 10 provides details of how the Board takes into account the effect of its decisions on employees and how that has impacted decisions taken during the year, while also detailing the ways in which Directors have engaged with employees.

Employee opportunities

It is the Group's policy to ensure that equal opportunity is given for the employment, training and career development of disabled persons, including persons who become disabled whilst in the Group's employment.

Business relationships

The Directors are mindful of the need to foster and maintain strong working relationships with customers, suppliers and others. Further information on how the Directors take into account this requirement in its decision making is provided on page 10.

Financial instruments

The Group's financial risk management objective is broadly to seek to make neither a profit nor loss from exposure to currency or interest rate risk. The policy is to finance working capital and the acquisitions of property, plant and equipment through retained earnings and through borrowings at prevailing market interest rates.

The Group does not use derivatives to manage its financial risks. The main cash flow, credit and liquidity risks are those associated with selling on credit. However, the vast majority of the Group's clients are substantial enterprises which reduces the risk of default. The Group is also exposed to the impact of fluctuations in exchange rates as it generates income and incurs expenses in currencies other than sterling (GBP). The Group's main exposure is to the US dollar (USD), euro (EUR) and Canadian dollar (CAD). However, because it has both income and expenses denominated in foreign currency, its net exposures are substantially lower than the gross balances.

In addition, the Group has financial risk exposure as a result of debt financing for asset purchases, trade receivables and activities carried on by subsidiary undertakings, as well as exposure to movements in fair value of equity investments and convertible loans. The Group's financial position is structured to take advantage of a natural foreign currency hedge using excess cash generated from operations to repay the associated capital and interest on US dollar borrowings. Furthermore, by funding in US dollars the acquisitions of Market Resource Partners LLC (MRP), Reference Data Factory LLC (RDF), Prelytix Inc. and Kx Systems, the Group achieves a net investment hedge against a significant portion of its translation exposure on the net assets of its foreign operations.

Political donations

The Group and Company made no political donations during the year (FY22: nil).

Annual General Meeting voting

At the AGM held on 7 July 2022, resolution 4 (to reappoint Virginia Gambale) was passed with the necessary majority but with less than 80% in favour. In response to the AGM voting the Board engaged with the Group's major shareholders, particularly those identified as dissenting, to understand and discuss their concerns with respect to the resolution. The discussions with institutional shareholders with regard to this resolution centred on concerns regarding overboarding. The Company believes that Virginia Gambale has demonstrated her ability to contribute most effectively in her role, evidenced throughout her more than seven years of service as a Director. The Company also notes that major shareholder governance bodies such as ISS recommended voting for her reappointment. However, under the governance policies of certain of our institutional shareholders she was considered to be overboarded and they voted against her reappointment on that basis. Following this dialogue, the Board does not propose to make any changes to its composition and confirms its commitment to active dialogue with its shareholders.

Future developments

As highlighted in the Chair's Review and the Business Review, the Group focuses on the sale of software and consulting services. It remains the key strategy of the Group to increase its share in its expanding range of target market segments through a combination of organic growth and selective acquisitions.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to become aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

Other information

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

By order of the Board

J Kearns
Secretary
22 May 2023

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

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

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and UK-adopted International Accounting Standards. This reporting framework is also consistent with the requirements of Euronext Growth Dublin market, where the Company's shares are also listed.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and UK-adopted International Accounting Standards;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

On behalf of the Board

J Kearns
Secretary
22 May 2023

Financial statements

In this section

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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of FD Technologies plc (the 'company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the company's affairs as at 28 February 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company balance sheets;
- the consolidated and company statements of changes in equity;
- the consolidated and company cash flow statements; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law, and United Kingdom adopted international accounting standards and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Revenue recognition relating to accrued income; and • Capitalisation of internally developed software costs. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £1,200k which was determined on the basis of approximately 0.4% of revenue. The materiality that we used for the company financial statements was £1,080k, which was determined based on approximately 0.5% of revenue.
Scoping	We determined the scope of our group audit by obtaining an understanding of the group and its environment and assessing the risks of material misstatement at the group level. Our full scope and specified audit procedures covered 99% (2022: 98%) of total group revenue; 93% (2022: 89% group profit before tax) of group loss before tax and 98% (2022: 99%) of total group assets.
Significant changes in our approach	There have been no significant changes in our approach from the prior year audit.

4. Conclusions relating to going concern

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

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

- obtaining an understanding of the group's and company's business model, objectives, strategies and related business risks, how the group and company is structured and financed and the measurement and review of the group's and company's financial performance, including the FY24 budget, future cash flows and management's budgeting processes;
- challenging and assessing the forecasts prepared by management including an assessment of the assumptions used in the forecast, including assumptions around profitability levels, and a challenge to the assumptions based on a retrospective review of forecasts prepared by management and amount of headroom in the forecasts;
- evaluating the relevance and reliability of the underlying data management used to make the assessments noted in the above procedure; and
- reviewing the adequacy of the disclosures included in the financial statements on going concern and, through our audit procedures, assessing whether they are appropriate.

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

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

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

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

5. Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition relating to accrued income

Key audit matter description	The group had £8.3m (2022: £8.5m) of accrued income at 28 February 2023 with £296m of revenue recognised in the year (2022: £263.5m). The delivery of licensing or service revenue may occur over multiple accounting periods which due to either fraud or error could result in revenue being misstated at the balance sheet date due to incorrect recognition of accrued income. Revenue accrued at the balance sheet date could be misstated where the correct revenue recognition policies may not have been applied to contracts primarily due to the following factors: • Revenue from contracts may not have been correctly recognised over the installation period for software installations or over the appropriate service period for service contracts which can be time or performance based. • Accrued income balances recorded at year end may not reflect the appropriate level of revenue to be recognised at the balance sheet date. The timing of revenue recognition has been disclosed as an area where critical judgement has been applied in accounting policies in note 1 and in the report of the Audit and Risk Committee (page 47). Accrued income is disclosed in note 4 and note 19.
How the scope of our audit responded to the key audit matter	In order to address the key audit matter, our procedures included the following: • obtained an understanding of the process and relevant controls for ensuring appropriate recognition of accrued income and evaluated the design and determined the implementation of the relevant controls relating to accrued income and tested their operating effectiveness; • carried out a review of the appropriateness of revenue recognition policies adopted under United Kingdom adopted international accounting standards including disclosures in the financial statements; • tested a sample of contracts including performing a recalculation of revenue to be recognised based on the contract terms and comparing this to actual accrued income to assess for possible management bias; and • challenged the appropriateness of accrued income as at the balance sheet date; this work included reviewing supporting documentation on a sample basis to determine whether the performance obligations had been met.
Key observations	We have no observations that impact on our audit in respect of the revenue recognition relating to accrued income.

5.2. Capitalisation of internally developed software costs

Key audit matter description	At 28 February 2023, the group held internally developed software costs with a net book value of £56.3m (2022: £44.4m). Costs in relation to internally generated intangible assets are capitalised when all of the criteria as set out in IAS 38 "Intangible Assets" are met. There is a risk that additions are made to internally developed software costs before all the required capitalisation criteria are met, whether through fraud or error. Expenditure is capitalised from the date when the intangible asset first meets the recognition criteria and, in determining the amount to be capitalised, management make judgements regarding expected future cash generation of the asset. The capitalisation of internally developed software costs has been disclosed as an area where critical judgement has been applied in accounting policies in note 1 and in the report of the Audit and Risk Committee (page 47). Internally developed software capitalised in the year is disclosed in note 16.
How the scope of our audit responded to the key audit matter	In order to address the key audit matter, our procedures included the following: • obtained an understanding of the process and related controls for ensuring appropriate capitalisation of internally developed software costs; • evaluated the design and determined the implementation of the relevant controls in place to separately identify when development activities meet recognition criteria; • reviewed the capitalised project register and completed procedures to determine whether the internally developed software costs were recorded accurately and whether the costs met the required capitalisation criteria in accordance with IAS 38; and • agreed the amount of internally developed software costs capitalised to underlying documentation detailing cost per project, including timesheet and salary data.
Key observations	We have no observations that impact on our audit in respect of the capitalisation of internally developed software costs.

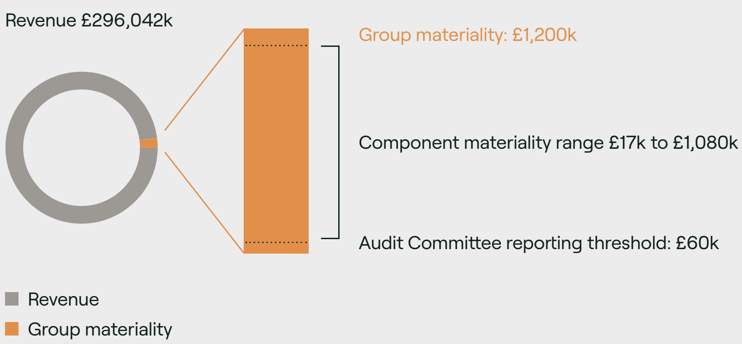
6. Our application of materiality

6.1. Materiality

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

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

	Group financial statements	Company financial statements
Materiality	£1,200k (2022: £1,054k)	£1,080k (2022: £936k)
Basis for determining materiality	Approximately 0.4% of revenue.	Company materiality equates to approximately 0.5% of revenue and is capped at 90% of group materiality.
Rationale for the benchmark applied	Revenue is a key performance measure for management, investors and the analyst community. This metric is important to the users of the financial statements (investors and analysts being the key users for a listed entity) because it portrays the performance and growth of the business, particularly as the group seeks to grow through the increased investment in the business and hence its ability to pay a return on investment to the investors.	Revenue was considered to be the most appropriate measure for the company given it is a key performance measure for management and the analyst community as a trading company. As this was higher than group materiality, we capped company materiality at 90% of group materiality.



6.2. Performance materiality

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

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

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £60.0k (2022: £52.5k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

7. An overview of the scope of our audit
7.1. Identification and scoping of components
The group operates in 14 locations across 4 continents with the largest footprint being in North America and Europe. We determined the scope of our group audit by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group and component level. Based on that assessment, we focused our group audit scope on the audit work at the Newry location, where the group entities finance functions are centrally managed.

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

Of the group's 36 components, we subjected 10 of the components to full audit scope, specified audit procedures were undertaken on a further 5 components and analytical procedures were performed on a further 5 components. The other 16 components represent non-trading or very small entities. Our full scope and specified audit procedures covered 99% (2022: 98%) of total group revenue; 93% (2022: 89% group profit before tax) of group loss before tax and 98% (2022: 99%) of total group assets.

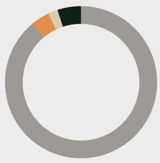
These components were selected based on the level of coverage achieved and to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work for all components was executed at levels of materiality applicable to each individual unit which were lower than group materiality and ranged from £17k to £1,080k.

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

Revenue

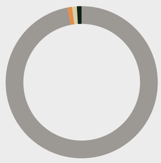
- Full audit scope: 98%
- Specified audit procedures: 1%
- Review at group level: 1%

Loss before tax



- Full audit scope: 89%
- Specified audit procedures: 4%
- Review at group level: 2%
- Out of scope: 5%

Group assets



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

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the group's and company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- any matters we identified having obtained and reviewed the group's and company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance including legacy employee tax liabilities as set out in note 6;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax and valuations specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

We also obtained an understanding of the legal and regulatory frameworks that the group and company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the relevant accounting framework, Companies Act 2006 and relevant tax legislation.

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

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

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

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

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

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

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 47;
- the directors' explanation as to its assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate, set out on page 47;
- the directors' statement on fair, balanced and understandable, set out on page 58;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 45;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 45; and
- the section describing the work of the audit committee, set out on page 48.

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

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Howard

Richard Howard FCA (Senior statutory auditor)
For and on behalf of Deloitte (NI) Limited
Statutory Auditor
Belfast, United Kingdom
22 May 2023

Consolidated statement of comprehensive income

Year ended 28 February 2023

	Note	2023 £'000	2022 £'000
Revenue	3 & 4	296,042	263,463
Cost of sales		(173,701)	(157,327)
Gross profit	3	122,341	106,136
Operating costs			
Research and development costs		(27,112)	(21,125)
– of which capitalised		23,138	18,553
Sales and marketing costs		(50,927)	(47,355)
Administrative expenses		(66,592)	(51,949)
Impairment loss on trade and other receivables	31	(2,645)	(695)
Total operating costs	6	(124,138)	(102,571)
Other income	5	249	2,816
Operating (loss)/profit		(1,548)	6,381
Finance income	10	24	262
Finance expense	10	(4,777)	(3,015)
Gain/(loss) on foreign currency translation	10	2,107	(1,834)
Net finance costs		(2,646)	(4,587)
Share of gain of associate, net of tax	17	–	262
Profit on disposal of associate	17	3,017	6,943
(Loss)/profit before taxation		(1,177)	8,999
Income tax expense	11	(2,836)	(2,572)
(Loss)/profit for the year		(4,013)	6,427

		2023 £'000	2022 £'000
(Loss)/profit for the year		**(4,013)**	6,427
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Equity investments at FVOCI – net change in fair value		(522)	(1,408)
Net gain on sale of FVOCI holding		–	150
Items that will or may be reclassified subsequently to profit or loss			
Net exchange gain on net investment in foreign subsidiaries		12,052	3,237
Net loss on hedge of net investment in foreign subsidiaries		(3,124)	(1,183)
Other comprehensive income for the year, net of tax		**8,406**	796
Total comprehensive income for the year attributable to owners of the parent		**4,393**	7,223

	Note	Pence	Pence
(Loss)/earnings per share			
Basic	14a	(14.4)	23.1
Diluted	14a	(14.4)	22.9

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

Consolidated balance sheet
As at 28 February 2023
Registered Company number: NI 30731

	Note	2023 £'000	2022 £'000
Assets			
Property, plant and equipment	15	25,593	28,343
Intangible assets and goodwill	16	175,660	155,607
Other financial assets	18	9,356	19,676
Trade and other receivables	19	2,548	3,745
Deferred tax assets	24	21,313	17,998
Non-current assets		234,470	225,369
Trade and other receivables	19	96,749	74,029
Current tax receivable	25	6,114	4,172
Cash and cash equivalents	20	36,905	48,564
Current assets		139,768	126,765
Total assets		374,238	352,134
Equity			
Share capital	21	140	139
Share premium		103,789	100,424
Share option reserve		18,974	18,404
Fair value reserve		3,002	9,755
Currency translation adjustment reserve		5,354	(3,574)
Retained earnings		69,609	67,391
Equity attributable to owners of the Company		200,868	192,539
Liabilities			
Loans and borrowings	22	17,026	62,504
Trade and other payables	23	3,681	3,190
Deferred tax liabilities	24	15,758	15,307
Non-current liabilities		36,465	81,001
Loans and borrowings	22	39,911	9,054
Trade and other payables	23	41,466	33,606
Deferred income	4	48,407	26,990
Current tax payable	25	682	382
Employee benefits	26	6,439	8,562
Current liabilities		136,905	78,594
Total liabilities		173,370	159,595
Total equity and liabilities		374,238	352,134

These financial statements were approved by the Board of Directors on 22 May 2023.

Seamus Keating
Chief Executive Officer

Ryan Preston
Chief Financial Officer

Company balance sheet
As at 28 February 2023
Registered Company number: NI 30731

	Note	2023 £'000	2022 £'000
Assets			
Property, plant and equipment	15	12,195	13,111
Intangible assets and goodwill	16	43,833	35,587
Investment in subsidiaries	17	130,978	132,435
Other financial assets	18	956	3,485
Trade and other receivables	19	56,163	56,877
Deferred tax assets	24	17,143	11,953
Non-current assets		261,268	253,448
Trade and other receivables	19	64,398	84,245
Current tax receivable	25	5,176	3,969
Cash and cash equivalents	20	18,958	16,236
Current assets		88,532	104,450
Total assets		349,800	357,898
Equity			
Share capital	21	140	139
Share premium		103,789	100,424
Share option reserve		19,285	18,624
Fair value reserve		(1,014)	1,547
Retained earnings		21,686	43,949
Equity attributable to shareholders		143,886	164,683
Liabilities			
Loans and borrowings	22	7,522	51,475
Trade and other payables	23	2,972	2,579
Deferred tax liabilities	24	8,042	7,306
Non-current liabilities		18,536	61,360
Loans and borrowings	22	37,506	6,756
Trade and other payables	23	118,479	105,806
Deferred income	4	27,552	13,063
Employee benefits	26	3,841	6,230
Current liabilities		187,378	131,855
Total liabilities		205,914	193,215
Total equity and liabilities		349,800	357,898

The Company's loss for the year ended 28 February 2023 was £22,263k (2022: profit £9,236k).

These financial statements were approved by the Board of Directors on 22 May 2023.

Seamus Keating
Chief Executive Officer

Ryan Preston
Chief Financial Officer

Consolidated statement of changes in equity

Year ended 28 February 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2022	139	100,424	–	18,404	9,755	(3,574)	67,391	192,539
Total comprehensive income for the year								
Loss for the year	–	–	–	–	–	–	(4,013)	(4,013)
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	–	–	–	–	–	12,052	–	12,052
Net exchange loss on hedge of net investment in foreign subsidiaries	–	–	–	–	–	(3,124)	–	(3,124)
Transfer of reserve of sale of equity investment	–	–	–	–	(6,231)	–	6,231	–
Net change in fair value of equity investments at FVOCI	–	–	–	–	(522)	–	–	(522)
Total comprehensive income for the year	–	–	–	–	(6,753)	8,928	2,218	4,393
Transactions with owners of the Company								
Tax relating to share options	–	–	–	245	–	–	–	245
Exercise of share options	1	3,079	–	–	–	–	–	3,080
Issue of shares	–	286	–	–	–	–	–	286
Share based payment charge	–	–	–	325	–	–	–	325
Balance at 28 February 2023	**140**	**103,789**	**–**	**18,974**	**3,002**	**5,354**	**69,609**	**200,868**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2021	139	99,396	8,118	16,790	10,682	(5,628)	53,177	182,674
Total comprehensive income for the year								
Profit for the year	–	–	–	–	–	–	6,427	6,427
Other comprehensive income								
Net exchange gain on net investment in foreign subsidiaries	–	–	–	–	–	3,237	–	3,237
Net exchange loss on hedge of net investment in foreign subsidiaries	–	–	–	–	–	(1,183)	–	(1,183)
Net change in fair value of equity investments at FVOCI	–	–	–	–	(1,408)	–	–	(1,408)
Net gain/(loss) on sale of FVOCI holding	–	–	–	–	481	–	(331)	150
Total comprehensive income for the year	–	–	–	–	(927)	2,054	6,096	7,223
Transactions with owners of the Company								
Tax relating to share options	–	–	–	80	–	–	–	80
Exercise of share options	–	773	–	–	–	–	–	773
Issue of shares	–	255	–	–	–	–	–	255
Share based payment charge	–	–	–	1,534	–	–	–	1,534
Transfer (see note 21)	–	–	(8,118)	–	–	–	8,118	–
Balance at 28 February 2022	139	100,424	–	18,404	9,755	(3,574)	67,391	192,539

Company statement of changes in equity

Year ended 28 February 2023

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2022	139	100,424	—	18,624	1,547	43,949	164,683
Total comprehensive income for the year							
Loss for the year	—	—	—	—	—	(22,263)	(22,263)
Other comprehensive income			—				
Net change in fair value of equity investments at FVOCI	—	—	—	—	(2,561)	—	(2,561)
Total comprehensive income for the year	—	—	—	—	(2,561)	(22,263)	(24,824)
Transactions with owners of the Company							
Tax relating to share options	—	—	—	336	—	—	336
Exercise of share options	1	3,079	—	—	—	—	3,080
Issue of shares	—	286	—	—	—	—	286
Share based payment charge	—	—	—	325	—	—	325
Balance at 28 February 2023	**140**	**103,789**	**—**	**19,285**	**(1,014)**	**21,686**	**143,886**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share option reserve £'000	Fair value reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2021	139	99,396	8,118	16,985	3,986	26,595	155,219
Total comprehensive income for the year							
Profit for the year	—	—	—	—	—	9,236	9,236
Other comprehensive income							
Net change in fair value of equity investments at FVOCI	—	—	—	—	(2,439)	—	(2,439)
Total comprehensive income for the year	—	—	—	—	(2,439)	9,236	6,797
Transactions with owners of the Company							
Tax relating to share options	—	—	—	105	—	—	105
Exercise of share options	—	773	—	—	—	—	773
Issue of shares	—	255	—	—	—	—	255
Share based payment charge	—	—	—	1,534	—	—	1,534
Transfer (see note 21)	—	—	(8,118)	—	—	8,118	—
Balance at 28 February 2022	139	100,424	—	18,624	1,547	43,949	164,683

Consolidated cash flow statement
Year ended 28 February 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
(Loss)/profit for the year	(4,013)	6,427
Adjustments for:		
Net finance costs	2,646	4,587
Depreciation of property, plant and equipment	7,265	6,308
Amortisation of intangible assets	14,331	13,817
Equity-settled share based payment transactions	325	1,534
Profit on disposal of associate	(3,017)	(6,943)
Loss/(profit) on disposal of fixed assets	5	(222)
Other income	(9)	(2,499)
Grant income	(240)	(317)
Share of profit of associate	–	(262)
Tax expense	2,836	2,572
	20,129	25,002
Changes in:		
Trade and other receivables	(14,604)	(1,585)
Trade and other payables and deferred income	22,970	5,473
Cash generated from operating activities	28,495	28,890
Taxes paid	(1,467)	(407)
Net cash from operating activities	27,028	28,483
Cash flows from investing activities		
Interest received	24	19
Acquisition of subsidiaries	–	(118)
Acquisition of other investments	–	(95)
Sale of associate	100	11,001
Sale of other investments	8,139	175
Acquisition of property, plant and equipment	(2,940)	(2,777)
Proceeds from sale of property, plant and equipment	67	920
Acquisition of intangible assets	(23,468)	(18,931)
Net cash used in investing activities	(18,078)	(9,806)
Cash flows from financing activities		
Proceeds from issue of share capital	3,080	773
Repayment of borrowings	(17,823)	(19,141)
Payment of lease liabilities	(4,000)	(3,598)
Interest paid	(3,666)	(2,932)
Net cash used in financing activities	(22,409)	(24,898)
Net decrease in cash and cash equivalents	(13,459)	(6,221)
Cash and cash equivalents at 1 March	48,564	55,198
Effects of exchange rate changes on cash held	1,800	(413)
Cash and cash equivalents at 28 February	36,905	48,564

Company cash flow statement
Year ended 28 February 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
(Loss)/profit for the year	(22,264)	9,236
Adjustments for:		
Net finance costs	7,920	6,144
Depreciation of property, plant and equipment	2,926	2,325
Amortisation of intangible assets	9,171	7,661
Dividends from subsidiary	—	(18,670)
Disposal of subsidiary	—	1,137
Loss/(profit) on disposal of fixed asset	5	(222)
Equity-settled share based payment transactions	325	1,534
Other income	(257)	(2,499)
Grant income	(240)	(317)
Impairment of investment	7,546	—
Tax credit	(4,582)	(245)
	550	6,084
Changes in:		
Trade and other receivables	14,217	(1,615)
Trade and other payables and deferred income	24,494	5,488
Cash generated from operating activities	39,261	9,957
Tax refund	1,134	469
Net cash from operating activities	40,395	10,426
Cash flows from investing activities		
Interest received	24	19
Acquisition of subsidiaries	(6)	(118)
Sale/(acquisition) of other investments	9	(11)
Acquisition of property, plant and equipment	(1,839)	(1,662)
Proceeds from sale of property, plant and equipment	67	920
Acquisition of intangible assets	(17,417)	(14,239)
Net cash used in investing activities	(19,162)	(15,091)
Cash flows from financing activities		
Proceeds from issue of share capital	3,080	773
Repayment of borrowings	(17,823)	(19,141)
Payment of lease liabilities	(1,466)	(1,242)
Interest paid	(3,071)	(2,049)
Net cash used in financing activities	(19,280)	(21,659)
Net increase/(decrease) in cash and cash equivalents	1,953	(26,324)
Cash and cash equivalents at 1 March	16,236	43,095
Effects of exchange rate changes on cash held	769	(535)
Cash and cash equivalents at 28 February	18,958	16,236

Notes

1. Significant accounting policies

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

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

The financial statements were authorised by the Board of Directors for issuance on 22 May 2023.

a) Basis of preparation

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

The Group and Company financial statements are prepared on a historical cost basis except for share based payment arrangements which are measured in accordance with IFRS 2 and derivative financial instruments and equity investments that are in the scope of IFRS 9 which are measured at fair value.

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

Changes in accounting policies

The following standards, amendments and interpretations were effective for accounting periods beginning on or after 1 March 2022 and these have been adopted in the Group and Company financial statements where relevant:

- Amendments to IFRS 3 (May 2020)
- Amendments to IFRS 9, and IFRS 7 – Interest Rate Benchmark Reform
- Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Accounting Standards 2018-2020 (May 2020)

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

IFRSs not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 March 2022 and have not been applied in preparing these financial statements. The relevant standards and interpretations not adopted are outlined below and will be applied when mandatory:

Amendments to IAS 1	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	1 January 2023
Amendments to IAS 12 Income Taxes	1 January 2023
Amendments to IFRS 17	1 January 2023

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

Functional and presentational currency

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

1. Significant accounting policies continued

a) Basis of preparation continued

Going concern

The financial statements are prepared on a going concern basis. The Directors consider the Group to have a resilient business model and to have considerable financial resources. It meets its day-to-day working capital requirements through cash generated from its trading activities and has long-term loan facilities in place. The Group's forecasts and projections show that the Group will continue to be cash generative and will be able to meet all obligations as they fall due with significant headroom.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Whilst the Group and Company are showing a net current liability position at the balance sheet date, this is reflective of the prevailing loan facility at this date which was renegotiated on 19 May 2023 and is disclosed as a post balance sheet event. Further information regarding the Group and Company's loan facilities are discussed in note 22. In addition, the Company has sufficient cash resources available to it through its subsidiary undertakings, accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Note 2 to the financial statements includes the Group and Company's objectives, policies and processes for managing its capital, financial risk management objectives and exposure to credit risk and liquidity risk. Note 31 details financial instruments and their impact on credit risk and liquidity.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed and revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements are as follows:

- In determining Capitalised Internally Developed Software Costs, management will need to apply judgement and evaluate the technical and commercial feasibility of each product, and the ability to yield future economic benefits, and assess likelihood of success, and ability of the Group to complete each product. Judgements are used in determining what costs meet the requirement for capitalisation under IAS 38.
- Management applies judgement in the recognition of revenue, determining when performance obligations are satisfied and control transferred. For software products provided as an annual license, including the right to regular upgrades, judgement is required when assessing whether the annual license is a separate performance obligation from the provision of upgrades to the customer. Management has assessed that the ongoing updates and upgrades to the software are fundamental to the value of the software and that without these updates the value of the software will substantially deteriorate over time. Therefore, the annual license and the updates and upgrades are combined as one performance obligation and revenue is recognised over the life of the license as the service is delivered.
- The Group and Company have incurred sales and marketing costs and software development costs in developing the KX business. As a result, the Group and Company have significant tax losses being carried forward which contribute to the Group and Company's deferred tax asset balances. Management have forecasted that the Company and Group will generate future taxable profits from the KX trade against which these deferred tax assets will be utilised.

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

- Under IFRS, goodwill on acquisitions is not amortised but is tested for impairment on an annual basis. Management has assessed goodwill for impairment based on the projected profitability of the individual cash-generating unit to which the goodwill relates. A number of key assumptions including discount rates, terminal growth rate and forecast cash flows are determined. Note 16 outlines the critical estimates applied in the value-in-use calculations that are most sensitive to changes in key assumptions and the sensitivity of these critical estimates.
- Management has estimated the fair value of equity investments and convertible loans. Management has reviewed recent market activity and has applied a discounted cash flow valuation technique to assess the fair value of the assets as at year end considering the forecast revenue and EBITDA, together with forecast exit value applying market multiples, discounted using a risk-adjusted discount rate. Details of the key assumptions used are included in note 31(b).

Management has assessed that there are no other estimates or judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements.

Measurement of fair values

A number of the Group's and Company's accounting policies and disclosures require the measurement at fair value of assets and liabilities.

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

1. Significant accounting policies continued

a) Basis of preparation continued

Measurement of fair values continued

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

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

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

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

Further information about the assumptions made in measuring fair values is included in note 31 Financial instruments.

b) Basis of consolidation

i) Business combinations

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

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

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

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

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

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

ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. In the Company's financial statements, investments in subsidiaries are carried at cost less any provision made for impairment.

iii) Non-controlling interests (NCI)

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

iv) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

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

v) Transactions eliminated on consolidation

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

1. Significant accounting policies continued

c) Foreign currency

i) Foreign currency transactions

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

- differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, which is recognised in other comprehensive income (OCI) in the Group's financial statements; and
- differences arising from the retranslation of an interest in equity securities designated at FVOCI which are recognised in OCI.

ii) Foreign operations

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

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

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

iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of foreign currency loans designated as a hedge of net investments in a foreign operation are recognised in other comprehensive income to the extent the hedge is effective and are presented in the currency translation adjustment reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

d) Property, plant and equipment

i) Owned assets

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

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

ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

iii) Depreciation

Depreciation is calculated to write down the costs of parts of items to their estimated residual values and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation is calculated using the following annual rates:

Office furniture	— 25%
Plant and equipment	— 25–50%
Leasehold improvements	— 2–20%
Right-of-use assets	— 6–50%

Items of property, plant and equipment are depreciated from the date that the asset is completed and ready for use.

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

Notes continued

1. Significant accounting policies continued

e) Intangible assets and goodwill

i) Goodwill

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

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

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

ii) Research and development

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

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

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

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

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

iii) Other intangible assets

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

iv) Subsequent expenditure

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

v) Amortisation

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

Customer lists	— 12.5%
Acquired software	— 12.5%
Brand name	— 12.5%
Internally developed software	— 12.5%–20.0%

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

f) Financial instruments

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

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

1. Significant accounting policies continued

f) Financial instruments continued

Financial liabilities are classified as measured at amortised cost or FVPL. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Trade and other receivables

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

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

Cash and cash equivalents

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

Equity investments

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

Derivative financial instruments

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

Trade and other payables

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

Loans and borrowings

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

g) Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial asset for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

h) Impairment

i) Financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost.

The Group measures loss allowances on a forward-looking basis, at an amount equal to lifetime ECLs. The Group uses an allowance matrix to measure the ECLs of trade receivables and contract assets (accrued income). Loss rates are calculated using a roll rate method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different business units based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Notes continued

1. Significant accounting policies continued

h) Impairment continued

i) Financial assets continued

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

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

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

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

ii) Non-financial assets

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

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

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

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

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

i) Employee benefits

i) Defined contribution plans

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

ii) Share based payment transactions

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

1. Significant accounting policies continued

i) Employee benefits continued

iii) Short-term benefits

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

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

j) Revenue

i) Products and services rendered

Revenue is measured based on the transaction price allocated to the performance obligation from the sale of goods or provision of services. Revenue is recognised either when the performance obligation in the contract has been performed ("point in time" recognition) or "over time" as control of the performance obligation is transferred to the customer.

Revenue in respect of each product or service is as follows:

- Revenue from perpetual software licensing is recognised at the point in time when control is transferred upon delivery to the customer where there are no significant vendor obligations remaining following delivery, the client has accepted the software and the collection of the resulting receivable is considered probable.
- Revenue from annual licensing is usually recognised on a straight-line basis over the period to which the service is provided to the customer. When the value of the satisfied performance obligations is in excess of the payment due, the Group recognises a contract asset (accrued income). When the amount of unconditional consideration is in excess of the value of satisfied performance obligations, the Group recognises a contract liability (deferred income). Once a right to receive consideration is unconditional, that amount is recognised as a receivable. Further detail on revenue recognition is provided in the critical accounting estimates and judgement section of this note.
- Revenue from consulting services is recognised in the period in which the consultants perform the work at the contracted rates for each consultant. Revenue is based on timesheets from our consultants which are authorised by the Group's customers detailing the hours and service provided.
- Maintenance and support revenue is recognised based over the term of the support arrangement. Under the standardised maintenance and support services, the Group's performance obligation is to provide product support and unspecified updates, upgrades and enhancements on a when-and-if available basis. The customers simultaneously receive and consume the benefits of these services.
- The Group undertakes the provision of software-related services for specialised business operations. Such services will be contracted on either a "fixed fee" or "time and materials" basis.

Fixed fee contracts

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

Time and materials contracts

- Where the provision of software-related services has been contracted on a time and materials basis, the customer is bound to pay for services in line with contractually pre-agreed daily rates. The revenue associated with such services is recognised on a monthly basis, in line with any chargeable time and materials delivered against a given project. Typically, time and material billing will occur on a monthly basis and clients are required to settle any payments due in line with contractually pre-agreed payment terms.
- Revenue from other services, including data management hosting, other hosting and transactional activities, is recognised over the period to which the contract relates or the transaction occurs which gives rise to the receivable. In instances where a non-refundable fee is paid by the customer, a contract liability (deferred income) is recognised and the fair value of any significant obligations is deferred and recognised over the life of the contract; the remaining balance is recognised when control is transferred following delivery and when the resulting receivable is considered probable.

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

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

Notes continued

1. Significant accounting policies continued

j) Revenue continued

ii) Government grants

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

k) Leases

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

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

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

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

l) Finance income and expenses

Finance income comprises interest receivable on funds invested and dividend income. Interest income is recognised through profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method, and foreign exchange gains and losses. The interest expense component of lease payments is recognised through profit or loss using the effective interest rate method. Finance income and expenses included the foreign currency gain or loss on financial assets and liabilities; the net gain or loss on financial assets at fair value through profit or loss; the fair value loss on contingent consideration classified as a financial liability; and hedge ineffectiveness recognised in profit or loss. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

m) Taxation

Tax expense on the profit or loss for the period presented comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

i) Current tax

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

1. Significant accounting policies continued

m) Taxation continued

ii) Deferred tax

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

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

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

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

n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. The nominal value of shares issued is recognised as share capital.

o) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at the year end.

p) (Loss)/earnings per share

The Group presents basic and diluted (loss)/earnings per share ((LPS)/EPS) data for its ordinary shares. Basic (LPS)/EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted (LPS)/EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, Executive Directors and as part of business combinations.

q) Segmental reporting

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

r) Use of non-GAAP measures – Adjusted EBITDA

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

Notes continued

2. Financial risk management

Overview

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

Market risk

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

The Group currently does not use derivative financial instruments to hedge its exposure to currency or interest rate risk. All loans are currently variable rate in nature, with the terms being at prevailing market interest rates.

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

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

Credit risk

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

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

Customer credit limits are managed by the Group's credit control team and are impacted by the previous matters and the customer historical credit characteristics. The credit control team makes regular contact with customers when debts are overdue with follow-up procedures carried out as required. The Group establishes an allowance for impairment that represents its estimate of expected credit losses in respect of trade and other receivables.

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

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

Liquidity risk

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

The Group generates positive operating cash flows and is able to meet its liabilities as they fall due. In addition, the Group has lines of credit identified in note 22 to the financial statements.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's capital management overall strategy remains unchanged from 2022. The capital structure of the Group consists of net cash (borrowings disclosed in note 22 after deducting cash and bank balances in note 20) and equity of the Group (comprising issued capital, reserves, retained earnings).

The Group is not subject to external requirements in respect of its capital, with the exception of the need to comply with the level of ordinary shares available for trading on the AIM and Euronext Growth Dublin, with which the Group has complied in the current year. Additional shares in the Group are made available to staff by the use of share option schemes as disclosed in note 32 to the financial statements and as purchase consideration in business combinations. The Board seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a strong capital position. Please see capital structure per note 21.

3. Operating and business segments

Business segments

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

- KX – Software to accelerate AI-driven innovation.
- First Derivative (FD) – Consulting services which drive digital transformation in financial services and capital markets.
- MRP – Technology-enabled services for enterprise demand generation.

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

Information about reportable segments

	KX		FD		MRP		Total	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Revenue by segment								
Revenue	80,239	64,418	174,329	147,988	41,474	51,057	296,042	263,463
Gross profit	57,971	44,520	47,345	39,376	17,025	22,240	122,341	106,136
Adjusted EBITDA	16,621	9,782	16,712	13,982	1,429	7,283	34,762	31,047
Restructure and non-operational costs							(8,716)	(3,082)
IT systems implementation costs expensed							(5,562)	(2,287)
Non-operational other income							–	2,499
Share based payment and related costs							(436)	(1,671)
Depreciation and amortisation							(18,799)	(16,994)
Amortisation of acquired intangibles							(2,797)	(3,131)
Operating (loss)/profit							(1,548)	6,381
Net finance costs							(2,646)	(4,587)
Profit on disposal of associate							3,017	6,943
Share of profit of associate, net of tax							–	262
(Loss)/profit before taxation							(1,177)	8,999

The Group has disclosed overleaf certain information regarding its revenue and non-current assets by geographical location. In presenting this information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets. Details regarding total revenues are presented in note 4.

Notes continued

3. Operating and business segments continued

Geographical location analysis

	Revenues		Non-current assets	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
UK	104,163	79,355	87,589	87,448
EMEA	55,062	46,463	17,028	16,826
The Americas	114,848	110,697	106,317	118,576
Asia Pacific	21,969	26,948	2,223	2,952
Total	296,042	263,463	213,157	225,802

Major customers

The Group has no key customers who generated more than 10% of Group revenue in 2023 or 2022.

4. Revenue

Disaggregation of revenue

	KX		FD		MRP		Total	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Type of good or service								
Sale of goods – perpetual	1,556	3,589	–	–	–	–	1,556	3,589
Sale of goods – recurring	58,326	39,192	–	–	22,446	27,015	80,772	66,207
Rendering of services	20,357	21,637	174,329	147,988	19,028	24,042	213,714	193,667
	80,239	64,418	174,329	147,988	41,474	51,057	296,042	263,463
Timing of revenue recognition								
At a point in time	1,556	3,589	–	–	–	–	1,556	3,589
Over time	78,683	60,829	174,329	147,988	41,474	51,057	294,486	259,874
	80,239	64,418	174,329	147,988	41,474	51,057	296,042	263,463

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

Receivables, accrued and deferred income

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Net current trade receivables (see note 19)	72,098	53,862	48,460	32,852
Accrued income (see note 19)	8,325	8,529	4,513	2,661
Deferred income	48,407	26,990	27,552	13,063

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

Deferred income relates to advance consideration received from customers, where revenue is recognised over time as the services are provided/delivered to customers. Movements in the deferred income balance were driven by transactions entered into by the Group within the normal course of business in the year.

5. Other income

	2023 £'000	2022 £'000
Government grants	240	317
Dividends from equity investments held at FVOCI	9	2,499
	249	2,816

In December 2018, the Group was awarded a government grant amounting to £1,268k under the Skills Growth Programme. The grant is to be drawn down on the occurrence of approved training expenditure, for the period to February 2024. The income is recognised as the costs are incurred.

In December 2020, the Group was awarded a government grant amounting to £192,202 under the ATI Programme, COREF (COnnected REconfigurable Factory). The grant is to be drawn down quarterly on the occurrence of approved labour, overheads, travel and other costs relating to COREF project expenditure, for the period to 31 December 2022, the income is recognised as the costs are incurred. For the year ended 28 February 2023 £48k was recognised in the profit and loss account (2022: £117k).

6. Operating costs

	2023 £'000	2022 £'000
Rent, rates and insurance	3,790	2,479
Telecommunications	803	602
Accountancy, audit and legal expenses	3,114	2,972
Payroll costs	84,913	74,464
– of which capitalised	(19,107)	(16,549)
Tax credit	(2,234)	(2,121)
Listing expenses	640	549
Travel and subsistence	1,968	1,415
IT expenses	4,118	4,181
Marketing expenses	3,227	3,912
Restructure and non-operational costs	8,135	3,082
IT systems implementation costs expensed	5,562	2,287
Depreciation and amortisation	21,596	20,125
Impairment loss on trade and other receivables	2,645	695
Other operating costs	4,968	4,478
	124,138	102,571

Included in the restructure and non-operational costs above are one-off costs totalling £6,865k relating to restructuring costs, particularly at MRP, and costs to address legacy employee tax liabilities while on assignment.

7. Adjusted EBITDA

	2023 £'000	2022 £'000
Operating (loss)/profit	(1,548)	6,381
Restructure and non-operational costs	8,716	3,082
Non-operational other income (see note 5)	–	(2,499)
IT systems implementation costs expensed	5,562	2,287
Share based payment and related costs	436	1,671
Depreciation and amortisation	21,596	20,125
	34,762	31,047

Notes continued

8. Auditor's remuneration

Included in profit/loss are the following:

	2023 £'000	2022 £'000
Auditor's remuneration		
Audit of these financial statements	160	136
Amounts receivable by the auditor and its associates in respect of:		
Audit of the subsidiary undertakings included in the consolidation	65	59
All other services	3	—
Taxation compliance services	—	—
Other assurance	27	25
Other tax advisory services	—	—
Expenses recharged	—	—
	255	220

9. Personnel expenses and numbers

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

	Group		Company	
	2023 Average no.	2022 Average no.	2023 Average no.	2022 Average no.
Administration	271	264	181	171
Sales	465	405	41	123
Technical	2,287	2,097	1,273	1,180
	3,023	2,766	1,495	1,474

The aggregate payroll costs of these persons were as follows:

	Group	
	2023 £'000	2022 £'000
Wages and salaries	206,387	173,122
Social security costs	18,281	15,584
Other pension costs	7,213	6,578
Share based payments (see note 32)	325	1,534
Less capitalised development costs	(19,107)	(16,549)
	213,099	180,269
Disclosed as:		
Cost of sales	147,293	122,354
Operating costs (see note 6)	65,806	57,915
	213,099	180,269

The above analysis does not include costs relating to redundancy/severance and to address legacy employee tax liabilities while on assignment, which are included as part of restructure and non-operational costs as outlined in note 6.

	Company	
	2023 £'000	2022 £'000
Wages and salaries	97,161	99,929
Social security costs	10,263	9,346
Other pension costs	3,710	3,496
Share based payments (see note 32)	325	1,534
Less capitalised development costs	(13,763)	(12,267)
	97,696	102,038

10. Finance income and expense

	2023 £'000	2022 £'000
Bank interest income	24	262
Finance income	24	262
Gain/(loss) on foreign currency translation of assets	2,107	(1,834)
Gain/(loss) on foreign currency translation	2,107	(1,834)
Financial liabilities measured at amortised costs		
– interest expense	(3,795)	(1,880)
– lease interest expense	(982)	(1,135)
Finance expense	(4,777)	(3,015)
Net finance expense recognised in profit or loss	(2,646)	(4,587)

Exchange gains and losses on net investments in foreign subsidiaries and related effective hedges are recognised in the foreign currency translation reserve. Interest expense includes a one-off expense relating to interest provided for on legacy employee tax liabilities while on assignment.

11. Tax expense

a) Income tax recognised in the income statement

	2023 £'000	2022 £'000
Current tax expense		
Current year	4,175	3,366
Adjustment for prior years	(16)	(101)
	4,159	3,265
Deferred tax expense		
Origination and reversal of temporary differences	(864)	(1,432)
Adjustment for prior years	(459)	(152)
Change in tax rate	–	891
	(1,323)	(693)
Total tax expense	2,836	2,572

b) Amounts recognised in OCI

	2023			2022		
	Before tax £'000	Tax impact £'000	After tax £'000	Before tax £'000	Tax impact £'000	After tax £'000
Items that will not be reclassified to profit or loss						
Equity investments at FVOCI – net change in fair value	1,811	(1,289)	522	109	1,299	1,408
Items that are or may be reclassified subsequently to profit or loss						
Hedge of net investment in foreign subsidiaries	4,165	(1,041)	3,124	1,577	(394)	1,183
	5,976	(2,330)	3,646	1,686	905	2,591

Notes continued

11. Tax expense continued

c) Amounts recognised in equity

	2023			2022		
	Before tax £'000	Tax impact £'000	After tax £'000	Before tax £'000	Tax impact £'000	After tax £'000
Deferred tax on share based payments	–	(181)	(181)	–	1,502	1,502
Deferred tax on losses	–	24	24	–	(1,517)	(1,517)
Current tax on losses	–	(88)	(88)	–	(65)	(65)
	–	(245)	(245)	–	(80)	(80)

	2023 £'000	2022 £'000
Reconciliation of effective tax rate		
(Loss)/profit excluding income tax	(1,177)	8,999
Income tax using the Company's domestic tax rate of 19.0% (2022: 19.0%)	(224)	1,710
Tax exempt income	(658)	(138)
Tax exempt income on disposal of associate	–	(1,345)
Expenses not deductible for tax purposes	804	95
Adjustments for prior years	(475)	(253)
Other differences	(89)	(112)
Effect of foreign exchange on consolidation	(803)	(163)
Foreign tax rate differences	845	449
Impact of change in tax rates	(591)	891
Permanent adjustment on SBP	148	973
Deferred tax not recognised in respect of losses carried forward	2,965	–
Deferred tax not recognised in respect of current period	697	–
Losses recognised in equity	79	–
Unrelieved overseas taxes	138	465
Total tax expense	2,836	2,572

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

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

The Group's overall effective tax rate in the period was impacted significantly by the derecognition of carried forward losses in the US.

The total tax charge, including discrete items is £2,836k (2022: £2,572k), which equates to an effective tax rate of (240.95%) (2022: 28.58%).

The total tax credit, excluding discrete items is £129k (2022: tax charge £708k), which equates to an effective tax rate of 10.96% (2022: 7.87%). The main factor driving the increased tax rate excluding discrete items is in relation to current period tax losses in the US not being recognised in the period which resulted in a tax adjustment of £697k.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

12. Remuneration of Directors

The remuneration paid to the Directors was:

	2023 £'000	2022 £'000
Aggregate emoluments (including benefits in kind)	1,636	1,623
Company pension contributions	28	24
Share based payment	267	287
	1,931	1,934

During the year there was one Director accruing benefits under a defined contribution pension scheme (2022: one).

The aggregate emoluments and Company pension contributions of the highest paid Director (excluding fees paid for provision of services) amounted to £687k and £nil respectively during the year (2022: £656k and £nil respectively).

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

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

13. Dividends

	2023 £'000	2022 £'000
Dividends paid to the owners of the parent		
Final dividend relating to the prior year	–	–
Interim dividend paid	–	–
	–	–

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

No final dividend was declared in relation to the comparative period and no interim dividend was declared or paid relating to the current or prior year. The cumulative dividend paid during the year amounted to £nil (2022: £nil) per share.

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

	2023 £'000	2022 £'000
£Nil per ordinary share (2022: £nil)	–	–

14. a) (Loss)/earnings per ordinary share

Basic

The calculation of basic (loss)/earnings per share at 28 February 2023 was based on the loss attributable to ordinary shareholders of £4,013k (2022: profit £6,427k), and a weighted average number of ordinary shares in issue of 27,962k (2022: 27,782k).

	2023 Pence per share	2022 Pence per share
Basic (loss)/earnings per share	(14.4)	23.1

Weighted average number of ordinary shares

	2023 Number '000	2022 Number '000
Issued ordinary shares at 1 March	27,826	27,717
Effect of share options exercised	124	58
Effect of shares issued as remuneration	12	7
Weighted average number of ordinary shares at 28 February	27,962	27,782

14. a) (Loss)/earnings per ordinary share continued

Diluted

The calculation of diluted (loss)/earnings per share at 28 February 2023 was based on the loss attributable to ordinary shareholders of £4,013k (2022: profit £6,427k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 27,962k (2022: 28,036k).

	2023 Pence per share	2022 Pence per share
Diluted (loss)/earnings per share	(14.4)	22.9

Weighted average number of ordinary shares (diluted)

	2023 Number '000	2022 Number '000
Weighted average number of ordinary shares (basic)	27,962	27,782
Effect of dilutive share options in issue	–	254
Weighted average number of ordinary shares (diluted) at 28 February	27,962	28,036

At 28 February, in accordance with IAS 33, due to the loss in the financial period share options in issue are anti-dilutive meaning there is no difference between basic and diluted earnings per share. In the prior year 518,137 shares were excluded from the diluted weighted average calculation as their effect would have been anti-dilutive. The average market value of the Group's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the year during which the options were outstanding.

14. b) (Loss)/earnings before tax per ordinary share

(Loss)/earnings before tax per share are based on loss before taxation of £1,177k (2022: profit £8,999k). The number of shares used in this calculation is consistent with note 14(a) above.

	2023 Pence per share	2022 Pence per share
Basic (loss)/earnings before tax per ordinary share	(4.3)	32.4
Diluted (loss)/earnings before tax per ordinary share	(4.3)	32.1

Reconciliation from (loss)/earnings per ordinary share to (loss)/earnings before tax per ordinary share:

	2023 Pence per share	2022 Pence per share
Basic (loss)/earnings per share	(14.4)	23.1
Impact of taxation charge	10.1	9.3
Basic (loss)/earnings before tax per share	(4.3)	32.4
Diluted (loss)/earnings per share	(14.4)	22.9
Impact of taxation charge	10.1	9.2
Diluted (loss)/earnings before tax per share	(4.3)	32.1

(Loss)/earnings before tax per share is presented to facilitate pre-tax comparison returns on comparable investments.

14. c) Adjusted earnings after tax per ordinary share

Adjusted earnings after tax per share is based on an adjusted profit after taxation of £9,864k (2022: £9,051k). The adjusted profit after tax has been calculated by adjusting the loss after tax £4,013k (2022: profit £6,427k) for the amortisation of acquired intangibles after tax effect of £2,565k (2022: £2,715k), share based payment and related charges after tax effect of £353k (2022: £1,353k), restructure and non-operational costs after tax effect of £14,781k (2022: £4,473k), profit on disposal of associate after tax and share of profit of associate after tax effect of £3,017k (2022: £7,206k), the profit on foreign currency translation after tax effect of £1,707k (2022: loss £1,485k), finance costs after tax effect of £902k (2022: £nil) and finance income from sale of investment after tax effect of £nil (2022: £197k). The number of shares used in this calculation is consistent with note 14(a) above.

	2023 Pence per share	2022 Pence per share
Adjusted basic earnings after tax per ordinary share	35.3	32.6
Adjusted diluted earnings after tax per ordinary share	35.3	32.3

15. Property, plant and equipment

Group

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2022	5,444	14,372	1,366	30,171	51,353
Additions	441	2,362	137	1,035	3,975
Disposals	(104)	(34)	—	(880)	(1,018)
Reclass	1,468	(1,468)	—	—	—
Exchange adjustments	230	624	89	1,443	2,386
At 28 February 2023	**7,479**	**15,856**	**1,592**	**31,769**	**56,696**
Depreciation					
At 1 March 2022	3,544	8,544	1,116	9,806	23,010
Charge for the year	671	2,257	171	4,166	7,265
Disposals	(32)	—	—	(451)	(483)
Reclass	(38)	(9)	47	—	—
Exchange adjustments	116	539	28	628	1,311
At 28 February 2023	**4,261**	**11,331**	**1,362**	**14,149**	**31,103**

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2021	6,224	11,886	1,349	32,590	52,049
Additions	318	2,442	17	377	3,154
Disposals	(1,144)	(10)	—	(3,131)	(4,285)
Exchange adjustments	46	54	—	335	435
At 28 February 2022	5,444	14,372	1,366	30,171	51,353
Depreciation					
At 1 March 2021	3,321	6,845	894	7,448	18,508
Charge for the year	531	1,673	219	3,885	6,308
Disposals	(337)	(10)	—	(1,636)	(1,983)
Exchange adjustments	29	36	3	109	177
At 28 February 2022	3,544	8,544	1,116	9,806	23,010
Carrying amounts					
At 1 March 2021	2,903	5,041	455	25,142	33,541
At 28 February 2022	1,900	5,828	250	20,365	28,343
At 28 February 2023	**3,218**	**4,525**	**230**	**17,620**	**25,593**

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

Property, plant and equipment includes right-of-use assets of £17,620k (2022: £20,365k), related to leased properties that do not meet the definition of investment property.

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

Notes continued

15. Property, plant and equipment continued

Company

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2022	3,395	3,922	726	13,142	21,185
Reclass	558	(558)	—	—	—
Additions	441	1,260	138	244	2,083
Disposals	(105)	—	—	—	(105)
At 28 February 2023	**4,289**	**4,624**	**864**	**13,386**	**23,163**
Depreciation					
At 1 March 2022	1,817	1,958	640	3,659	8,074
Charge for the year	425	776	83	1,642	2,926
Disposals	(32)	—	—	—	(32)
At 28 February 2023	**2,210**	**2,734**	**723**	**5,301**	**10,968**

	Leasehold improvements £'000	Plant and equipment £'000	Office furniture £'000	Right-of-use assets £'000	Total £'000
Cost					
At 1 March 2021	4,221	2,578	726	15,621	23,146
Additions	318	1,344	—	—	1,662
Disposals	(1,144)	—	—	(2,479)	(3,623)
At 28 February 2022	3,395	3,922	726	13,142	21,185
Depreciation					
At 1 March 2021	1,843	1,596	517	3,114	7,070
Charge for the year	311	362	123	1,529	2,325
Disposals	(337)	—	—	(984)	(1,321)
At 28 February 2022	1,817	1,958	640	3,659	8,074
Carrying amounts					
At 1 March 2021	2,378	982	209	12,507	16,076
At 28 February 2022	1,578	1,964	86	9,483	13,111
At 28 February 2023	**2,079**	**1,890**	**141**	**8,085**	**12,195**

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

Property, plant and equipment includes right-of-use assets of £8,085k (2022: £9,483k) related to leased properties that do not meet the definition of investment property.

16. Intangible assets and goodwill

Group

	Goodwill £'000	Customer lists £'000	Acquired software £'000	Brand name £'000	Internally developed software £'000	Total £'000
Cost						
Balance at 1 March 2022	106,501	12,834	29,769	743	101,540	251,387
Additions	–	–	330	–	–	330
Development costs	–	–	–	–	23,138	23,138
Exchange adjustments	10,141	1,083	2,877	59	978	15,138
At 28 February 2023	**116,642**	**13,917**	**32,976**	**802**	**125,656**	**289,993**
Amortisation						
Balance at 1 March 2022	–	11,832	26,106	703	57,139	95,780
Amortisation for the year	–	944	1,816	37	11,534	14,331
Exchange adjustment	–	1,003	2,527	55	637	4,222
At 28 February 2023	**–**	**13,779**	**30,449**	**795**	**69,310**	**114,333**

	Goodwill £'000	Customer lists £'000	Acquired software £'000	Brand name £'000	Internally developed software £'000	Total £'000
Cost						
Balance at 1 March 2021	103,527	12,467	28,535	733	83,531	228,793
Development costs	–	–	–	–	18,553	18,553
Additions	–	–	378	–	–	378
Exchange adjustments	2,974	367	856	10	(544)	3,663
At 28 February 2022	106,501	12,834	29,769	743	101,540	251,387
Amortisation						
Balance at 1 March 2021	–	10,426	22,619	652	47,583	81,280
Amortisation for the year	–	1,083	2,475	42	10,217	13,817
Exchange adjustment	–	323	1,012	9	(661)	683
At 28 February 2022	–	11,832	26,106	703	57,139	95,780
Carrying amounts						
At 1 March 2021	103,527	2,041	5,916	81	35,948	147,513
At 28 February 2022	106,501	1,002	3,663	40	44,401	155,607
At 28 February 2023	**116,642**	**138**	**2,527**	**7**	**56,346**	**175,660**

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

Included within development costs capitalised in the year is £19,107k (2022: £16,549k) of capitalised employee costs for the year. Developed software includes £11,290k (2022: £6,922k) of software under development at 28 February 2023 not yet commissioned, which relates largely to ongoing development of the KX software. This is included in the KX impairment assessment which is discussed overleaf.

Notes continued

16. Intangible assets and goodwill continued

Group continued

Impairment testing of goodwill

The Group tests goodwill for impairment at each reporting date or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to segments which represent the lowest level within the Group at which goodwill is monitored. The recoverable amount of goodwill has been determined based on a value-in-use calculation using cash flows derived from financial projections covering a five-year period, with cash flows thereafter calculated using a terminal value methodology, using a CGU specific, risk adjusted discount rate to calculate their net present value.

Goodwill and indefinite life intangible assets are allocated to the Group's CGUs according to business segment. A segment-level summary of the allocation of goodwill and indefinite useful life intangible assets is presented below:

	KX £'000	FD £'000	MRP £'000	Total goodwill £'000
Goodwill at 1 March 2022	87,554	1,899	17,048	106,501
Foreign currency translation adjustment	8,223	—	1,918	10,141
Amortisation of intangibles	—	—	—	—
Balance at 28 February 2023	95,777	1,899	18,966	116,642

Key assumptions

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

(a) CGU specific operating assumptions

CGU specific operating assumptions are applicable to the forecasted cash flows for the years FY24 to FY26 and relate to revenue forecasts and EBITDA margins in each of the operating CGUs. The values applied to these key assumptions are derived from a combination of external and internal factors, based on past experience together with management's future expectations about business performance.

(b) Discount rate

Discount rates reflect the current market assessment of the risk specific to each CGU. The discount rate was estimated based on past experience and industry average weighted average cost of capital adjusted to reflect the current market assessment of risks specific to each CGU for which the cash flow projections have not been adjusted. The risk-adjusted discount rates used in each business segment for impairment testing are as follows:

	KX	FD	MRP
Risk-adjusted discount rate	12.0%	12.0%	13.0%

(c) Long term growth rate

The long term growth rates used in each region for impairment testing are as follows:

	KX	FD	MRP
Long term growth rate	2%	2%	2%

Sensitivity analysis

There was no impairment charge for the year ended 28 February 2023 (2022: £nil). Management have reviewed changes to assumptions which are based on best estimates in arriving at value-in-use, future growth rates and the discount rate applied to cash flow projections and has identified that a reasonable possible change in two key assumptions could cause the carrying amounts to equal the recoverable amount. The following table shows the amounts by which these two assumptions would need to change for the estimated recoverable amount to be equal to the carrying amount, Management believe there to be no reasonably possible changes that would result in an impairment charge being recognised in the FD CGU.

	KX	FD	MRP
Risk-adjusted discount rate %	28%	n/a	27%
Budgeted EBITDA margin	10%	n/a	5%

16. Intangible assets and goodwill continued

Company

	Goodwill £'000	Acquired software £'000	Internally developed software £'000	Total £'000
Cost				
Balance at 1 March 2022	1,947	914	74,083	76,944
Development costs	–	–	17,183	17,183
Additions	–	234	–	234
Balance at 28 February 2023	**1,947**	**1,148**	**91,266**	**94,361**
Amortisation and impairment losses				
Balance at 1 March 2022	–	402	40,955	41,357
Amortisation for the year	–	191	8,980	9,171
Balance at 28 February 2023	**–**	**593**	**49,935**	**50,528**

	Goodwill £'000	Acquired software £'000	Internally developed software £'000	Total £'000
Cost				
Balance at 1 March 2021	1,947	731	60,026	62,704
Development costs	–	–	14,057	14,057
Additions	–	183	–	183
Balance at 28 February 2022	1,947	914	74,083	76,944
Amortisation and impairment losses				
Balance at 1 March 2021	–	331	33,365	33,696
Amortisation for the year	–	71	7,590	7,661
Balance at 28 February 2022	–	402	40,955	41,357
Carrying amounts				
At 1 March 2021	1,947	400	26,661	29,008
At 28 February 2022	1,947	512	33,128	35,587
At 28 February 2023	**1,947**	**555**	**41,331**	**43,833**

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

Included within development costs capitalised in the year is £13,763k (2022: £12,267k) of capitalised employee costs. Developed software includes £7,133k (2022: £3,547k) of software under development at 28 February 2023 not yet commissioned. Uncommissioned development expenditure is assessed for impairment annually as part of the underlying CGU.

Impairment testing of goodwill

The Company tests goodwill for impairment at each reporting date, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill has been determined based on a value-in-use calculation using cash flows derived from financial projections covering a five-year period, with cash flows thereafter calculated using a terminal value methodology. There was no impairment charge for the year ended 28 February 2023 (2022: £nil).

Notes continued

17. Investment in subsidiaries and associate

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

	Address of registered office**	Class of share held	Ownership 2023	2022
Activate Clients Limited*	Ireland	Ordinary	100%	100%
First Derivative Limited*	United Kingdom	Ordinary	100%	n/a
First Derivatives (Hong Kong) Limited*	Hong Kong	Ordinary	100%	100%
First Derivatives (Ireland) Limited*	Ireland	Ordinary	100%	100%
First Derivatives Canada Inc.*	Canada	Ordinary	100%	100%
First Derivatives Holdings Inc.*	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited*	Australia	Ordinary	100%	100%
First Derivatives I Limited*	United Kingdom	Ordinary	100%	100%
First Derivatives Investments LLP	United Kingdom	Ordinary	100%	100%
First Derivatives Japan Co. Limited*	Japan	Ordinary	100%	100%
First Derivative Poland Sp Z.o.o*	Poland	Ordinary	100%	100%
First Derivatives Pte Limited*	Singapore	Ordinary	100%	100%
First Derivatives Pty Limited	Australia	Ordinary	100%	100%
First Derivatives Services Limited*	United Kingdom	Ordinary	100%	100%
First Derivatives South Africa (Pty) Limited*	South Africa	Ordinary	100%	100%
First Derivatives South Korea*	South Korea	Ordinary	100%	100%
First Derivatives Sweden AB*	Sweden	Ordinary	100%	100%
First Derivatives US Inc	United States	Ordinary	100%	100%
FD Technologies (Spain) SLU	Spain	Ordinary	100%	100%
FDT One Limited*	United Kingdom	Ordinary	100%	100%
KX Canada Inc.*	Canada	Ordinary	100%	n/a
KX Group Ltd*	United Kingdom	Ordinary	100%	n/a
KX Systems Inc.*	United States	Ordinary	100%	100%
KX Systems Ltd*	United Kingdom	Ordinary	100%	n/a
KX Systems Hungary*	Hungary	Ordinary	100%	100%
Market Resource Partners (Ireland) Limited	Ireland	Ordinary	100%	n/a
Market Resource Partners Australia Pty	Australia	Ordinary	100%	n/a
Market Resource Partners Canada Inc	Canada	Ordinary	100%	n/a
Market Resource Partners Limited	United Kingdom	Ordinary	100%	100%
Market Resource Partners LLC	United States	Ordinary	100%	100%
MRP Holdings Limited*	United Kingdom	Ordinary	100%	n/a
MRPFD S.A DE C.V	Mexico	Ordinary	100%	100%
Prelytix LLC	United States	Ordinary	100%	100%
QuantumKDB Limited*	United Kingdom	Ordinary	100%	100%
Redshift Horizons Limited*	United Kingdom	Ordinary	100%	100%
Reference Data Factory LLC	United States	Ordinary	100%	100%

* Owned directly by FD Technologies plc.

** Full address is shown at end of document.

During the year the Company continued to expand its presence across the globe by establishing MRP Canada on 1 March 2022, MRP Ireland on 3 March 2022, MRP Holdings Limited on 8 July 2022, KX Systems Ltd on 2 August 2022, MRP Australia on 17 October 2022, First Derivative Limited and KX Group Ltd on 14 November 2022 and KX Canada Inc on 19 December 2022. During the year the previously held 100% subsidiary Quantum KDB Limited Hong Kong was dissolved. Following the year end MRP Brazil Inc was incorporated on 1 March 2023.

17. Investment in subsidiaries and associate continued

Subsidiaries

Unlisted investments in subsidiaries

	Company	
	2023 £'000	2022 £'000
Cost		
At 1 March 2022	132,435	133,464
Additions	6,089	118
Impairment	(7,546)	–
Disposals	–	(1,147)
At 28 February 2023	130,978	132,435

During the year, the Company commenced a restructure of its statutory structure and as a result of this, certain subsidiaries do not expect to have future cashflows to underpin their carrying value and the following impairment of those subsidiaries has been recognised: FD Technologies (Spain) SLU (formerly Telconomics09 S.L), £536k, ActivateClients, £2,167k and First Derivatives Holdings Pty Limited, £2,002k. In addition, in preparation of the dissolution of Quantum KDB Limited, Redshift LLP and Redshift Horizons Limited, impairments of £2,648k, £9k and £184k respectively were recognised.

Additions in the year relate to new subsidiaries £79k, and capital contributions of £6,010k to First Derivatives Canada Inc .

Associate

On 5 October 2021 First Derivatives I Limited, a company wholly owned by FD Technologies plc, executed an agreement for the disposal of its holding in its associate RxDataScience Inc. A profit on disposal of £6,943k was recognised within the consolidated statement of comprehensive income in FY22. During FY23 additional proceeds of £3,017k were recognised during the year based on the delivery of earn-out arrangements included in the agreement for the disposal of the Group's interest in this entity which were not considered probable at the prior year end.

	2023 £'000	2022* £'000
Revenue	–	4,185
Profit from continuing operations (100%)	–	715
Other comprehensive income (100%)	–	–
Total comprehensive income (100%)	–	715
Total comprehensive income (36.66%)	–	262

* 2022 results reflect the contribution for the seven months ended 5 October 2022 reflective of change in ownership.

18. Other financial assets

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Non-current investments				
Equity securities at FVOCI	9,356	19,676	956	3,485
	9,356	19,676	956	3,485

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

The Group designates the investments as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes. The previously held largest single investment in Quantile Technologies Ltd was disposed of in November 2022; no other investments is individually significant.

The Group and Company have recognised dividend income in the year from their FVOCI investment Seraphim Space LP of £9k (2022: £2,499k).

19. Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current assets				
Trade receivables	72,098	53,862	48,460	32,852
Receivables from subsidiaries	—	—	3,495	39,189
Other receivables	7,299	1,511	1,110	1,273
Accrued income	8,325	8,529	4,513	2,661
Prepayments	8,436	9,461	6,495	7,959
Grant income receivable	591	666	325	311
	96,749	74,029	64,398	84,245

	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Non-current assets				
Receivables from subsidiaries[1]	—	—	55,429	54,890
Convertible loans	283	283	—	—
Other loans	104	104	—	—
Trade and other receivables	1,410	2,661	734	1,987
Grant income receivable	751	697	—	—
	2,548	3,745	56,163	56,877

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

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

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

The Group's and Company's exposure to currency risks and impairment losses related to trade and other receivables is disclosed in note 31.

20. Cash and cash equivalents

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Bank balances	36,905	48,564	18,958	16,236

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

21. Share capital

	Ordinary shares	
	2023 Number	2022 Number
In issue at 1 March	27,826,486	27,717,324
Exercise of share options (see note 32)	222,800	100,250
Issued as remuneration	15,568	8,912
In issue at year end – fully paid	28,064,854	27,826,486

	2023 Number	2023 £'000	2022 Number	2022 £'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	28,064,854	140	27,826,486	139

21. Share capital continued

Shares increased in the year due to the exercise of 222,800 share options (2022: 100,250) for cash consideration of £3,080k (2022: £773k) and the issue of 15,568 shares (2022: 8,912) as remuneration of £286k (2022: £255k).

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

Nature and purpose of reserves

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

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

Fair value reserve – The fair value reserve comprises the cumulative net change in the fair value of equity securities designated at fair value through OCI. Additionally, the fair value reserve of the Company relates to the revaluation reserve which arose on revaluation relating to Kx Systems Inc. prior to significant influence being obtained. The balance is continued to be retained as the Company continues to retain this original investment.

Merger reserve – The merger reserve represents the fair value of the consideration given in excess of the nominal value of the ordinary shares issued on the acquisition of subsidiaries (interest of at least 90%) on share for share exchanges. During the prior year it was assessed that the benefits of merger were fully utilised and the balance of the merger reserve was transferred to retained earnings.

22. Loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group and Company's exposure to interest rate, foreign currency and liquidity risk arising from these loans and borrowings (see note 31).

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current liabilities				
Secured bank loans	36,499	5,311	36,499	5,311
Lease liabilities	3,412	3,743	1,007	1,445
	39,911	9,054	37,506	6,756
Non-current liabilities				
Secured bank loans	–	42,925	–	42,926
Lease liabilities	17,026	19,579	7,522	8,549
	17,026	62,504	7,522	51,475

Terms and repayment schedule

After the year end, we refinanced our banking facilities, which had been due to expire in June 2024, on improved terms. The total facility remains at £130m and is entirely comprised of a revolving credit facility, replacing a £65m term loan and £65m revolving credit facility. The interest rate payable is SONIA/SOFR plus a fixed margin that depends on the level of debt relative to adjusted EBITDA. The margin on the new revolving credit facility is equal to 1.85% to 2.85%, this compares favourably to the previous margin of 2% to 3%. The lead arranger for the facility remains Bank of Ireland, with continued participation from Barclays and AIB and new participation from HSBC.

Notes continued

22. Loans and borrowings continued

Terms and repayment schedule continued

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2023 Face value £'000	2023 Carrying amount £'000	2022 Face value £'000	2022 Carrying amount £'000
Term loan – USD	USD	2.0%+US Libor[1]	2024	35,064	34,885	46,901	46,540
Term loan – GBP	GBP	2.0%+SONIA[1]	2024	1,622	1,614	1,709	1,696
Revolving loan	Multi	2.0%+[1]	2024	–	–	–	–
Lease liabilities	Multi	3.78%	2022-2035	20,438	20,438	23,322	23,322
Total interest bearing				57,124	56,937	71,932	71,558

1 The nominal interest rate varies as the Group meets financial targets and these have been assessed as being closely linked to the underlying contract with a minimum rate available of 2.0%+ SONIA/US LIBOR where applicable.

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

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

Group	2022 £'000	New/(disposed) leases £'000	Cash flow on principal £'000	Cash flow on interest £'000	Non-cash movement £'000	2023 £'000
Secured bank loans	48,236	–	(17,823)	–	6,086*	36,499
Lease liabilities	23,322	(50)	(4,000)	(982)	2,148	20,438
Total liabilities from financing activities	71,558	(50)	(21,823)	(982)	8,234	56,937

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

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

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

Company	2022 £'000	New/(disposed) leases £'000	Cash flow on principal £'000	Cash flow on interest £'000	Non-cash movement £'000	2023 £'000
Secured bank loans	48,236	–	(17,823)	–	6,086*	36,499
Lease liabilities	9,994	–	(1,466)	(386)	387	8,529
Total liabilities from financing activities	58,230	–	(19,289)	(386)	6,473	45,028

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

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

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

23. Trade and other payables

Current liabilities

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade payables	11,291	12,833	6,852	8,796
Other payables	15,745	14,745	10,234	10,307
Accruals	13,460	5,214	5,457	2,966
Government grants	970	814	790	654
Payables to subsidiaries	—	—	95,146	83,083
	41,466	33,606	118,479	105,806

Non-current liabilities

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Government grants	3,681	3,190	2,972	2,579
	3,681	3,190	2,972	2,579

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

24. Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Property, plant and equipment	1,979	—	(907)	(252)
Share based payments	428	280	—	—
Trading losses	14,424	14,017	—	—
Other financial assets at fair value	54	54	(1,358)	(2,661)
Intangible assets	397	659	(13,493)	(12,394)
Short-term temporary differences	3,082	2,204	—	—
Other*	949	784	—	—
Tax assets/(liabilities) before set-off	21,313	17,998	(15,758)	(15,307)
Set-off of tax	—	—	—	—
Net tax assets/(liabilities)	21,313	17,998	(15,758)	(15,307)

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

Notes continued

24. Deferred taxation continued

Group continued

Movement in deferred tax balances differences during the year:

	Balance at 1 March 2022 £'000	Impact of change in tax rate in equity £'000	Impact of change in tax rate in profit and loss £'000	Recognised in income £'000	Recognised in equity £'000	Recognised in OCI £'000	Balance at 28 February 2023 £'000
Property, plant and equipment	(252)	–	–	1,411	–	(87)	**1,072**
Share based payments	280	–	–	–	181	(33)	**428**
Trading losses	14,017	–	–	189	(24)	242	**14,424**
Other financial assets at fair value	(2,607)	–	–	–	1,289	14	**(1,304)**
Intangible assets	(11,735)	–	–	(988)	–	(373)	**(13,096)**
Short-term temporary differences	2,204	–	–	591	–	287	**3,082**
Other	784	–	–	120	–	45	**949**
	2,691	–	–	1,323	1,446	95	**5,555**

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

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

As at 28 February 2023, the Group has losses carried forward generated in the United Kingdom, Ireland, Australia and Spain which total £57,329k and have no expiration period.

The Group also has US federal and state income tax net operating loss (NOL) carry forwards of £32k which will expire, if not utilised, in the tax years 2031–2042. At the end of each reporting period, management assess the recognition of these deferred tax assets to determine the extent that it is probable that future taxable profit will allow the utilisation of the deferred tax asset. As a result of this assessment, the Group has not recognised US federal and state income tax net operating loss (NOL) of £25,153k at the balance sheet date.

The Group has not recognised a deferred tax asset on the fair value movement on equity investments of £3,689k. The Group does not recognise deferred tax where the fair value of equity investments is below cost, and it is not probable that the temporary difference will reverse in the foreseeable future.

The Group has also not recognised a deferred tax asset on Corporate Interest Restriction carried forward of £1,031k.

24. Deferred taxation continued

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Property, plant and equipment and intangibles	1,792	378	(7,973)	(7,185)
Share based payments	429	255	–	–
Trading losses	13,786	10,231	–	–
Other financial assets at fair value	–	92	(69)	(121)
Other*	1,136	997	–	–
Tax assets/(liabilities) before set-off	17,143	11,953	(8,042)	(7,306)
Set-off of tax	–	–	–	–
Net tax assets/(liabilities)	17,143	11,953	(8,042)	(7,306)

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

Movement in deferred tax balances during the year:

	Balance at 1 March 2022 £'000	Impact of change in tax rate in equity £'000	Impact of change in tax rate in profit and loss £'000	Recognised in profit and loss £'000	Recognised in equity £'000	Balance at 28 February 2023 £'000
PPE and intangibles	(6,807)	–	–	626	–	(6,181)
Share based payments	255	–	–	–	174	429
Trading losses	10,231	–	–	3,467	88	13,786
Other financial assets at fair value	(29)	–	–	–	(40)	(69)
Other	997	–	–	144	(5)	1,136
	4,647	–	–	4,237	217	9,101

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

The basis by which taxation is calculated is stated in note 1. The Company has not recognised deferred tax asset on the fair value movement of investments on equity investments of £420k. The Company has not recognised a deferred tax asset on Corporate Interest Restriction carried forward of £1,031k.

25. Current tax

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current tax receivable	6,114	4,172	5,176	3,969
Current tax payable	682	382	–	–

Notes continued

26. Employee benefits

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Accrued holiday pay	2,547	2,201	1,211	1,133
Employee taxes	3,892	6,361	2,630	5,097
	6,439	8,562	3,841	6,230

27. Leases

The Group leases office properties. The leases typically have an average remaining life of five years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The Group leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as right-of-use assets (see note 15).

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
ii. Amounts recognised in profit or loss – interest on lease liabilities	982	1,135	387	486
iii. Amounts recognised in statement of cash flows – principal lease liability payments	4,000	3,598	1,466	1,242
Total cash outflow	4,982	4,733	1,853	1,728

28. Commitments

The maturity analysis of lease liabilities as at 28 February 2023 is as follows:

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current lease liabilities	3,412	3,743	1,007	1,445
Non-current lease liabilities	17,026	19,579	7,522	8,549
	20,438	23,322	8,529	9,994

Maturity analysis:

	Group	
	2023 £'000	2022 £'000
Year 1	3,412	3,743
Year 2	3,426	3,215
Year 3	3,578	3,171
Year 4	2,885	3,346
Year 5	1,853	2,684
Over 5 years	5,284	7,163
	20,438	23,322

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

29. Pension contributions

The Group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £7,213k (2022: £6,578k). Contributions amounting to £1,751k (2022: £1,558k) were payable to the schemes at the year end and are included in creditors.

30. Related party transactions

Parent and ultimate controlling party

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

Group

Key management personnel compensation

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

During the financial year the Group generated revenues of £121k (2022: £228k) from Nutanix for which Virginia Gambale is the chair of the Executive advisory board. All transactions were carried out at arm's length. Also during the financial year, the Group generated revenues of £345k from Virtu Financial (2022: £nil), and incurred costs of £7k from JAMF(2022: £nil), both of which Virginia Gambale is a director. All transactions were carried out at arm's length.

During the financial year the Group generated revenues of £nil (2022: £31k) and incurred costs of £128k (2022: £67k) from Cloudflare for which Thomas Seifert is chief financial officer. All transactions were carried out at arm's length.

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

Company

Other related party transactions

	Sales to subsidiaries		Costs charged by subsidiaries	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Subsidiaries	25,554	22,389	95,826	59,005

	Receivables outstanding		Payables outstanding	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Subsidiaries	58,924	94,078	95,146	83,083

Interest is charged on intercompany loans at market rates.

There were no dividends paid by the Company to the Directors during the year (2022: £nil).

Notes continued

31. Financial instruments

Fair values

a) Accounting classifications and fair values

Group

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

	Carrying value						
28 February 2023	FVPL £'000	FVOCI £'000	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000	Fair value £'000	Level
Financial assets measured at fair value							
Equity securities	–	886	–	–	886	–	1
Equity securities	–	8,470	–	–	8,470	8,470	3
Convertible loans	283	–	–	–	283	283	3
	283	9,356	–	–	9,639	8,753	
Financial assets not measured at fair value							
Trade and other receivables	–	–	90,578	–	90,578	[1]	
Cash and cash equivalents	–	–	36,905	–	36,905	[1]	
	–	–	127,483	–	127,483		
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(36,499)	(36,499)	[1]	
Trade and other payables	–	–	–	(71,240)	(71,240)	[1]	
	–	–	–	(107,739)	(107,739)		

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

31. Financial instruments continued

Fair values continued

a) Accounting classifications and fair values continued

Group continued

28 February 2022	Carrying value FVPL £'000	FVOCI £'000	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000	Fair value £'000	Level
Financial assets measured at fair value							
Equity securities	–	19,676	–	–	19,676	19,676	3
Convertible loans	283	–	–	–	283	283	3
	283	19,676	–	–	19,959	19,959	
Financial assets not measured at fair value							
Trade and other receivables	–	–	68,030	–	68,030	[1]	
Cash and cash equivalents	–	–	48,564	–	48,564	[1]	
	–	–	116,594	–	116,594		
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(48,236)	(48,236)	[1]	
Trade and other payables	–	–	–	(50,386)	(50,386)	[1]	
	–	–	–	(98,622)	(98,622)		

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

Company

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

28 February 2023	Carrying value FVPL £'000	FVOCI £'000	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000	Fair value £'000	Level
Financial assets measured at fair value							
Equity securities	–	886	–	–	886	–	1
Equity securities	–	70			70	70	3
Convertible loans	–	–	–	–	–	–	3
	–	956	–	–	956	70	
Financial assets not measured at fair value							
Trade and other receivables	–	–	114,066	–	114,066	[1]	
Cash and cash equivalents	–	–	18,958	–	18,958	[1]	
	–	–	133,024	–	133,024		
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(36,499)	(36,499)	[1]	
Trade and other payables	–	–	–	(136,319)	(136,319)	[1]	
	–	–	–	(172,818)	(172,818)		

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

Notes continued

31. Financial instruments continued

Fair values continued

a) Accounting classifications and fair values continued

Company continued

	Carrying value						
28 February 2022	FVPL £'000	FVOCI £'000	Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000	Fair value £'000	Level
Financial assets measured at fair value							
Equity securities	–	3,485	–	–	3,485	3,485	3
Convertible loans	–	–	–	–	–	–	3
	–	3,485	–	–	3,485	3,485	
Financial assets not measured at fair value							
Trade and other receivables	–	–	133,162	–	133,162	[1]	
Cash and cash equivalents	–	–	16,236	–	16,236	[1]	
	–	–	149,398	–	149,398		
Financial liabilities not measured at fair value							
Secured bank loans	–	–	–	(48,236)	(48,236)	[1]	
Trade and other payables	–	–	–	(111,067)	(111,067)	[1]	
	–	–	–	(159,303)	(159,303)		

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

b) Measurement of fair values

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

The Group and Company have no assets or liabilities measured under Level 2.

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

Financial instruments at fair value

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

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

	Range in inputs		Change in input	Impact on fair value	
Significant inputs	2023	2022		2023 £'000	2022 £'000
Forecast annual revenues – with adjustments applied to Company forecasts	0–90%	0–60%	+/(-)15%	1,649/(1,509)	1,440/(1,418)
Risk-adjusted discount rate	30–55%	35–60%	-/(+)5%	1,554/(1,259)	1,544/(1,245)
Market multiple exit values – revenue based valuation	2.5x–5.5x	1x–8x	+/(-)15%	984/(1,043)	991/(990)

31. Financial instruments continued

Fair values continued

b) Measurement of fair values continued

Reconciliation of Level 3 fair value

Group

	Convertible loans £'000	Unquoted equities £'000
Balance at 1 March 2022	282	19,676
Transfer to Level 1	–	(2,774)
Disposals	–	(2,324)
Adjustments to fair value	–	(6,275)
Transfers	–	–
Foreign exchange gain	–	167
Balance at 28 February 2023	**282**	**8,470**

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

Company

	Convertible loans £'000	Unquoted equities £'000
Balance at 1 March 2022	–	3,485
Transfer to Level 1	–	(2,774)
Changes in fair value	–	(763)
Foreign exchange loss	–	122
Balance at 28 February 2023	**–**	**70**

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

31. Financial instruments continued

Exposure to credit risk

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

	Group Carrying amount		Company Carrying amount	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current assets	96,749	74,029	64,398	84,245
Non-current assets	2,548	3,745	56,163	56,877
Cash and cash equivalents	36,905	48,564	18,958	16,236
	136,202	126,338	139,519	157,358

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

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Europe	12,215	12,028	8,610	9,365
North America	36,520	29,842	71,776	91,700
United Kingdom	34,324	21,746	27,134	29,511
Asia Pacific	7,802	4,697	6,546	2,586
	90,861	68,313	114,066	133,162

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

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
End-user customer	80,424	63,644	52,972	36,766
Convertible and other loans	387	387	–	–
Receivable from subsidiaries	–	–	58,925	94,078
Other*	10,050	4,282	2,169	2,318
	90,861	68,313	114,066	133,162

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

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

Impairment losses

Trade receivables and accrued income

Expected credit loss assessment

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

Group	Weighted average loss rate 2023 %	Gross carrying amount 2023 £'000	Loss allowance 2023 £'000
Not past due	0.06	55,257	32
Past due 0–30 days	0.51	5,729	29
Past due 31–120 days	0.57	11,028	63
Past due 121–180 days	2.49	3,859	96
Past due 181–365 days	9.54	4,003	382
Past due 366 days +	65.2	3,301	2,152
Total		83,177	2,754

31. Financial instruments continued

Exposure to credit risk continued

Impairment losses continued

Trade receivables and accrued income continued

Expected credit loss assessment continued

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

Company	Weighted average loss rate 2023 %	Gross carrying amount 2023 £'000	Loss allowance 2023 £'000
Not past due	0.09	36,150	32
Past due 0–30 days	0.60	4,860	29
Past due 31–120 days	1.00	6,309	63
Past due 121–180 days	1.34	2,831	38
Past due 181–365 days	6.26	2,477	155
Past due 366 days +	44.98	1,205	542
Total		**53,832**	**859**

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

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

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Balance at 1 March	1,644	1,610	385	314
Net remeasurement of loss allowance	2,645	708	1,741	112
Foreign exchange impact	67	2	–	–
Amounts written off	(1,602)	(676)	(1,267)	(41)
Closing balance	**2,754**	1,644	**859**	385

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

Debtor days increased to 88 from 76 at 2022.

Notes continued

31. Financial instruments continued

Exposure to credit risk continued

Non-convertible loans and other receivables

Expected credit loss assessment

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

Group		Equivalent to external credit rating (S&P)	Weighted average loss rate 2023 %	Gross carrying amount 2023 £'000	Loss allowance 2023 £'000
Convertible loans	Medium grade financial services	A+ to BBB-	–	283	–
Non-convertible loans	Non-investment grade pharma	BB+ to B-	–	104	–
Total			–	387	–

Group		Equivalent to external credit rating (S&P)	Weighted average loss rate 2022 %	Gross carrying amount 2022 £'000	Loss allowance 2022 £'000
Convertible loans	Medium grade financial services	A+ to BBB-	–	283	–
Non-convertible loans	Non-investment grade pharma	BB+ to B-	–	104	–
Total			–	387	–

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

The Group and Company did not have any loans and other receivables that were past due at 28 February 2023 (2022: £nil).

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

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Balance at 1 March	–	47	–	–
Net remeasurement of loss allowance	–	(47)	–	–
Closing balance	–	–	–	–

31. Financial instruments continued

Exposure to credit risk continued

Receivables from subsidiaries

Company

The Company has intercompany receivable balances totalling £58,924k at year end (2022: £94,076k). Management has assessed that the estimated credit loss on such balances is low based on the cash-generating ability of the relevant subsidiaries and latest forecasts. On this basis management determined that it is not to provide for an expected credit loss for this balance.

Government grants

At the year end £325k (2022: £311k) for the Group and £325k (2022: £311k) for the Company are receivable from Invest Northern Ireland in respect of grants receivable and £1,016k (2022: £1,052k) for the Group is receivable from Irish Revenue Commissioners in relation to R&D tax credit. Both are government agencies and based on historical payment history, with all amounts previously recognised subsequently being received, no expected credit loss is recognised in relation to this balance.

Cash and cash equivalents

The Group and Company held cash and cash equivalents of £36,905k (2022: £48,564k) and £18,958k (2022: £16,236k) respectively at 28 February 2023 which represents their maximum exposure on the assets. The cash and cash equivalents are held with bank and institutional counterparties which are rated AA- to AA+ based on credit agency ratings.

Liquidity risk

Group

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

28 February 2023	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Secured bank loans	(36,499)	(36,901)	(3,066)	(3,066)	(30,769)	—	—
Lease liabilities	(20,438)	(23,288)	(2,164)	(2,016)	(4,039)	(9,347)	(5,722)
Deferred income	(48,407)	(48,407)	(48,407)	—	—	—	—
Trade and other payables	(22,833)	(22,833)	(22,833)	—	—	—	—
	(128,177)	(131,429)	(76,470)	(5,082)	(34,808)	(9,347)	(5,722)

28 February 2022	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Secured bank loans	(48,236)	(48,610)	(2,840)	(2,840)	(5,680)	(37,250)	—
Lease liabilities	(23,322)	(26,873)	(2,379)	(2,274)	(3,940)	(10,551)	(7,729)
Deferred income	(26,990)	(26,990)	(26,990)	—	—	—	—
Trade and other payables	(23,396)	(23,396)	(23,396)	—	—	—	—
	(121,944)	(125,869)	(55,605)	(5,114)	(9,620)	(47,801)	(7,729)

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

31. Financial instruments continued

Exposure to credit risk continued

Liquidity risk continued

Company

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

28 February 2023	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Secured bank loans	(36,499)	(36,686)	(3,066)	(3,066)	(30,554)	–	–
Lease liabilities	(8,529)	(10,010)	(716)	(600)	(1,362)	(3,220)	(4,112)
Deferred income	(27,552)	(27,552)	(27,552)	–	–	–	–
Trade and other payables	(108,767)	(108,767)	(108,767)	–	–	–	–
	(181,347)	(183,015)	(140,101)	(3,666)	(31,916)	(3,220)	(4,112)

28 February 2022	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6–12 months £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Secured bank loans	(48,236)	(48,610)	(2,840)	(2,840)	(5,680)	(37,250)	–
Lease liabilities	(9,994)	(11,866)	(935)	(893)	(1,316)	(3,676)	(5,046)
Deferred income	(13,063)	(13,063)	(13,063)	–	–	–	–
Trade and other payables	(98,004)	(98,004)	(98,004)	–	–	–	–
	(169,297)	(171,543)	(114,842)	(3,733)	(6,996)	(40,926)	(5,046)

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

Currency risk

Group

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

	28 February 2023			28 February 2022		
	CAD £'000	EUR £'000	USD £'000	CAD £'000	EUR £'000	USD £'000
Trade receivables	245	5,440	14,937	618	4,032	13,620
Trade and other payables	(21)	(630)	(4,030)	–	(1,382)	(1,167)
Net balance sheet exposure	224	4,810	10,907	618	2,650	12,453

The secure bank loan above excludes bank loans designated in a net investment hedge of £35,064k (2022: £46,901k).

Company

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

	28 February 2023			28 February 2022		
	CAD £'000	EUR £'000	USD £'000	CAD £'000	EUR £'000	USD £'000
Trade receivables	245	5,185	13,764	618	4,032	13,197
Secured bank loans	–	–	(35,064)	–	–	(46,901)
Trade and other payables	(21)	(608)	(4,006)	–	(1,360)	(1,040)
Net balance sheet exposure	224	4,577	(25,306)	618	2,672	(34,744)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2023	2022	2023	2022
USD 1	1.25	1.37	1.21	1.34
EUR 1	1.18	1.17	1.14	1.19
CAD 1	1.62	1.72	1.64	1.71

31. Financial instruments continued

Exposure to credit risk continued

Currency risk continued

Sensitivity analysis

A 10% strengthening of sterling against the above currencies at the end of the year would decrease Group profit or increase Group loss by £1,594k (2022: £1,827k). A 10% weakening of sterling against the above currencies at the end of the year would increase Group profit or loss by £1,435k (2022: £1,644k). The movement on the net investment hedge would be offset by the movement in the net investment. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening of sterling against the above currencies at the end of the year would increase Company profit or decrease Company loss by approximately £2,050k (2022: £3,279k). A 10% weakening of sterling against the above currencies at the end of the year would increase Company profit or decrease Company loss by approximately £1,845k (2022: £2,951k). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risks

At the reporting date the interest profile of the Group's and Company's interest-bearing financial instruments was:

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Variable rate instruments:				
Financial assets	36,905	48,564	18,958	16,236
Financial liabilities	(36,499)	(48,236)	(36,499)	(48,236)
	406	328	(17,541)	(32,000)
Fixed rate instruments:				
Financial assets	283	283	–	–
Financial liabilities	(20,438)	(23,332)	(8,529)	(9,994)
	(20,155)	(23,049)	(8,529)	(9,994)

A 10% reduction in interest rates at the end of the year would increase Group equity and profit or decrease loss by approximately £298k (2022: £205k). A 10% increase in interest rates at the end of the year would decrease Group equity and profit or increase Group loss by approximately £302k (2022: £195k). This analysis assumes that all other variables remain constant.

Hedge accounting

Hedge of net investment in a foreign operation

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

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

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

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

Foreign exchange risk Foreign currency loan	Nominal amount of the hedging instrument £'000	Carrying amount of the hedging instrument £'000	Line item in the statement of financial position where the hedging instrument is located	Changes in fair value used for calculating hedge ineffectiveness for 2023
2023	35,064	35,064	Loans and borrowings	n/a
2022	46,901	46,901	Loans and borrowings	n/a

32. Share based payments

Options have been granted as set out below under the Group's equity-settled share option schemes which are open to all Executive Directors and employees of the Group. Options that vest at annual intervals over a three or four-year period are deemed to consist of three separate options for valuation purposes. Options with TSR conditions vesting at the end of a three-year period are deemed to be a single option for valuation. Vested options are exercisable following the satisfaction of the service criteria for a period not exceeding ten years from the date of grant.

Reconciliation of outstanding share options

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

Range of exercise price: £4.27–£9.00	Weighted average exercise price (£) 2023	Number of options 2023	Weighted average exercise price (£) 2022	Number of options 2022
Maximum options outstanding at beginning of year	7.58	160,000	7.36	252,000
Lapsed during the year	5.65	(10,000)	—	—
Exercised during the year	5.77	(57,500)	6.98	(92,000)
Granted during the year	—	—	—	—
Maximum options outstanding at end of year	8.91	92,500	7.58	160,000
Exercisable at end of year	8.91	92,500	7.58	160,000

The options outstanding at 28 February 2023 above have an exercise price in the range of £4.27 to £9.00 (2022: £4.27 to £9.00) and a weighted average contractual life of 1.2 years (2022: 1.7 years).

Range of exercise price: £12.28–£22.35	Weighted average exercise price (£) 2023	Number of options 2023	Weighted average exercise price (£) 2022	Number of options 2022
Maximum options outstanding at beginning of year	19.21	801,416	19.54	907,866
Lapsed during the year	19.51	(121,250)	22.10	(98,200)
Exercised during the year	16.63	(165,300)	15.85	(8,250)
Granted during the year	18.66	495,500	14.69	—
Maximum options outstanding at end of year	19.93	1,010,366	19.21	801, 416
Exercisable at end of year	19.64	486,499	19.21	538,141

The options outstanding at 28 February 2023 above have an exercise price in the range of £12.28 to £22.35 (2022: £12.28 to £22.35) and a weighted average contractual life of 6.7 years (2022: 5.2 years).

Range of exercise price: £23.80–£25.95	Weighted average exercise price (£) 2023	Number of options 2023	Weighted average exercise price (£) 2022	Number of options 2022
Maximum options outstanding at beginning of year	25.27	1,901,287	25.95	1,720,058
Lapsed during the year	25.00	(257,005)	25.78	(451,771)
Exercised during the year	—	—	—	—
Granted during the year	—	—	23.80	633,000
Maximum options outstanding at end of year	25.32	1,644,282	25.27	1,901,287
Exercisable at end of year	25.95	80,282	—	—

The options outstanding at 28 February 2023 above have an exercise price in the range of £23.80 to £25.95 (2022: £23.80 to £25.95) and a weighted average contractual life of 7.7 years (2022: 8.7 years).

The weighted average share price at the date of exercise for share options exercised for the year ended 28 February 2023 was £15.95 per share (2022: £20.75).

32. Share based payments continued

Measurement of fair values

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

	Grant of options during the year ended					
	28 February 2023			28 February 2022		
	Black-Scholes	Black-Scholes	Black-Scholes	Black-Scholes	Monte Carlo – EPS	Monte Carlo – TSR
Grant date	17/06/2022	09/08/2022	27/10/2022	01/02/2023	10/08/2021	10/08/2021
Fair value at grant date	6.73	6.70	4.65	4.90	8.96	5.78
Share price at grant date	18.80	18.72	13.00	13.70	23.80	23.80
Exercise price	18.80	18.72	13.00	13.70	23.80	23.80
Number of options	330,500	155,000	5,000	5,000	316,500	316,500
Expected volatility (weighted average volatility)	49.00%	49.00%	49.00%	49.00%	36.00%	36.00%
Option life (expected weighted average life)	3.0 years	3.0 years	3.0 years	3.0 years	4.0 years	4.0 years
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (based on government bonds)	3.00%	3.00%	3.00%	3.00%	0.47%	0.47%

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

Employee expenses

	2023 £'000	2022 £'000
Expense relating to:		
Share options granted in 2016/17	—	123
Share options granted in 2017/18	51	128
Share options granted in 2018/19	10	(114)
Share options granted in 2019/20	7	263
Share options granted in 2020/21	(972)	524
Share options granted in 2021/22	525	610
Share options granted in 2022/23	704	—
Total amount recognised as share based payment charge	325	1,534

	2023 £'000	2022 £'000
Total expense recognised as employee benefit expense	325	1,534
National Insurance contributions on employee benefit expense	111	137
Share based payment and related costs	436	1,671

33. Contingent liabilities

There are no contingent liabilities to report for the year end 28 February 2023.

34. Subsequent events

On 19 May 2023 the parent company FD Technologies plc renewed its banking facilities, which had been due to expire in June 2024. Further details of the loan financing arrangement are included in note 22.

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

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^ Member of the Nomination and ESG Committee.
\+ Member of the Remuneration and Talent Committee.

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