First Derivatives plc

Directors' report and consolidated financial statements

Registered number: NI 30731

28 February 2011

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Chairman's statement

I am pleased to report the fifteenth year of continued growth in profitability for the group. This year the management team has continued to implement the Board's strategy of ensuring investment is made in group assets to create a platform for growth in future years. Our ability to generate continued growth while implementing our investment growth strategy demonstrates the continued strong trading of the group.

Financials

Revenues for the year ended 28 February 2011 increased by 44.2% to £36.740 million from £25.476 million in the previous year. Pre-tax profits increased by 15.1% to £6.495 million compared to £5.645 million in 2010. Fully diluted earnings per share increased by 12.4% to 29.0p per share (2010: 25.8p).

Dividend

The group continues to generate strong operating cash flow and this, along with our retained cash at the year end, allows the Board to recommend a final dividend of 7.25p per share which together with the interim dividend of 2.9p per share paid on 8 December 2010 totals 10.15p and is covered approximately three times by earnings. This will be paid on 8 July 2011 to those shareholders on the register on 3 June 2011. The shares will be marked ex-dividend on 1 June 2011.

Software

Software sales at £12.511 million (2010: £6.124 million) were up 104.3% on the previous year and now account for 34.1% of total revenues (2010: 24.0%). We now have revenue flowing from more than 40 software customers. The investment made in research and development for the Delta product suite continues to deliver significant new functionality on existing products, in addition to new products this year. As advised in my interim statement in October the group previously only had the capability to sell software using an annualised license model. As part of our investment this year and following on from the capability we acquired as part of the Cognotec trade and asset acquisition, we have invested in establishing both the software and physical infrastructure to operate a software as a service ("SaaS") environment. The investment in expanding this capability now means we have data centres in Belfast, Dublin, Chicago, New Jersey and England. Many of our products are now available for sale under annual license or transactional revenue based pricing models with both models allowing us to secure a continued and visible stream of software revenue.

The Delta range of software products
Our key strategic goal for our software suite continues to be that the products share a common technology platform to allow us to integrate our product portfolio seamlessly and efficiently, while maximising the potential for any cross-selling opportunities. The products solve the practical business problems associated with dealing with processing massive volumes of data in real-time. Our flagship software products include:

Delta Stream – Annual Licence model
Delta Stream, our tick data management and Complex Event Processing ("CEP") engine has a myriad of potential uses across all asset classes in the Capital Markets and other industry sectors. We have continued to secure sales in the second half of this year and since the year end we have announced a contract win with ANZ in Australia. While this is a recently released product, it is now implemented in a number of banking institutions as well as the Singapore Stock Exchange and we have commenced an active sales campaign as this product is now becoming well established.

Chairman's statement *(continued)*

Delta Algo – Annual Licence or SaaS model
Delta Algo is targeted at hedge funds and proprietary trading desks. At the time of the interim statement we advised that our first customer had completed implementation of the product in the period and was trading successfully. This was followed by an announcement detailing a sale to Trading Cross Connects which again resulted in a successful implementation. More recently, we secured a major new sale with a large investment bank for the implementation of the Delta Algo software as part of a major new programme. This is of strategic significance to the group in its ability to demonstrate the enterprise capabilities of our software products and we are please to advise that phase one of this implementation has now been successfully completed.

Delta RDF – Annual Licence or SaaS model
Data management is a constant challenge for institutions with data volumes increasing and associated growth in applications and users of this data. The data market now uses terms like "Data Virtualisation" as data is becoming increasingly disaggregated with concerns over network performance and security driving a need to build virtualised data representations that can be accessed from any business application. We remain well positioned to meet this challenge to supply the required Data solutions.

During the year we were pleased to announce that we agreed a major software contract with Algorithmics. This win has been followed in the second half by the conclusion of a sizeable contract with a major data provider to provide a SaaS service, using our RDF software and this is in the process of being implemented.

Delta eFX – SaaS model
Since the product launch in May 2010 we have continued to refine the Delta eFX software and by the end of the financial year, eleven customers from key foreign currency markets had been signed up. The success of our foreign exchange platform has given us the confidence to plan to add new asset classes such as precious metals and energy to the platform and we now have the capability to stream non-Deliverable Forwards pricing to our clients. Since the year end, further customers have been added and we have a healthy pipeline of prospects. Significant investment has been made in this product to improve its functionality. Further investment is required in the coming months, though we expect to be well positioned in the second half of the year to deploy this product more aggressively.

Kx
A strong level of sales was achieved during the year, including a very substantial sale to a major international investment bank. Through our 22% interest in Kx we have an interest in the ongoing annual maintenance revenues. Kx is an important element in our range of Delta products which is secured by a long term OEM agreement.

Consulting

Consulting revenues at £24.229 million (2010: £19.352 million) were up 25% on the previous year and now account for 65.9% of total revenues (2010: 76.0%).

This has been another year of continued growth, both in our client base and in expansion of the number of assignments undertaken with existing customers. It remains a challenging market to sell services into, but given the quality of our people, our continual internal training and the quality of our service we continue to expand this revenue stream. We undertake complex assignments for our clients and our inherent knowledge of their systems leads to repeat business from upgrades and ongoing development.

Chairman's statement *(continued)*

Our focus remains on the UK and North American markets though we have had a number of new wins in Australasia in the year. There has been an increase in activity in the North American market during the year and discussions are currently taking place which should lead to a further increase in activity in this market.

In our technology consulting sector which is branded under Market Resource Partners we have significantly broadened our customer base in the year. This broader base has seen a growth in sales pipeline in recent months which has accelerated the global expansion plans. The European Centre of Excellence was opened in January 2011 in Belfast and I am pleased to report that this new initiative is already delivering operational output comparable to Philadelphia on a daily basis.

Acquisitions

The acquisitions made in 2008, 2009 and 2010 have now been integrated into the group. During the year we made a small acquisition, LakeFront Data Ventures Inc. a Toronto based markets advisory firm specializing in Enterprise and Reference data. This has been integrated into consulting activities and has further enabled us to augment First Derivatives' ability to address the growing requirements of its client base in our core areas.

Personnel

As referred to in the interim statement we have continued to invest in staff and training for all areas of our activities. We continue to recruit staff to meet the requirements of the business and the headcount across the group is now 550.

On 2 March 2011 we announced that the group had secured further support from Invest Northern Ireland ("Invest NI") for recruitment and training, enabling us to continue the investment programme we have made into expanding our capital markets consulting business. The commitment from Invest NI is for £4.3 million to support the creation of 347 new consulting and operations positions and 12 managerial posts over the next 3 years.

Accommodation

No further acquisitions of residential property to house staff in London and New York have been made. Disposals of individual properties will be made when suitable profitable opportunities arise. These properties have a written down value of £17.7million and at the year end were independently valued by external valuers at £22.7million (see note 16 to the financial statements) on an open market basis.

During the year, First Derivatives Ireland was relocated to modern premises in Dublin more appropriate to its requirements and at a substantially lower rent. New premises have been leased in London and Belfast to accommodate the growing software implementation and development team in addition to the consulting operations mentioned above. On 1 June 2011, First Derivatives' New York operations will be moving to new premises to cater for the expansion of its US activities. While these moves create a degree of disruption for the teams involved, we have now established strong bases in each of the key locations for the group's functions to operate and grow from.

Chairman's statement *(continued)*

Outlook

We are continuing to make a substantial investment in the development of all the group's activities as we build a robust organisation with a strong asset base for growth. The past year has been one of further building and proving our software assets. Soft product launches will continue to occur in the first half of the current year and we expect to follow this with sustained marketing in the second half as we aim to capitalise on the investments made. We continue to have a strong pipeline of prospects and are pleased with how the group is now positioned to further penetrate its target market. We have made a strong start to the current year and expect to be able to report further progress in the year to 29 February 2012.

I would like to thank Brian Conlon and his team for making it another successful year for the group.

David Anderson
Chairman

First Derivatives plc

Chief Executive's statement

I am pleased to report that First Derivatives has had another successful year, despite continuing uncertainty as to the strength and sustainability of the recovery in the financial markets, and we have continued to grow our operations.

Review of activities
First Derivatives sells software products to the capital markets and provides a range of associated consulting services. We have a broad customer base and provided services to 68 different investment banks, brokers and hedge funds this year. The group has a global reach with a presence in many of the top financial centres such as New York, London, Toronto, Chicago, Singapore, Hong Kong, Sydney and Shanghai.

Our track record of organic growth continued this year with increased contributions from both our software and consulting activities and growth in our business in Europe, North America and Australasia. The broad nature of our product and consulting offerings, and our geographical spread is key to our continued growth as it gives us thousands of potential additional customers.

Our business model is predicated on treating our customers as partners and building strong recurring revenue streams. The majority of our consulting revenue from existing business is for projects we have been working on more than a year. Our software is sold either on a subscription model or on a Software as a Service basis. This means that we have repeat revenue for the forthcoming year of about 80%.

Software
Our Delta brand is now firmly established and a number of high profile successful implementations have helped propagate the spread of the technology. The Delta suite now contains a range of developing and mature products with an installed user base of more than 40 customers worldwide. These products are used for enterprise data, trading and risk management. The Delta products are sold on an annual licence basis or on a SaaS basis to further enhance our revenue visibility. Historically we have sold to investment banks but we have now sold our products to stock exchanges, FX brokers, commodity brokers, asset managers, energy companies, ratings agencies, software companies and data vendors.

One of the unique features of our product portfolio is that they are all developed on a common technology platform and interact seamlessly. This makes our software easier to implement and support and it means that we can quickly add new products. In addition it makes it easier to upsell products to existing customers. During the last year we have successfully integrated, enhanced and incorporated into the Delta suite a number of products lines which we acquired during recent takeovers.

A major initiative last year was to enable all our software to be offered on a Software as a Service basis. This has largely been completed and we have a number of customers using our software in managed data centres in Belfast, Dublin, Chicago, England and New Jersey. Much of this software is sold via a transaction revenue based model, which whilst incurring significant initial costs allows us to benefit from the growth of our customers. Currently billions of dollars of FX, gold and silver and CFDs are being traded on a daily basis through our data centres and we plan to add new asset classes.

We have continued to grow the size of our R&D team and to invest in additional sales personnel and sales channels. Our resource pool is fungible which gives us additional flexibility. Our consulting work keeps us abreast of the latest technology trends and keeps us informed of the major problems faced by our customers. This combination of a larger R&D team, more delivery capacity and an increased sales force, will translate in to new product lines and additional revenue in the years ahead.

Chief Executive's statement (*continued)*

Our relationship with Kx Systems has continued to flourish since we increased our stake in Kx Systems to 22% in October 2009.We have been working extensively with Kx Systems for 13 years and are proud to be associated with its success story. Kx Systems was recognised as a Laureate by the Global Information Technology Awards Forum at a recent ceremony at the Andrew W. Mellon Auditorium in Washington, D.C..Our consultants are providing sales and marketing support to various Kx initiatives around the world. Their products are used by some of the world's largest financial institutions and Kx Systems lists organisations such as JP Morgan, Goldman Sachs, Zurich Financial Group, Morgan Stanley, Fidelity Investments and Total Gas & Power as users. We derive revenue from sales commission, support contracts, training and consulting.

Consulting
First Derivatives provides highly skilled resources to the capital markets in the areas of consulting, support and development services. We have ongoing contracts with many of the leading global banks, supporting their activities across a range of asset classes including credit, interest rate, foreign exchange and equity cash and derivatives markets. The Company has been working in this area for 15 years and has been involved in increasingly larger initiatives. The consistent quality of the personnel and services we provide has given us a premium brand which is reflected in the significant recurring revenue in this division and the new business we are winning. The growth potential in this area is enormous with global spend running into billions of pounds. In addition the success of our consulting business and their domain knowledge makes our products easier to sell. As our product business grows our consulting division will provide a natural pool of resources to expand the associated premium services.

Management and Personnel
The Company now employs almost 550 people and our success in retaining staff and senior management means that the experience profile of our consultants continues to improve. Our Capital Markets Training Programme, implemented in late 2006 has been further extended and has helped to differentiate the Group from its competition. Once again I would like to pay tribute to all First Derivatives employees who are hard working, talented, flexible and dedicated. Our customer retention rates are evidence of this.

Financial Review
The group has reported revenues and profits significantly higher than last year. Pre-tax profit for the year was £6.495 million (2010: £5.645 million) on turnover of £36.740 million (2009: £25.476 million). Our balance sheet is strong with a cash balances up to £3.501 million and equity shareholders' funds of £24.888 million (2009: £16.310 million), an increase of 52%. This, and our confidence in the Group's ability to generate cash, enables the Board to recommend a final dividend of 7.25p per share (2010: 2.75p) which means that we will have paid a total dividend of 10.15p (2010: 9.5p) per share for the full year.

Outlook
The coming financial year will be one of further consolidating strategic investments made in recent years. As well as organic growth the Board will continue to pursue acquisition opportunities where we see a strategic fit and have access to the necessary sources of finance. We anticipate reporting further growth in the year to 29 February 2012 as we seek to deliver the significant potential upside from the number of ongoing initiatives and investments we are making. We are confident that our global reach, maturing and expanding software product lines and focus on recurring revenue will deliver further significant benefits in the years ahead.

Brian Conlon
Chief Executive Officer

First Derivatives plc

Directors and advisers

Directors	R D Anderson – Non-executive chairman*+	
	B G Conlon – Chief Executive Officer+	
	R G Ferguson – Chief Financial Officer	
	A Toner Chief Operating Officer	
	K Cunningham – Executive director	
	M G O'Neill – Non-executive director*	
	P Brazel – Non-executive director*+	
Secretary	Richard Fulton LLB	
Registered Office	3 Canal Quay Newry Co Down BT35 6BP	
Auditors	KPMG Chartered Accountants Stokes House 17/25 College Square East Belfast BT1 6DH	
Solicitors	Mills Selig 21 Arthur Street Belfast BT1 4GA	
Bankers	Bank of Ireland Corporate Headquarters Donegall Place Belfast BT1 5LU	
Nominated Advisor/EMI Advisor and Joint Brokers	Charles Stanley Securities 131 Finsbury Pavement London EC2A 1NT	Goodbody Corporate Finance Ballsbridge Park Ballsbridge Dublin 4
Company registration number	NI 30731	
Registrar and Transfer Office	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

* Members of the audit committee
+ Members of the remuneration committee

First Derivatives plc

Directors' report

The directors have pleasure in submitting to the shareholders their annual report and the audited financial statements for the year ended 28 February 2011.

Results and dividend

The group's profit after taxation attributable to the shareholders for the year to 28 February 2011 was £5,112k (2010: £3,787k).

The directors propose the payment of a final dividend of 7.25 pence per share (previous year: 6.75 pence including the additional interim dividend of 4.00 pence) which, together with the interim dividend of 2.90 pence per share (2010: 2.75 pence), totals 10.15 pence (2010: 9.50 pence) per share. The final dividend has not been included in payables as it was not approved before the year end.

Dividends paid during the year comprise an additional interim dividend of 4.0 pence per share and a final dividend of 2.75 pence per share for the year ended 28 February 2010, and an interim dividend of 2.90 pence per share for the year ended 28 February 2011.

Principal activities and review of the business

The principal activities of First Derivatives plc are the provision of a range of software and consulting services to the investment bank market, the derivatives technology industry, the foreign exchange market and the provision of technology sales services to the IT sector.

The group offers a range of services to various clients across the world. These services interlink and complement each other, which enables the group to be managed on an overall basis.

Reviews of the business and likely future developments are set out below and in the Chairman's and Chief Executive's statements on pages 2 to 7.

Investments

Effective 2 August 2010, First Derivatives plc acquired 100% of the members' interest of Lakefront Data Ventures (LDV), a Toronto based consulting company specialising in data management, for a consideration of £836k (note 3 to the financial statements). The consideration comprised £585k in cash and 82,602 new shares in First Derivatives. This acquisition strengthens First Derivatives' service offering to its client base adding domain knowledge in Data Management. LDV's services and expertise fit closely with First Derivatives existing in-house consulting division such that they can be incorporated in full.

This investment is a continuation of the First Derivatives strategy to identify acquisitions or investments to expand its range of services and offerings available to its various clients. The focus of these acquisitions or investment remain to be that the new services or offerings interlink and complement each other, which enables the group to be managed on an unified basis.

Principal risks and uncertainties

The group operates in a changing economic and technological environment.

The key business risks affecting the group are set out below and in the Chairman's statement on page 2 and Chief Executive's statement on page 6. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the group.

Directors' report *(continued)*

Personnel

As a software and services provider, the group is a people based business and its growth depends largely on growing staff numbers and training staff to meet the diverse requirements of our customer base. The group continues to refine its recruitment process to ensure a constant intake of suitable new staff and the internal training programme for each company is constantly evolving. Staff retention remains a key focus with initiatives such as mentoring programmes being employed, in addition to incentives schemes which include share options that are geared towards rewarding and motivating staff.

Market risk

The group operates in a competitive and often cyclical market environment. We address these risks by focussing sales campaigns on generating assignments with long-term visibility, continuing to increase the human capital of our consultants and diversifying our software and services portfolio offerings.

Technological changes

Technology in the software industry can change rapidly. It is important that our products remain up to date and that our development plans are flexible. We make a significant ongoing investment in research and development to allow us to identify and adapt to any technological changes that do occur, thereby ensuring that our products continue to meet the demands of our customers.

Financial risk management

The group's financial risk management objective is broadly to seek to make neither 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 risk investment. The group's main cash flow, credit and liquidity risks are those associated with selling on credit. This is managed through credit control procedures. 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 has exposure to the US dollar (USD), Euro (EUR) and Canadian Dollar (CAD). In addition the group has exposure as a result of mortgage financing apartment purchases, trade receivables and activities carried on by subsidiary undertakings. 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. In addition, by funding the acquisitions of Market Resource Partners LLC (MRP), Reference Data Factory Inc (RDF) and the investment in Kx Systems in US dollars, the group can achieve a net investment hedge against a significant portion of its translation exposure of the net assets of its foreign operations.

Key relationships with partners and customers

First Derivatives maintains successful relationships with Kx Systems, a key partner, and several key customers. Its relationship with Kx Systems is governed by a partnership agreement for the marketing of the kdb+ database to end customers while the use of this database within the First Derivatives product suite is governed by a perpetual OEM agreement. While a small number of key customers are important to the success of the group, our continued expansion will reduce this reliance.

Directors' report *(continued)*

Other information

The other information required to be disclosed in respect of the review of the group's business as required under Section 417 of the Companies Act 2006 is given in the Chairman's statement on page 2 and the Chief Executive's statement under the heading 'Financial Review' on page 7.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit. Further information is set out in note 39.

Property, plant and equipment

The details of property, plant and equipment are given in note 16 of the financial statements.

Directors and secretary

The directors and secretary who held office during the year were as follows:

R D Anderson
B G Conlon
R G Ferguson
A Toner
K Cunningham
M G O'Neill
P Kinney (resigned 11 March 2011)
P Brazel (appointed 16 August 2010)

Richard Fulton (Company Secretary)

Substantial shareholdings

At 24 May 2011, the group had received no notification of any interests in 3% or more of the ordinary share capital, other than those disclosed by B G Conlon (48.0%), Standard life Investments Limited (7.8%), P Kinney (6.1%), M G O'Neill (4.3%) and Janet Lustgarten (3.2%).

Research and development

The group's policy is to invest in product innovation and engage in research and development activities geared toward the development of products primarily for the use of the financial services industry. During the year costs of £3,475k (2010: £1,311k) were capitalised in respect of activities which were deemed to be development activities in accordance with the group's accounting policies.

Employees

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.

The group is committed to keeping employees as fully informed as possible, on matters which affect them as employees.

Market value of land and buildings

The directors consider that the market value of land and buildings is significantly higher than its carrying value. The estimated market value is £22.7 million based on independent valuations performed at the period end by external market valuers on an open market basis (see note 16 to the financial statements).

Political and charitable donations

During the year the group made no political or charitable donations (2010: £Nil).

Supplier payment policy

The group does not have a standard code which deals specifically with the payment of suppliers. However, suppliers are made aware of payment terms and how any disputes are to be settled and payment is made in accordance with those terms. At 28 February 2011 the group had 20 days purchases outstanding (29 February 2010: 21 days).

Disclosure of information to auditors

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Subsequent Events

Subsequent to the year end, the company issued 450,914 ordinary shares in part payment of contingent deferred consideration.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Richard Fulton
Secretary

24 May 2011

First Derivatives plc

Statement of directors’ responsibilities in respect of the directors’ report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated and company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the company financial statements on the same basis.

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 company and of their profit or loss for that period. In preparing each of the consolidated and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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.

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.

First Derivatives plc

Corporate governance

Certain corporate governance procedures have been put in place which reflects the group's size and structure. The main features of the group's corporate governance procedures are:

- The board meets on a regular basis and brings independent judgement to bear. It approves budgets, long term plans and significant contracts. There is a formal schedule of matters reserved for decision by the board in place.

- The board has three non-executive directors; they all take an active role in board matters.

- The group has an audit committee and a remuneration committee. These committees consist of the non-executive directors and executive directors as considered appropriate. They have written constitutions and terms of reference.

- The audit committee meets twice each year, prior to the publication of the half-yearly and final results. The auditors attend the audit committee meeting prior to the publication of the final results.

- The remuneration committee meets annually to determine the remuneration of the senior executives. Levels of remuneration are set in order to attract and retain the senior executives needed to run the company without paying more than is necessary for this purpose.

- The board of directors 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. These packs, together with annual budgets, enable the board to monitor operational performance and cash position each month and allocate the group's resources.

First Derivatives plc

Independent auditor's report to the members of First Derivatives plc

We have audited the financial statements of First Derivatives plc for the year ended 28 February 2011 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 28 February 2011 and of the group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Independent auditor's report to the members of First Derivatives plc *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Arthur O'Brien (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor 24 May 2011
Chartered Accountants
Stokes House
17/25 College Square East
Belfast
BT1 6DH

First Derivatives plc

Consolidated statement of comprehensive income

Year ended 28 February 2011

	Note	2011 £'000	2010 £'000
Continuing operations			
Revenue	*5*	**36,740**	25,476
Cost of sales		**(23,423)**	(15,111)
Gross profit		**13,317**	10,365
Other operating income	*6*	**1,974**	1,134
Administrative expenses	*7*	**(8,723)**	(5,207)
Results from operating activities		**6,568**	6,292
Finance income	*9*	**7**	8
Finance expense	*9*	**(723)**	(475)
Loss on foreign currency translation	*9*	**(198)**	(234)
Net financing expense		**(914)**	(701)
Share of profit of associates using the equity method, net of income tax	*18*	**841**	54
Profit before income tax		**6,495**	5,645
Income tax expense	*11*	**(1,383)**	(1,858)
Profit for the year		**5,112**	3,787
Other comprehensive income			
Net change in fair value of available for sale asset	*25*	**-**	(135)
Deferred tax on net change in fair value of available for sale asset	*29*	**-**	38
Deferred tax on share options outstanding	*24*	**1,030**	263
Net exchange (losses)/gains on net investment in foreign subsidiaries and associate	*27*	**(1,091)**	639
Net gain/(loss) on hedge of net investment in foreign subsidiaries and associate	*27*	**594**	(189)
Other comprehensive income for the period, net of tax		**533**	616
Total comprehensive income for the period attributable to equity holders' of the company		**5,645**	4,403
Earnings per share		**Pence**	Pence
Basic	*15a*	**33.2**	27.1
Diluted	*15a*	**29.0**	25.8

The notes on pages 26 to 89 form part of these financial statements.

First Derivatives plc

Consolidated balance sheet
Year ended 28 February 2011

	Note	2011 £'000	2010 £'000
Assets			
Property, plant and equipment	*16*	**18,292**	17,938
Intangible assets	*17*	**26,732**	22,278
Investment in associate	*18*	**7,447**	7,710
Deferred tax asset	*29*	**1,860**	518
Non current assets		**54,331**	48,444
Trade and other receivables	*20*	**12,563**	9,725
Cash and cash equivalents	*21*	**3,501**	1,711
Current assets		**16,064**	11,436
Total assets		**70,395**	59,880
Equity			
Share capital	*22*	**80**	72
Share premium	*23*	**7,846**	3,906
Share option reserve	*24*	**2,384**	983
Revaluation reserve	*26*	**174**	174
Currency translation adjustment reserve	*27*	**197**	694
Retained earnings		**14,207**	10,481
Equity attributable to shareholders		**24,888**	16,310
Liabilities			
Interest bearing borrowings	*28*	**21,544**	17,703
Deferred tax liability	*29*	**1,319**	679
Contingent deferred consideration	*30*	**1,993**	2,395
Provisions	*33*	**344**	645
Trade and other payables	*31*	**2,034**	977
Non-current liabilities		**27,234**	22,399
Interest bearing borrowings	*28*	**1,124**	4,574
Trade and other payables	*31*	**7,955**	8,319
Current tax payable	*32*	**1,176**	1,417
Employee benefits	*40*	**2,401**	1,714
Contingent deferred consideration	*30*	**5,617**	5,147
Current liabilities		**18,273**	21,171
Total liabilities		**45,507**	43,570
Total equity and liabilities		**70,395**	59,880

These financial statements were approved by the board of directors on 24 May 2011.

David Anderson
Chairman

Brian Conlon
Chief Executive Officer

Graham Ferguson
Chief Financial Officer

Registered company number: NI 30731
The notes on pages 26 to 89 form part of these financial statements.

First Derivatives plc

Company balance sheet
Year ended 28 February 2011

	Note	2011 £'000	2010 £'000
Assets			
Property, plant and equipment	*16*	**17,725**	17,653
Intangible assets	*17*	**3,183**	1,655
Investment in subsidiaries	*18*	**14,217**	11,652
Investment in associate	*18*	**7,196**	7,196
Trade and other receivables	*20*	**1,919**	-
Deferred tax asset	*29*	**1,468**	475
Non current assets		**45,708**	**38,631**
Trade and other receivables	*20*	**14,219**	13,049
Cash and cash equivalents	*21*	**2,956**	860
Current assets		**17,175**	13,909
Total assets		**62,883**	52,540
Equity			
Share capital	*22*	**80**	72
Share premium	*23*	**7,846**	3,906
Share option reserve	*24*	**2,384**	983
Fair value reserve	*25*	**126**	126
Retained earnings		**13,406**	10,328
Equity attributable to shareholders		**23,842**	15,415
Liabilities			
Interest bearing borrowings	*28*	**21,544**	17,675
Deferred tax liability	*29*	**914**	510
Contingent deferred consideration	*30*	**-**	324
Trade and other payables	*31*	**1,570**	977
Non-current liabilities		**24,028**	19,486
Interest bearing borrowings	*28*	**1,098**	4,510
Trade and other payables	*31*	**5,037**	5,280
Current tax payable	*32*	**1,489**	1,345
Employee benefits	*40*	**2,121**	1,530
Contingent deferred consideration	*30*	**5,268**	4,974
Current liabilities		**15,013**	17,639
Total liabilities		**39,041**	37,125
Total equity and liabilities		**62,883**	52,540

These financial statements were approved by the board of directors on 24 May 2011.

David Anderson	Brian Conlon	Graham Ferguson
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

Registered company number: NI 30731
The notes on pages 26 to 89 form part of these financial statements.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2010

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Revaluation reserve £000	Currency translation adjustment £000	Retained earnings £000	Total equity £000
Balance at 1 March 2009	**69**	**2,274**	**430**	**223**	**-**	**244**	**8,031**	**11,271**
Total comprehensive income for the period								
Profit for the year	-	-	-	-	-	-	3,787	**3,787**
Other comprehensive income								
Net change in fair value of available for sale	-	-	-	(135)	-	-	-	**(135)**
Deferred tax on net change in fair value of available for sale asset	-	-	-	38	-	-	-	**38**
Transfer on acquisition of associate				(126)	174		(48)	**-**
Deferred tax on share options outstanding	-	-	263	-	-	-	-	**263**
Net exchange gains on net investment in foreign subsidiaries and associate	-	-	-	-	-	639	-	**639**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	-	-	(189)	-	**(189)**
Total other comprehensive income	-	-	263	(223)	174	450	(48)	**616**
Total comprehensive income for the period	-	-	263	(223)	174	450	3,739	**4,403**
Transactions with owners, recorded directly in equity								
Exercise of share options	-	65	(18)	-	-	-	-	**47**
Issue of shares as purchase consideration	3	1,567	-	-	-	-	-	**1,570**
Share based payment charge	-	-	333	-	-	-	-	**333**
Transfer on forfeit of share options	-	-	(25)	-	-	-	25	**-**
Dividends to equity holders	-	-	-	-	-	-	(1,314)	**(1,314)**
Total contributions by and distributions to owners	3	1,632	290	-	-	-	(1,289)	**636**
Balance at 28 February 2010	**72**	**3,906**	**983**	**-**	**174**	**694**	**10,481**	**16,310**

The notes on pages 26 to 89 form part of these financial statements.

Consolidated statement of changes in equity

Year ended 28 February 2011

	Share capital £000	Share premium £000	Share option reserve £000	Revaluation reserve £000	Currency translation adjustment £000	Retained earnings £000	Total equity £000
Balance at 1 March 2010	**72**	**3,906**	**983**	**174**	**694**	**10,481**	**16,310**
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	5,112	**5,112**
Other comprehensive income							
Deferred tax on share options outstanding	-	-	1,030	-	-	-	**1,030**
Net exchange gains on net investment in foreign subsidiaries and associate	-	-	-	-	(1,091)	-	**(1,091)**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	-	594	-	**594**
Total other comprehensive income	-	-	1,030	-	(497)	-	**533**
Total comprehensive income for the period	-	-	1,030	-	(497)	5,112	**5,645**
Transactions with owners, recorded directly in equity							
Exercise of share options	2	445	(118)	-	-	-	**329**
Issue of shares as purchase consideration	-	251	-	-	-	-	**251**
Other issue of shares	6	3,244	-	-	-	-	**3,250**
Share based payment charge	-	-	538	-	-	-	**538**
Transfer on forfeit of share options	-	-	(49)	-	-	49	**-**
Dividends to equity holders	-	-	-	-	-	(1,435)	**(1,435)**
Total contributions by and distributions to owners	8	3,940	371	-	-	(1,386)	**2,933**
Balance at 28 February 2011	**80**	**7,846**	**2,384**	**174**	**197**	**14,207**	**24,888**

The notes on pages 26 to 89 form part of these financial statements.

Company statement of changes in equity
Year ended 28 February 2010

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2009	**69**	**2,274**	**430**	**223**	**7,270**	**10,266**
Total comprehensive income for the period						
Profit for the year	-	-	-	-	4,347	**4,347**
Other comprehensive income						
Net change in fair value of available for sale asset	-	-	-	(97)	-	**(97)**
Deferred tax on share options outstanding	-	-	263	-	-	**263**
Total other comprehensive income	-	-	263	(97)	-	**166**
Total comprehensive income for the period	-	-	263	(97)	4,347	**4,513**
Transactions with owners, recorded directly in equity						
Exercise of share options	-	65	(18)	-	-	**47**
Issue of shares as purchase consideration	3	1,567	-	-	-	**1,570**
Share based payment charge	-	-	333	-	-	**333**
Transfer on forfeit of share options	-	-	(25)	-	25	**-**
Dividends to equity holders	-	-	-	-	(1,314)	**(1,314)**
Total contributions by and distributions to owners	3	1,632	290	-	(1,289)	**636**
Balance at 28 February 2010	**72**	**3,906**	**983**	**126**	**10,328**	**15,415**

The notes on pages 26 to 89 form part of these financial statements.

Company statement of changes in equity

Year ended 28 February 2011

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2010	**72**	**3,906**	**983**	**126**	**10,328**	**15,415**
Total comprehensive income for the period						
Profit for the year	-	-	-	-	4,464	**4,464**
Other comprehensive income						
Deferred tax on share options outstanding	-	-	1,030	-	-	**1,030**
Total other comprehensive income	-	-	1,030	-	-	**1,030**
Total comprehensive income for the period	-	-	1,030	-	4,464	**5,494**
Transactions with owners, recorded directly in equity						
Exercise of share options	2	445	(118)	-	-	**329**
Issue of shares as purchase consideration	-	251	-	-	-	**251**
Other issue of shares	6	3,244	-	-	-	**3,250**
Share based payment charge	-	-	538	-	-	**538**
Transfer on forfeit of share options	-	-	(49)	-	49	**-**
Dividends to equity holders	-	-	-	-	(1,435)	**(1,435)**
Total contributions by and distributions to owners	8	3,940	371		(1,386)	**2,933**
Balance at 28 February 2011	**80**	**7,846**	**2,384**	**126**	**13,406**	**23,842**

The notes on pages 26 to 89 form part of these financial statements.

First Derivatives plc

Consolidated cash flow statement

Year ended 28 February 2011

	2011	2010
	£'000	£'000
Cashflows from operating activities		
Profit for the year	**6,495**	5,645
Adjustments for:		
Net finance costs	**914**	701
Share of associate	**(841)**	(54)
Operating profit	**6,568**	6,292
Depreciation	**475**	336
Amortisation of intangible assets	**1,532**	619
Equity settled share-based payment transactions	**340**	197
	8,915	7,444
Changes in:		
Change in trade and other receivables	**(2,711)**	(2,990)
Change in trade and other payables	**880**	5,508
Change in onerous provisions	**(301)**	-
Corporation tax paid	**(1,422)**	(1,648)
Net cash from operating activities	**5,361**	8,314
Cash flows from investing activities		
Interest received	**7**	8
Acquisition of subsidiaries, net of cash acquired	**(585)**	(5,443)
Acquisition of property, plant and equipment	**(842)**	(1,099)
Acquisition of associate	**-**	(4,189)
Acquisition of intangible assets	**(3,477)**	(1,323)
Dividend received from associate	**654**	-
Payment of deferred consideration	**(1,795)**	(1,993)
Net cash used in investing activities	**(6,038)**	(14,039)
Cash flows from financing activities		
Proceeds from issue of share capital	**3,579**	47
Receipt of new long term loan	**19,878**	9,726
Repayment of borrowings	**(19,426)**	(1,354)
Payment of finance lease liabilities	**(66)**	(70)
Interest paid	**(537)**	(475)
Dividends paid	**(1,435)**	(1,314)
Net cash from financing activities	**1,993**	6,560
Net increase in cash and cash equivalents	**1,316**	835
Cash and cash equivalents at 1 March 2010	**1,711**	1,299
Effects of exchange rate changes on cash held	**474**	(423)
Cash and cash equivalents at 28 February 2011	**3,501**	1,711

The notes on pages 26 to 89 form part of these financial statements.

First Derivatives plc

Company cash flow statement

Year ended 28 February 2011

	2011	2010
	£'000	£'000
Cashflows from operating activities		
Profit before tax	**6,095**	5,620
Adjustments for:		
Finance income	**(6)**	(14)
Finance expense and foreign exchange loss	**241**	884
Depreciation	**267**	252
Amortisation of intangible assets	**110**	24
Dividend from associate	**(654)**	-
Equity settled share-based payment transactions	**340**	197
	6,393	6,963
Changes in:		
Change in trade and other receivables	**(3,089)**	(6,916)
Change in trade and other payables	**756**	3,706
Corporation tax paid	**(1,053)**	(1,042)
Net cash from operating activities	**3,007**	2,711
Cash flows from investing activities		
Interest received	**6**	14
Acquisition of subsidiaries, net of cash acquired	**(585)**	(657)
Acquisition of property, plant and equipment	**(339)**	(904)
Acquisition of associate	**-**	(4,189)
Acquisition of intangible assets	**(1,638)**	(1,194)
Dividend received from associate	**654**	-
Payment of deferred consideration	**(1,550)**	(1,993)
Net cash used in investing activities	**(3,452)**	(8,923)
Cash flows from financing activities		
Proceeds from issue of share capital	**3,579**	47
Receipt of new long term loan	**19,878**	9,726
Repayment of borrowings	**(19,426)**	(1,354)
Interest paid	**(529)**	(460)
Dividends paid	**(1,435)**	(1,314)
Net cash from financing activities	**2,067**	6,645
Net increase in cash and cash equivalents	**1,622**	433
Cash and cash equivalents at 1 March 2010	**860**	850
Effects of exchange rate changes on cash held	**474**	(423)
Cash and cash equivalents at 28 February 2011	**2,956**	860

The notes on pages 26 to 89 form part of these financial statements.

Notes
(forming part of the consolidated financial statements)

1 Significant accounting policies

First Derivatives plc ("FDP" or the "company") is a company incorporated and domiciled in Northern Ireland. The address of the company's registered office is 3 Canal Quay, Newry BT35 6BP. The company is primarily involved in the provision of a range of software and consulting services to the investment bank market, the derivatives technology industry and the provision of technology sales services to the IT sector.

The financial statements were authorised by the Board of Directors for issuance on 25 May 2011.

(a) Basis of preparation

The consolidated financial statements consolidate those of the company and its subsidiaries (together referred to as the "group") and equity account for the group's interest in associates. The company financial statements present information about the company as a separate entity and not about its group.

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

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.

The financial statements are presented in GBP, rounded to the nearest thousand, which is also the company's functional currency. They are prepared on the historical cost basis, except that financial instruments classified as available-for-sale are stated at their fair value where this can be reliably measured.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 9 to 12. In addition, note 2 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, liquidity risk and market risk.

1 Significant accounting policies *(continued)*

Going concern (continued)

The group meets its day to day working capital requirements through generated cash flows and loan facilities most of which are due for renewal in 2017. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its facilities.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with adopted 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.

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:

- It is noted that management have assessed that all residences owned by the group are held for use within the business, and as such are classified as property, plant and equipment, rather than investment property.
- Management have estimated the amount of deferred consideration payable on the acquisitions of subsidiaries is based on forecast results and certain other criteria as required by the terms of the sale and purchase agreement. Management have made prudent estimates of deferred consideration payable based on the relevant share purchase agreement.
- Management have estimated the fair value of intangibles (including goodwill) acquired on acquisitions based on the projected profitability expected to be generated. The useful economic lives of the intangibles are assessed as being critical and are based on management's estimate of the life over which revenue can be generated and taking cognisance of the useful economic lives of similar competitor products. Where an intangible asset has been created by the group, the value has been derived from establishing the current estimated cost associated with generating this asset.
- Useful economic lives of internally generated intangibles are assessed as being critical and are based on management's estimate of the life over which revenue can be generated and taking cognisance of the useful economic lives of similar competitor products.
- Goodwill on acquisitions is not amortised but is tested for impairment on an annual basis. Management have assessed goodwill for impairment based on the projected profitability of the individual cash generating unit to which the goodwill relates. No impairments have been identified. Other intangibles are tested for impairment if an indicator of impairment is identified.

1 Significant accounting policies *(continued)*

Critical accounting estimates and judgements (continued)
Management have 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.

Changes in accounting policies

Accounting for business combinations
From 1 March 2010 the group has applied IFRS 3 *Business Combinations* (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

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. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 March 2010
For acquisitions on or after 1 March 2010, the group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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.

Costs related to the acquisition, 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.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

No retrospective adjustments are made to acquisitions prior to 1 March 2010 to align this treatment.

1 Significant accounting policies *(continued)*

Changes in accounting policies (continued)

Acquisitions prior to 1 March 2010

For acquisitions prior to 1 March 2010, goodwill represents the excess of the cost of the acquisition over the group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurred in connection with business combinations were capitalised as part of the cost of the acquisition.

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 March 2010 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements except for IFRS 9 *Financial Instruments*, which becomes mandatory for the group's and company's 2013 financial statements and could change the classification and measurement of financial assets. The group does not plan to adopt this standard early and the extent of this impact has not yet been determined. The standard and interpretations not adopted are outlined below:

- Amendments to IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (mandatory for the year commencing on or after 1 July 2011).
- Amendments to IFRS 2010 – various standards (adoption dates vary but certain improvements are mandatory for the year commencing on or after 1 July 2010).
- Amendments to IAS 24 Related Party Disclosures (revised 2009) (mandatory for the year commencing on or after 1 January 2011).
- Amendments to IFRS7 Disclosures – Transfers of Financial Assets (mandatory for the year commencing on or after 1 July 2011).
- Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (mandatory for the year commencing on or after 1 January 2012).
- Amendments to IFRS 9 Financial Instruments (mandatory for the year commencing on or after 1 January 2013).

(b) Basis of consolidation

Business combinations

The group has changed its accounting policy with respect to accounting for business combinations. See note 1(a) changes in accounting policies for further details.

1 Significant accounting policies *(continued)*

Subsidiaries
Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

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

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 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any subsequent accumulated impairment losses and fair value of intangibles (these amounts are not recognised separately in the consolidated accounts but included in the group's net investment in the associate (note 18)). 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. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has incurred legal or has constructive obligations or has made payments on behalf of an investee.

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

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) Translation of 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 hedge of net investments are treated as set out in note 1(c)(iii) below.

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 exchange rate ruling at the date the fair value was determined. Foreign exchange differences arising on retranslation are 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 that is effective, which is recognised in other comprehensive income.

Gains or losses arising on the retranslation of foreign currency contingent deferred consideration estimated as payable at the year end on acquisitions prior to 1 March 2010 are accounted as an adjustment to goodwill. On acquisitions on or after 1 March 2010 the gain or loss is accounted for in profit or loss.

ii) Translation of financial results of foreign operations

The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated to the group's presentational currency, GBP, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated 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. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of, such that control, significant influence or joint control 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 or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

1 Significant accounting policies *(continued)*

ii) Translation of financial results of foreign operations (continued)
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, when designated in a hedge relationship which has been formally documented and performed in line with IAS39: Recognition and Measurement, is effective and are presented within equity 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
Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy on impairment, note 1(h) below). 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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Leased assets
Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the group's statement of financial position.

(iii) 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.

1 Significant accounting policies *(continued)*

(iv) Depreciation

Depreciation is calculated to write down the costs of parts of items to their 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. Land is not depreciated. The estimated useful lives are as follows:

Office furniture and equipment	-	25% straight line
Plant and equipment	-	25-50% straight line
Buildings – long leasehold and freehold	-	2% straight line

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

(e) Intangible assets and goodwill

i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is recognised in intangible assets. Goodwill represents the difference between the fair value of consideration transferred and the net recognised amount of the identifiable assets acquired and the liabilities assumed. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but 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. Goodwill arising on subsidiaries and associates is not amortised.

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

ii) Research and development

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

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

1 Significant accounting policies *(continued)*

ii) Research and development (continued)
The expenditure capitalised in respect of software assets includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy impairment note 1(h)).

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

iii) Other intangible assets
Intangible assets other than goodwill that are acquired by the group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy on impairment note 1(h)). 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.

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
Amortisation is based on the cost of an asset less its residual value. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date that the asset is available for use as follows:

Customer lists	-	12.5% straight line
Acquired software	-	12.5 - 50 % straight line
Brands	-	12.5% straight line
Developed software	-	12.5% - 20% straight line

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

(f) Trade and other receivables
Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy impairment note 1(h).

(g) Cash and cash equivalents
Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

1 Significant accounting policies *(continued)*

(h) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) Loans and receivables

The group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

(iii) 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 have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at each balance sheet 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.

1 Significant accounting policies *(continued)*

(iii) Non-financial assets (continued)
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 that cannot be individually tested 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 CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, is allocated to the legal entity or business that has been acquired in a business combination.

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 (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) 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) Earnings per share
The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, directors and as part of business combinations.

(j) Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing 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.

(k) 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 in the income statement as incurred.

1 Significant accounting policies *(continued)*

(ii) Share-based payment transactions
The share option programme allows group employees to acquire shares of the group. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an adjusted Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. On the lapse of share options on the vesting date the amount recognised in shares to be issued is transferred to the retained earnings. On the exercise of share options, the amount recorded in shares to be issued is transferred to the share premium reserve.

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

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

(l) Provisions
A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(m) Trade and other payables
Trade and other payables are stated at the discounted present value of the estimated outflows of funds. Where the maturity is six months or less they are not discounted and are shown at cost.

1 Significant accounting policies *(continued)*

(n) Revenue

(i) Product and Services rendered

Revenue from product and services rendered is measured at the fair value of the consideration received or receivable and is recognised in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due. The group does not have contracts involving a combination of products and services and negotiates prices separately for each component. Revenue in respect of each product or service is as follows:

- Revenue from perpetual software licensing is recognised upon delivery to the customer where there are no significant vendor obligations remaining following delivery, the client has accepted the software and the collection of the resulting receivable is considered probable.

- Revenue from annual licensing is recognised over the period to which the contract relates.

- Revenue from consulting services is recognised in the month the service is performed, upon acceptance by the customer and the collection of the resulting receivable is considered probable.

- In respect of customisation of software, revenue is recognised upon acceptance by the customer and the collection of the resulting receivable is considered.

- Revenue from data management hosting, other hosting and transactional activities are 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, the fair value of any significant obligations are deferred and recognised over the life of the contract and the remaining balance is recognised following delivery and the resulting receivable is considered probable.

(ii) Commissions

When the group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the group. Revenue is recognised upon acceptance by the customer of the sale.

(iii) Government grants

An unconditional government grant is recognised in the income statement as other operating income when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income and when there is reasonable assurance that it will be received and that the group will comply with the conditions attaching to it a release is then made to the profit and loss as other income. Grants that compensate the group for expenses incurred are recognised as other operating income in profit or loss as other income 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 profit or loss as other operating income on a systematic basis over the useful life of the asset.

1 Significant accounting policies *(continued)*

(o) Lease payments

(i) Operating lease payments

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

(ii) Finance lease payments

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

(iii) Determining whether an arrangement contains a lease

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

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

(p) Finance income and expenses

Finance income comprises interest receivable on funds invested and dividend income. Interest income is recognised in profit or loss as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method. When an available for sale asset is derecognised, the cumulative gain or loss in equity is transferred to finance income or expense.

Financing expenses comprises interest payable on borrowings calculated using the effective interest rate method, and foreign exchange gains and losses.

Notes *(continued)*

1 Significant accounting policies *(continued)*

(q) Taxation

Income tax expense on the profit or loss for the period presented comprises current and deferred tax. Income tax expense 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.

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

Deferred tax is provided using the balance sheet 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 balance sheet date.

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.

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.

(r) Classification of financial instruments issues by the group

Following the adoption of IAS 32, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

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

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

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

Notes *(continued)*

1 Significant accounting policies *(continued)*

(s) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. The nominal value of shares issued is recognised as share capital. The value of the consideration received in excess of the nominal value is recognised as share premium.

(t) Segmental reporting
An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. The operating results are regularly reviewed by the board and comprise one segment; however the information provided records revenue split between the various consulting and software activities.

2 Financial risk management

Overview
The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the group's exposure to the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework
The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board is responsible for monitoring the group's risk management policies, which are established to identify and analyse the risks faced by the group, to set appropriate risk limits and to monitor adherence to those policies.

Credit risk
Credit risk is the risk of financial loss to the group if a counterparty fails to meet its contractual obligation and principally arises from the group's receivables from customers through selling on credit. This is managed through credit control procedures. Regular contact is made with customers when debts are overdue with follow up procedures carried out as required. Concentration of credit risk is disclosed in note 39 to the financial statements.

2 Financial risk management *(continued)*

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 28 to the financial statements.

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 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 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.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business (capital is defined as share capital, share premium, retained earnings and shares to be issued). The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The group is not subject to external requirements in respect of its capital, with the exception of the need to comply with the level of ordinary shares available for trading on the Alternative Investment Market and Enterprise Securities Market, 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 the notes 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 sound capital position.

3 Acquisitions of subsidiaries and associates

Subsidiaries

On 6 August 2010 the company obtained control of LakeFront Data Ventures Inc by acquiring all of the ordinary shares of the company. Acquiring LakeFront Data Ventures Inc enabled the group to establish a presence in Canada and expand its overall offering to its client base. In the 7 months to 28 February 2011 the subsidiary contributed revenue of £241k and net profit of £24k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2010, management estimates that revenue for the group would have been £37,153k and net profit would have been an estimated £5,153k. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 2010.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Effect of acquisitions
The acquisitions had the following effect on the group's assets and liabilities.

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Intangible assets	**-**	**419**	**419**
Trade and other receivables	**16**	**-**	**16**
Deferred tax liability	**-**	**(119)**	**(119)**
Net identifiable assets and liabilities	**16**	**300**	**316**
Goodwill on acquisition			**520**
			836
Consideration paid, satisfied as follows:			
Cash			**585**
Shares issued (82,602 shares)			**251**
			836
Cash consideration paid			**585**
Cash (acquired)			**-**
Net cash outflow			**585**

The trade and other receivables comprised gross contractual amounts of £16k of which no amounts were expected to be uncollectable at the acquisition date.

3 Acquisitions of subsidiaries and associates *(continued)*

Shares issued

The number of ordinary shares issued (82,602 shares) was derived based on the average price of shares on the 20 days prior to 30 July 2010 (303.5 pence per share). The fair value of the ordinary shares issued based on the listed share price on the 6 August 2010, the effective date of control (312.5 pence per share) was not materially different. The impact would be to increase goodwill by £7k.

Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combination and the ability to leverage off client relationships and knowhow. The group has carried out an impairment review of goodwill as at 28 February 2011 and has not identified any impairment (see note 17).

Acquisition related costs

The group incurred acquisition-related costs of £68k related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the group's consolidated statement of comprehensive income.

2010 acquisitions

On 1 April 2009 the company acquired all of the ordinary shares in Lepton Solutions Pty Limited. In the 11 months to 28 February 2010 the subsidiary contributed income of £533k and net profit of £40k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2009 management estimate group revenue would have been £25,524k and net profit would have been an estimated £5,735k for the year ended 28 February 2010. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 2009.

Notes *(continued)*

3 Acquisitions of subsidiaries and associates *(continued)*

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	**33**	**-**	**33**
Intangible assets	**-**	**267**	**267**
Trade and other receivables	**56**	**-**	**56**
Cash and cash equivalents	**59**	**-**	**59**
Trade and other payables	**(55)**	**-**	**(55)**
Deferred tax liability	**-**	**(80)**	**(80)**
Net identifiable assets and liabilities	**93**	**187**	**280**
Goodwill on acquisition (including costs of acquisition)			**1,087**
			1,367

Consideration paid, satisfied as follows:	
Cash	**715**
Shares options issued	**78**
Contingent consideration	**574**
	1,367
Cash consideration paid	**715**
Cash (acquired)	**(59)**
Net cash outflow	**656**

Contingent consideration

As part of the purchase consideration the group has agreed to pay the selling shareholders contingent consideration of £574k. This is payable in six half yearly instalments based on the performance of the company over a three year period. Contingent consideration recorded in the financial statements is the estimate of future consideration payable based on current performance.

3 Acquisitions of subsidiaries and associates *(continued)*

On 23 October 2009 the company acquired all of the ordinary shares in Reference Data Factory LLC for. In the 4 months to 28 February 2010 the subsidiary contributed income of £61k and net profit of £46k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2009 group revenue would have been £25,532k and net profit would have been an estimated £5,823k for the year ended 28 February 2010. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 2009.

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Intangible assets	**-**	**1,707**	**1,707**
Trade and other receivables	**72**	**-**	**72**
Cash and cash equivalents	**22**	**-**	**22**
Trade and other payables	**(79)**	**-**	**(79)**
Net identifiable assets and liabilities	**15**	**1,707**	**1,722**
Goodwill on acquisition (including costs of acquisition)			**2,181**
			3,903
Consideration paid, satisfied as follows:			
Cash			**1,446**
Shares issued (109,556 ordinary shares)			**300**
Shares options issued			**59**
Contingent consideration			**2,098**
			3,903
Cash consideration paid			**1,446**
Cash (acquired)			**(22)**
Net cash outflow			**1,424**

Shares issued
The number of ordinary shares issued (109,556 shares) was derived based on the average price of shares on the 20 days prior to 23 October 2009 (273.5 pence per share). The fair value of the ordinary shares issued based on the listed share price on the 23 October 2009, the effective date of control (295.0 pence per share) was not materially different. The impact would be to increase goodwill by £24k.

Contingent consideration
As part of the purchase consideration the group has agreed to pay the selling shareholders contingent consideration of £2,098k. This is payable in six half yearly instalments based on the performance of the company over a three year period. Contingent consideration recorded in the financial statements is the estimate of future consideration payable based on current performance.

Notes *(continued)*

3 Acquisitions of subsidiaries and associates *(continued)*

On 14 February 2010, a subsidiary, First Derivatives (Ireland) Limited (previously Elvant Limited) acquired the trade and assets of Cognotec Holdings Limited. In the 14 days to 28 February 2010 the subsidiary contributed income of £193k and net loss of £4k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2009 group revenue would have been £30,301k and net profit would have been an estimated £5,631k for the year ended 28 February 2010. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 2009.

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Intangible assets	**-**	**4,260**	**4,260**
Trade and other receivables	**1,267**	**(994)**	**273**
Trade and other payables	**-**	**(487)**	**(487)**
Onerous contracts	**-**	**(683)**	**(683)**
Net identifiable assets and liabilities	**1,267**	**2,096**	**3,363**
Goodwill on acquisition (including costs of acquisition)			**-**
			3,363
Consideration paid, satisfied as follows:			
Cash			**3,363**
			3,363
Cash consideration paid			**3,363**
Cash (acquired)			**-**
Net cash outflow			**3,363**

The above values were determined on a provisional basis as at 28 February 2010 as the acquisition was only completed in February 2010. The fair values of identifiable assets and liabilities have been finalised in the current accounting period resulting in a decrease of £170k in the fair value of trade and other receivables which leads to an increase in goodwill of £170k. Since the amount of the adjustment is immaterial, the prior year financial statements have not been restated and the adjustment has been recorded in the current year.

Goodwill

Goodwill has arisen on the acquisitions and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combinations and the ability to leverage off client relationships and knowhow.

3 Acquisitions of subsidiaries and associates *(continued)*

Goodwill (continued)
Effective on 1 April 2009, First Derivatives plc acquired the share capital of Lepton Solutions Pty Limited. The business combination led to the recognition of goodwill of £1,087k. The group has carried out an impairment review of goodwill and has not identified any impairment. To the extent that operating results do not continue in line with current performance there may be a reversal of goodwill as a result of reduction in contingent deferred consideration.

Effective on 23 October 2009, First Derivatives plc acquired the share capital of Reference Data Factory LLC. The business combination led to the recognition of goodwill of £2,181k. The group has carried out an impairment review of goodwill and has not identified any impairment. To the extent that operating results do not continue in line with current performance there may be a reversal of goodwill as a result of reduction in contingent deferred consideration.

Effective on 14 February 2010, Elvant Limited acquired the total assets of Cognotec Holdings Limited. No goodwill arose at the date of acquisition (as noted above). Subsequently goodwill of £170k was recognised when the fair values of assets and liabilities were finalised.

Acquisition 2009
Additionally in the prior year, a fair value adjustment of £44k in relation to a deferred tax liability was recognised in respect of a prior year acquisition, Market Resource Partners LLC, which resulted in an increase in goodwill of £44k.

Acquisition of associate - 2010

On 19 October 2009, First Derivatives plc acquired a further 15% interest in Kx Systems Inc (Kx). Prior to 28 February 2010 First Derivatives plc acquired a further 2% interest. At 28th February 2010 First Derivatives plc owns 22% of the share capital of Kx.

	Recognised values at date of becoming associate £000
Share of net assets acquired	**45**
Fair value of intangible assets	**3,242**
Net identifiable assets and liabilities	**3,287**
Goodwill on step acquisition	**3,909**
	7,196
Comprised of	
Fair value of existing investment	**1,737**
Cash paid for shares acquired during the year	**4,189**
Shares issued (520,702 ordinary shares)	**1,270**
	7,196

3 Acquisitions of subsidiaries and associates *(continued)*

Equity instruments issued
The fair value of the ordinary shares issued was based on the closing mid market listed share price for each of the 40 business days prior to 25 September 2009, the date of which agreement in principle for the acquisition was reached of 244.0 pence per share. Had the closing price of 254.0 pence per share been used this amount would not be materially different. The impact would be to increase goodwill by £52k.

4 Operating segments

Business segments
The group's board of directors reviews internal management reports on a monthly basis. The reports provided to the board of directors focus on group performance. The information provided to the board does not report performance on a segmented income statement basis, however, contained within the group management accounts is a split of revenue, detailing the various consulting and software sales revenue figures throughout the group. This level of information is consistent with the directors' view of the nature of the group's business. Staff work in both areas of the business with substantial investment being made by the group in developing highly technical training which is provided to all staff to allow them to cover both software and consulting skills. Costs and assets are therefore not segmented nor presented on a segmental basis to the board of directors.

The group has disclosed below certain information on its revenue by geographical location. Details regarding total revenues are presented in note 5.

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

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

Revenue by division

	Consulting		**Software**		**Total**	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Total Segment Revenue	**24,229**	19,352	**12,511**	6,124	**36,740**	25,476

Geographical location analysis

	UK		**Rest of Europe**		**America**		**Australasia**		**Total**	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Revenue from external customers	**15,811**	10,719	**2,627**	1,181	**14,812**	11,839	**3,490**	1,737	**36,740**	25,476
Non Current Assets	**22,376**	19,824	**5,930**	4,428	**24,333**	22,572	**1,692**	1,620	**54,331**	48,444

4 Operating segments *(continued)*

Revenue generated and non-current assets located in Northern Ireland, the group's country of domicile are not material and as such, have not been separately disclosed for either the current or prior year.

Major customers
The group has one key customer who individually generates more than 10% of group revenue. Revenue from this customer of the group represents approximately £12,518k of the group's total revenue. The revenue from this customer has been derived from 29 different independent decision making business units across seven global locations. No individual business unit accounts for more than 3.6% of group revenue. In the prior year, two key customers accounted for more than 10% of group revenue. Revenues from these customers accounted for approximately £8,642k and £4,600k of the group's total revenue respectively.

5 Revenue

	2011	2010
	£'000	£'000
Sale of goods	**5,584**	1,112
Rendering of services	**30,287**	24,004
Commissions	**869**	360
	36,740	25,476

Commission relates to the sale of products in which the group acts as an agent in the transaction rather than as the principal. Management considered the following factors in distinguishing between an agent and a principal:

- the group does not take title of the goods and has no responsibility in respect of goods sold;
- the group does not collect the revenue from the final customer, all credit risk is borne by the supplier of the goods; and
- the group cannot vary the selling prices set by the supplier.

6 Other operating income

	2011	2010
	£'000	£'000
Government grants	**1,890**	986
Other income	**84**	148
	1,974	1,134

During the year, employment grant income of £646k (2010: £1,007k) was claimed from Invest Northern Ireland.

Notes *(continued)*

7 Administrative expenses

	2011 £'000	2010 £'000
Rent, rates and insurance	**939**	619
Telephone	**327**	193
Accountancy, audit and legal expenses	**378**	101
Advertising and marketing	**263**	210
Depreciation and amortisation	**2,007**	955
Labour costs	**3,315**	2,403
Listing expenses	**175**	164
Bad debts written off	**381**	52
Other	**938**	510
	8,723	5,207

8 Personnel expenses and numbers

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

	2011 Average no.	2010 Average no.
Administration	**58**	52
Technical	**397**	308
	455	360

The aggregate payroll costs of these persons were as follows:

	2011 £'000	2010 £'000
Wages and salaries	**19,159**	12,333
Share based payments (see note 41)	**340**	197
Social security costs	**1,386**	1,196
Other pension costs	**308**	213
Less capitalised costs in research and development	**(3,477)**	(938)
	17,716	13,001

Disclosed as:	**2011 £'000**	2010 £'000
Cost of sales	**14,401**	10,598
Administrative expenses	**3,315**	2,403
	17,716	13,001

Notes *(continued)*

9 Finance income and expense

	2011 £'000	2010 £'000
Interest income on bank deposits	**7**	8
Finance income	**7**	8
Loss on foreign currency translation of monetary assets	**(198)**	(234)
Interest expense on bank loans	**(649)**	(462)
Other interest	**(74)**	(13)
Finance expense	**(723)**	(475)
Net finance expense recognised in profit or loss	**(914)**	(701)

Exchange gains and losses on net investments in foreign subsidiaries and associates and related effective hedges are recognised in the foreign currency translation reserve.

10 Statutory and other information

	2011 £'000	2010 £'000
Depreciation on property, plant and equipment:		
Owned assets	**402**	263
Assets held under finance lease	**73**	73
Provision for impairment of trade receivables	**381**	52
Amortisation of intangibles	**1,532**	619
Rents payable in respect of operating leases	**348**	280
Research and development costs expensed	**989**	883
Auditor's remuneration:		
KPMG Ireland		
Audit of these financial statements	**55**	48
Audit of the subsidiary undertakings included in the consolidation	**13**	11
Other services:		
Amounts receivable by the auditor (KPMG Ireland) in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**12**	-
All other services	**16**	7
Other services relating to taxation	**51**	83
Services relating to corporate finance transactions	**2**	38

Amounts receivable by the company's auditor in relation to 2010/2011 activities are £68k.

Notes *(continued)*

11 Tax on profit

Income tax recognised in the income statement	**2011 £'000**	2010 £'000
Current tax expense		
Current year	**1,350**	1,579
Adjustment for prior periods	**6**	(135)
	1,356	1,444
Deferred tax expense		
Origination and reversal of temporary differences	**176**	294
Adjustment for prior periods	**(121)**	120
Change in tax rates	**(28)**	-
	27	414
Total income tax in income statement	**1,383**	1,858

Reconciliation of effective tax rate		
Profit excluding income tax	**6,495**	5,645
Income tax using the company's domestic tax rate (28%) (2010: 28%)	**1,819**	1,581
Tax exempt income	**(54)**	-
Expenses not deductible for tax purposes	**60**	183
Over provision in prior year	**(28)**	(15)
Other differences	**20**	(59)
Profit of associate	**(236)**	(16)
Foreign tax rate differences	**(203)**	184
Reduction in tax rates	**(28)**	-
Unrelieved overseas taxes	**33**	-
	1,383	1,858

An annual phased reduction in the main rate of UK corporation tax from 28% to 24% was initially announced in the emergency budget in 2010. Following the 2011 budget statement, the main rate of UK corporation tax was reduced from 28% directly to 26% with effect from the 1 April 2011 and to 25% from 1 April 2012. Thereafter the main rate of UK corporation tax will continue to reduce by 1% per annum to 23% by 2014. It is expected that this gradual fall in the main corporation tax rate will result in a reduction of the groups future current tax charge.

12 Remuneration of directors

The remuneration paid to the directors was:

	2011	2010
	£'000	£'000
Aggregate emoluments (including benefits in kind)	**454**	293
Company pension contributions	**42**	33
Fees for provision of services	**285**	254
Share option payment charge	**88**	25
	869	605

During the period there were 4 directors accruing benefits under a defined contribution pension scheme (28 February 2010: 3).

The aggregate emoluments and company pension contributions of the highest paid director amounted to £134k and £21k respectively during the year (2010: £134k and £16k respectively).

The directors are deemed to be the key management of the group.

Directors' rights to subscribe for shares in the company are indicated below:

	Number of options			
	At start of year	**Acquired during the year**	**At end of year**	**Exercise price £**
Graham Ferguson	-	175,000	**175,000**	**4.15**
Adrian Toner	-	175,000	**175,000**	**4.15**
Graham Ferguson	175,000	-	**175,000**	**1.77**
David Anderson	10,000	-	**10,000**	**1.79**
Adrian Toner	60,000	-	**60,000**	**1.79**

The average share price during the year was £3.53 (2010: £2.33) and the closing price at year end was £4.24 (2010: £2.50).

Notes *(continued)*

13 Dividends

	2011 **£'000**	2010 £'000
Final dividend relating to the prior year	976	921
Interim dividend paid	459	393
	1,435	1,314

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

The final dividend relating to the prior year amounted to 6.75 (previous year: 6.35) pence per share and the interim dividend paid during the year amounted to 2.90 (previous year: 2.75) pence per share. The cumulative dividend paid during the year amounted to 9.65 (previous year: 9.1) pence per share.

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

	2011 **£'000**	2010 £'000
7.25 pence per ordinary share (2010: 6.75 pence)	1,185	975

14 Company result

Under Section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own income statement. The profit after tax (after addition of foreign currency gains of £474k (2010: loss of £423k)) for the financial year of the company as approved by the Board was £4,464k (2010: £4,347k).

15 (a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 28 February 2011 was based on the profit attributable to ordinary shareholders of £5,112k (2010: £3,787k), and a weighted average number of ordinary shares ranking for dividend of 15,415k (2010: 13,993k).

	2011 **Pence per share**	2010 Pence per share
Basic earnings per share	**33.2**	27.1

Notes *(continued)*

15 (a) Earnings per ordinary share (continued)

Weighted average number of ordinary shares

	2011 Number '000	2010 Number '000
Issued ordinary shares at beginning of period	**14,421**	13,734
Effect of share options exercised	**132**	25
Effect of shares issued as purchase consideration	**46**	234
Effect of shares issued for cash	**816**	-
Weighted average number of ordinary shares at end of period	**15,415**	13,993

Subsequent to the year end, 450,914 ordinary shares were issued as payment of contingent deferred consideration.

Diluted

The calculation of diluted earnings per share at 28 February 2011 was based on the profit attributable to ordinary shareholders of £5,112k (2010: £3,787k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 17,606k (2010: 14,654k).

	2011 Pence per share	2010 Pence per share
Diluted earnings per share	**29.0**	25.8

Weighted average number of ordinary shares (diluted)

	2011 Number '000	2010 Number '000
Weighted average number of ordinary shares (basic)	**15,415**	13,993
Effect of dilutive share options in issue	**2,191**	661
Weighted average number of ordinary shares (diluted) at end of period	**17,606**	14,654

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

At 28 February 2011, 315k options (2010: 276k) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

15 (b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £6,495k (2010: £5,645k). The number of shares used in this calculation is consistent with note 15(a) above.

	2011 Pence per share	2010 Pence per share
Basic earnings before tax per ordinary share	**42.1**	40.3
Diluted earnings before tax per ordinary share	**36.9**	38.5

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

	2011 Pence per share	2010 Pence per share
Basic earnings per share	**33.2**	27.1
Impact of taxation charge	**8.9**	13.2
Adjusted basic earnings before tax per share	**42.1**	40.3
Diluted earnings per share	**29.0**	25.8
Impact of taxation charge	**7.9**	12.7
Adjusted diluted earnings before tax per share	**36.9**	38.5

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

16 Property, plant and equipment

Group

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2010	18,296	696	72	19,064
Additions	297	489	56	842
Exchange adjustments	(1)	(42)	(1)	(44)
At 28 February 2011	**18,592**	**1,143**	**127**	**19,862**
Depreciation				
At 1 March 2010	696	385	45	1,126
Charge for the year	227	232	16	475
Exchange adjustments	(1)	(30)	-	(31)
At 28 February 2011	**922**	**587**	**61**	**1,570**
Net book value				
At 28 February 2011	**17,670**	**556**	**66**	**18,292**

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2009	17,407	494	55	17,956
Additions	890	192	17	1,099
Acquisition through business combinations	-	33	-	33
Exchange adjustments	(1)	(23)	-	(24)
At 28 February 2010	**18,296**	**696**	**72**	**19,064**
Depreciation				
At 1 March 2009	478	273	34	785
Exchange adjustments	1	4	-	5
Charge for the year	217	108	11	336
At 28 February 2010	**696**	**385**	**45**	**1,126**
Net book value				
At 1 March 2009	**16,929**	**221**	**21**	**17,171**
At 28 February 2010	**17,600**	**311**	**27**	**17,938**

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

At 28 February 2011 the net carrying amount of leased plant and machinery was £nil (2010: £73k). The leased equipment acts as security for the lease obligations (see note 28). Cost of equipment was £304k and accumulated depreciation at 28 February 2011 was £304k. Depreciation of £73k was charged during the year (2010: £73k).

Land and buildings in the group of £17,670k have been independently valued by qualified external valuers at £22,700k on a open market basis.

Details of security in respect of property, plant and equipment are disclosed in note 28.

16 Property, plant and equipment *(continued)*

Company

	Land and Buildings £'000	Plant and equipment £'000	Office furniture and equipment £'000	Total £'000
Cost				
At 1 March 2010	18,283	310	58	18,651
Additions	284	46	9	339
At 28 February 2011	**18,567**	**356**	**67**	**18,990**
Depreciation				
At 1 March 2010	682	270	46	998
Charge for the year	226	35	6	267
At 28 February 2011	**908**	**305**	**52**	**1,265**
Net book value				
At 28 February 2011	**17,659**	**51**	**15**	**17,725**

	Land and Buildings £'000	Plant and equipment £'000	Office furniture and equipment £'000	Total £'000
Cost				
At 1 March 2009	17,402	290	55	17,747
Additions	881	20	3	904
At 28 February 2010	**18,283**	**310**	**58**	**18,651**
Depreciation				
At 1 March 2009	476	235	35	746
Charge for the year	206	35	11	252
At 28 February 2010	**682**	**270**	**46**	**998**
Net book value				
At 1 March 2009	**16,926**	**55**	**20**	**17,001**
At 28 February 2010	**17,601**	**40**	**12**	**17,653**

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

No assets are held under finance leases.

Details of security in respect of property, plant and equipment are disclosed in note 28.

17 Intangible assets

Group

	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
Balance at 1 March 2010	11,427	2,039	7,590	300	2,701	24,057
Development costs	-	-	-	-	3,475	3,475
Additions	-	-	2	-	-	2
Deferred consideration	2,302	-	-	-	-	2,302
Acquisition through business combinations	690	401	-	18	-	1,109
Exchange adjustments	(478)	(113)	(340)	(16)	(8)	(955)
Balance at 28 February 2011	13,941	2,327	7,252	302	6,168	29,990
Amortisation and impairment losses						
Balance at 1 March 2010	-	372	447	30	930	1,779
Exchange adjustment	-	(30)	(21)	(2)	-	(53)
Amortisation for the year	-	275	998	37	222	1,532
Balance at 28 February 2011	-	617	1,424	65	1,152	3,258
Carrying amounts At 28 February 2011	**13,941**	**1,710**	**5,828**	**237**	**5,016**	**26,732**

	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
Balance at 1 March 2009	6,654	2,111	1,339	175	1,390	11,669
Development costs	-	-	-	-	1,311	1,311
Additions	-	-	12	-	-	12
Deferred consideration	1,480	-	-	-	-	1,480
Acquisition through business combinations	3,312	52	6,052	130	-	9,546
Exchange adjustments	(19)	(124)	187	(5)	-	39
Balance at 28 February 2010	11,427	2,039	7,590	300	2,701	24,057
Amortisation and impairment losses						
Balance at 1 March 2009	-	122	119	10	905	1,156
Exchange adjustment	-	3	1	-	-	4
Amortisation for the year	-	247	327	20	25	619
Balance at 28 February 2010	-	372	447	30	930	1,779
Carrying amounts						
At 1 March 2009	**6,654**	**1,989**	**1,220**	**165**	**485**	**10,513**
At 28 February 2010	**11,427**	**1,667**	**7,143**	**270**	**1,771**	**22,278**

17 Intangible assets *(continued)*

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

Included within goodwill under acquisitions through business combinations is £170k in respect of the finalisation of the fair value of assets and liabilities acquired on the acquisition of the trade and assets of Cognotec Holdings Limited.

Included within development costs is £3,475k (2010: £938k) of capitalised employees costs for the year (see note 8). Developed software includes £2,913k (2010: £1,055k) of software under development at 28 February 2011.

The amortisation charge is recognised within the following line in the income statement:

	2011	2010
	£000	£000
Administration expenses	**1,532**	619

Impairment testing of goodwill

The group tests goodwill annually for impairment on 28 February, or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to divisions which represent the lowest level within the group at which goodwill is monitored, which is not higher than the statutory entity level summary. A statutory entity level summary of the goodwill is presented below:

	2011	2010
	£'000	£'000
Subsidiaries		
Market Resource Partners LLC	**9,329**	7,785
Reference Data Factory LLC	**2,527**	2,348
Lepton Pty Limited	**1,386**	1,294
First Derivatives (Ireland) Limited	**170**	-
LakeFront Data Ventures Inc.	**529**	-
	13,941	11,427
Associate		
Kx Systems Inc. (included in note 18)	**3,933**	4,166
	3,933	4,166

The recoverable amount of each cash generating unit (CGU) has been determined based on a value-in-use (VIU) calculation using cash flows derived from financial projections over a fifteen year period, with cash flows thereafter calculated using a terminal value methodology. A growth rate of 2% (2010: 2%) is assumed. The pre-tax discount rates applied to cash flow projections of the CGUs was 15% (2010: 15%).

17 Intangible assets *(continued)*

Projected cash flows are most sensitive to assumptions regarding future profitability and working capital investment. The values applied to these key assumptions are derived from a combination of external and internal factors, based on past experience together with management's future expectations about business performance.

Discount rates reflect the current market assessment of the risk specific to each CGU. The discount rate was estimated based on past experience and industry average weighted average cost of capital adjusted to reflect the market assessment of risks specific to each CGU for which the cash flow projections have not been adjusted.

There was no impairment charge for the year ended 28 February 2011 (2010: Nil). For the purposes of performing sensitivity analysis, a discount rate of 15% and a terminal value of 2% were applied to the cashflow forecasts. Applying these assumptions did not indicate any impairment.

A change in the assumption to increase the discount rate by 0.5% or separately to reduce the terminal growth by 0.5% would not result in any indication of impairment.

Company	**Internally developed software £'000**
Cost	
Balance at 1 March 2010	2,584
Development cost	1,638
Balance at 28 February 2011	**4,222**
Amortisation and impairment losses	
Balance at 1 March 2010	929
Amortisation for the year	110
Balance at 28 February 2011	**1,039**
Carrying amounts	
At 28 February 2011	**3,183**
Cost	
Balance at 1 March 2009	1,390
Development cost	1,194
Balance at 28 February 2010	2,584
Amortisation and impairment losses	
Balance at 1 March 2009	905
Amortisation for the year	24
Balance at 28 February 2010	929
Carrying amounts	
At 1 March 2009	**485**
At 28 February 2010	**1,655**

Included within development costs is £1,638k (2010: £938k) of capitalised employees costs for the year. Developed software includes £2,442k (2010: £804k) of software under development at 28 February 2011.

18 Investment in subsidiaries and associate

The group and company has the following investments in subsidiaries:

	Country of incorporation	Class of share held	Ownership 2011	2010
Group				
Market Resource Partners LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited	Australia	Ordinary	100%	100%
First Derivatives Pty Limited	Australia	Ordinary	100%	100%
First Derivatives (Ireland) Limited	Ireland	Ordinary	100%	100%
Reference Data Factory LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Inc	United States	Ordinary	100%	100%
First Derivatives US Inc	United States	Ordinary	100%	100%
First Derivatives No.1 Inc	United States	Ordinary	100%	100%
LakeFront Data Ventures Inc	Canada	Ordinary	100%	-
Market Resource Partners NI Limited	N. Ireland	Ordinary	100%	-

	Country of incorporation	Class of share held	Ownership 2011	2010
Company				
Market Resource Partners LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited (formerly Lepton Pty Limited)	Australia	Ordinary	100%	100%
First Derivatives (Ireland) Limited (formerly Elvant Limited)	Ireland	Ordinary	100%	100%
First Derivatives Holdings Inc	United States	Ordinary	100%	100%
First Derivatives No.1 Inc	United States	Ordinary	100%	100%
LakeFront Data Ventures Inc	Canada	Ordinary	100%	-
Market Resource Partners NI Limited	N. Ireland	Ordinary	100%	-

First Derivatives Holdings Pty Limited holds 100% of the ordinary shares of First Derivatives Pty Limited. First Derivatives Holdings Inc. holds 100% of the ordinary shares of Reference Data Factory LLc and First Derivatives US Inc. Market Resource Partners NI Limited was incorporated during the year.

	Company 2011 £'000	2010 £'000
Unlisted investments in subsidiaries at cost		
At 1 March 2010	**11,652**	9,153
Additions	**836**	1,366
Increase of contingent deferred consideration	**1,981**	1,480
Additional expenses from previous acquisitions	**11**	10
Foreign exchange movement in contingent deferred consideration	**(263)**	(357)
At 28 February 2011	**14,217**	11,652

18 Investment in subsidiaries and associate *(continued)*

The increase in contingent deferred consideration arises from a revaluation of contingent deferred consideration in line with increased performance of the subsidiary as per the terms of the relevant sale and purchase agreement.

Associate
The group's and company's share of profit in associates for the year was £841k (2010: £54k). The associate is not publically listed and consequently does not have a published share price. During the year, the group received dividends of £654k (2010: £nil) from its associate. Summary financial information for the year to 28 February 2011 for the associate for total assets, total liabilities, revenue and net profit was £10,404k, £6,083k, £11,375k and £5,776k respectively.

The group and company has the following investment in an associate:

	Country of incorporation	Class of share held	Ownership 2011	2010
Group and Company				
Kx Systems Inc	United States	Ordinary	22%	22%

Group

	£'000
At 1 March 2010	7,710
Dividends received	(654)
Share of associate profit	841
Exchange adjustment	(450)
At 28 February 2011	**7,447**

	£'000
At 1 March 2009	-
Share of net assets and liabilities acquired	3,287
Goodwill on step acquisition	3,909
Share of associate profit	54
Exchange adjustment	460
At 28 February 2010	**7,710**

Company

	£'000
At 1 March 2009	-
Transfer from available for sale asset	1,737
Additions	5,459
At 28 February 2010 and 2011	**7,196**

Goodwill arising on the step acquisition was tested for impairment, see note 17.

19 Other financial assets

Available for sale assets

	Group £'000	Company £'000
Unlisted equity investments		
At 1 March 2010 and 28 February 2011	**-**	**-**

	Group £'000	Company £'000
Unlisted equity investments		
At 1 March 2009	1,872	1,872
Fair value movement	(135)	(135)
Transfer to investment in associate (note 18)	(1,737)	(1,737)
At 28 February 2010	**-**	**-**

On 1 March 2009, First Derivatives held a 5% investment in Kx Systems. On 19 October 2009 First Derivatives plc acquired a further 15% stake in Kx Systems and a further 2% on 30 November 2009. From 19 October 2009, the investment in Kx Systems was accounted for as an associate (See note 18).

The fair value of unlisted equity investments was estimated by reference to the underlying results and balance sheet position of the relevant company and by reference to the valuation of listed entities in similar industries.

20 Trade and other receivables

Non current assets

	Group		*Company*	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Receivables from subsidiaries	**-**	-	**1,919**	-
	-	-	**1,919**	-

The repayment terms of the loan has been agreed as falling due after more than one year.

20 Trade and other receivables (*continued)*

Current assets

	Group **2011** **£'000**	2010 £'000	*Company* **2011** **£'000**	2010 £'000
Trade receivables	**8,021**	5,888	**4,698**	4,404
Receivables from associates	**454**	95	**454**	95
Receivables from subsidiaries	**-**	-	**5,995**	5,226
Sundry receivables	**942**	165	**1**	-
Prepayments	**718**	913	**643**	660
Grant income receivable	**2,428**	2,664	**2,428**	2,664
	12,563	9,725	**14,219**	13,049

At 28 February 2011 group and company trade receivables are shown net of an allowance for doubtful debts of £440k and £350k respectively (2010: group £176k; company £150k) arising from on-going invoice disputes and the risk of companies becoming insolvent. The impairment loss recognised in the year was £381k (2010: £52k) for group and £211k (2010: £12k) for the company. The group's and company's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 39.

21 Cash and cash equivalents

	Group **2011** **£'000**	2010 £'000	*Company* **2011** **£'000**	2010 £'000
Bank balances	**3,501**	1,711	**2,956**	860

See note 39 for discussion of interest rate risk and sensitivity analysis.

22 Share capital

	Ordinary shares **2011**	2010
On issue at 1 March	**14,420,726**	13,734,468
Issued for cash	**1,150,000**	-
Exercise of share options	**270,625**	56,000
Issued in business combination	**82,602**	630,258
On issue at 28 February – fully paid	**15,923,953**	14,420,726

	Number	**2011** **£'000**	Number	2010 £'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**15,923,953**	**80**	14,420,726	72

22 Share capital (*continued)*

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.

Shares increased in the year due to the exercise of 270,625 share options (2010: 56,000) for £329k (2010: £47k) together with an associated transfer from the share option reserve of £118k (2010: £18k), the issue of 82,602 shares (2010: 109,556) at £251k (2010: £300k) purchase consideration for subsidiaries, the issue of nil shares (2010: 520,702) as £nil (2010: £1,271k) purchase consideration for the associate and the issue of 1,150,000 (2010: nil) shares for cash of £3,250k (2010: nil).

23 Share premium account

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Opening balance	**3,906**	2,274	**3,906**	2,274
Premium on shares issued	**3,940**	1,632	**3,940**	1,632
Closing balance	**7,846**	3,906	**7,846**	3,906

24 Share option reserve

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Opening balance	**983**	430	**983**	430
Fair value of share based payments cost (note 41)	**538**	333	**538**	333
Options exercised in the period	**(118)**	(18)	**(118)**	(18)
Effect of share option forfeits	**(49)**	(25)	**(49)**	(25)
Deferred tax on share based payments	**1,030**	263	**1,030**	263
Closing balance	**2,384**	983	**2,384**	983

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.

Notes *(continued)*

25 Fair value reserve

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Opening balance	**-**	223	**126**	223
Fair value movement, net deferred tax	**-**	(97)	**-**	(97)
Transfer on acquisition of associate	-	(126)	-	-
Closing balance	**-**	-	**126**	126

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired. The amount is retained in the company as the original investment is included in the costs of the associate in note 18.

26 Revaluation reserve

	Group	
	2011	2010
	£'000	£'000
Opening balance	**174**	-
Revaluation of net identifiable assets and liabilities arising on step acquisition	**-**	174
Closing balance	**174**	174

The revaluation reserve relates to the revaluation of available for sale assets prior to its reclassification as an associate.

27 Currency translation adjustment reserve

	Group	
	2011	2010
	£'000	£'000
Opening balance	**694**	244
Net (loss) / gain on net investment in foreign subsidiaries	**(641)**	179
Net (loss) / gain on net investment in associate	**(450)**	460
Net gain on hedge of net investment in foreign subsidiaries	**351**	8
Net gain / (loss) on hedge of investment in associate	**243**	(197)
Closing balance	**197**	694

The translation 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.

28 Interest bearing borrowings

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Current liabilities				
Secured bank loans	**1,098**	4,510	**1,098**	4,510
Finance leases	**26**	64	**-**	-
	1,124	4,574	**1,098**	4,510
Non-current liabilities				
Secured bank loans	**21,585**	17,721	**21,585**	17,721
Less: Capital arrangement fee	**(41)**	(46)	**(41)**	(46)
Finance leases	**-**	28	-	-
	21,544	17,703	**21,544**	17,675

Terms and debt repayment schedule

The group had the following loan facilities with Bank of Ireland at the end of the year:

£11,000,000 multi currency loan (Facility A)
£8,000,000 multi currency loan (Facility B)
£1,500,000 sterling loan (Facility C)
$3,700,000 US dollar loan (Loan A)

The terms and conditions of outstanding loans were as follows:

				28 February 2011		28 February 2010	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value £000**	**Carrying amount £000**	Face value £000	Carrying amount £000
Facility A	USD	2.25%+LIBOR*	2016	10,935	10,894	-	-
Facility B	GBP	2.25%+LIBOR*	2016	7,909	7,909	-	-
Facility C	GBP	3.00%+ LIBOR*	2013	1,500	1,500	-	-
Facility A	GBP	1.75%+LIBOR	2013	-	-	8,312	8,300
Facility A	USD	1.75%+LIBOR	2013	-	-	6,908	6,896
Facility B	GBP	1.75%+ LIBOR	2013	-	-	499	488
Facility B	USD	1.75%+ LIBOR	2013	-	-	4,078	4,067
Loan A	USD	3%+ LIBOR	2016	2,298	2,298	2,434	2,434
Finance Lease	USD	11%	2012	26	26	92	92
Total interest-bearing borrowings				22,668	22,627	22,323	22,277

* In respect of these loans, 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 1.50%+LIBOR.

The bank loans are secured over property, plant and equipment with a carrying amount of £17,725k (2010: £17,653k). All outstanding loans have interest charged at 2.25% or 3% (2010: 1.75% or 3%) above the LIBOR.

Notes *(continued)*

28 Interest bearing borrowings *(continued)*

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Future minimum lease payments 2011	Interest 2011	Principal 2011	Future minimum lease payments 2010	Interest 2010	Principal 2010
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than one year	28	2	26	71	7	64
Between one and five years	-	-	-	29	1	28
	28	2	26	100	8	92

The finance leases are secured over the leased equipment.

29 Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**4**	-	**(885)**	(506)	**(881)**	(506)
Share based payments	**1,427**	438	**-**	-	**1,427**	438
Trading Losses	**228**	-	**-**	-	**228**	-
Net fair value movement on available for sale assets	**-**	-	**(47)**	(49)	**(47)**	(49)
Intangible assets	**-**	-	**(387)**	(124)	**(387)**	(124)
Other	**201**	80	**-**	-	**201**	80
Net tax assets/(liabilities)	**1,860**	518	**(1,319)**	(679)	**541**	(161)

Movement in temporary differences during the year:

	Balance at 1 March 2009 £000	Recognised in income £000	Recognised on acquisition £000	Recognised in equity £000	Balance at 28 Feb 2010 £000	Recognised in income £000	Recognised on acquisition £000	Recognised in equity £000	Balance at 28 Feb 2011 £000
Property, plant and equipment	1	(507)	-	-	(506)	(375)	-	-	**(881)**
Share based payments	84	91	-	263	438	140	-	849	**1,427**
Employee benefits	24	(24)	-	-	-	-	-	-	**-**
Trading losses	-	-	-	-	-	228	-	-	**228**
Net fair value movement on available for sale assets	(87)	-	-	38	(49)	-	-	2	**(47)**
Intangible assets	25	(11)	(124)	(14)	(124)	(141)	(119)	(3)	**(387)**
Other	43	37	-	-	80	121	-	-	**201**
	90	(414)	(124)	287	(161)	(27)	(119)	848	**541**

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

29 Deferred taxation *(continued)*

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**-**	-	**(867)**	(461)	**(867)**	(461)
Share based payments	**1,427**	438	**-**	-	**1,427**	438
Net fair value movement on available for sale assets	**-**	-	**(47)**	(49)	**(47)**	(49)
Other	**41**	37	**-**	-	**41**	37
Net tax assets/(liabilities)	**1,468**	475	**(914)**	(510)	**554**	(35)

Movement in temporary differences during the year:

	Balance at 1 March 2009 £000	Recognised in profit and loss £000	Recognised in equity £000	Balance at 28 Feb 2010 £000	Recognised in profit and loss £000	Recognised in equity £000	Balance at 28 Feb 2011 £000
Property, plant and equipment	1	(462)	-	(461)	(406)	-	**(867)**
Share based payments	84	91	263	438	140	849	**1,427**
Employee benefits	24	(24)	-	-	-	-	**-**
Net fair value movement on available for sale assets	(87)	-	38	(49)	-	2	**(47)**
Other	11	26	-	37	4	-	**41**
	33	(369)	301	(35)	(262)	851	**554**

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

Notes *(continued)*

30 Contingent deferred consideration

Contingent deferred consideration liabilities are payable as follows:

	Group		***Company***	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
At 1 March	**7,542**	5,594	**5,298**	5,594
Additions	-	2,809	-	711
Increase in contingent deferred consideration	**2,302**	1,480	**1,981**	1,480
Foreign exchange movement in contingent deferred consideration	**(241)**	(211)	**(263)**	(357)
Settled in year – cash	**(1,795)**	(1,993)	**(1,550)**	(1,993)
Settled in year – share option charge	**(198)**	(137)	**(198)**	(137)
At 28 February	**7,610**	7,542	**5,268**	5,298

The payment of contingent deferred consideration was paid in cash together with a share option charge in respect of share options issued as part of purchase consideration. The increase in contingent deferred consideration arises from a revaluation of contingent deferred consideration in line with increased performance of the subsidiary as per the terms of the relevant sale and purchase agreement. As at 28 February 2011 the maximum total amount payable under the terms of the sale and purchase agreements is £9,557k and the minimum total amount payable is £5,268k.

	Group		***Company***	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Less than one year	**5,617**	5,147	**5,268**	4,974
Between one and five years	**1,993**	2,395	**-**	324
	7,610	7,542	**5,268**	5,298

The amount of contingent deferred consideration is variable depending on the future performance of the relevant subsidiary. £5,381k (2010: £5,497k) of the group contingent deferred consideration is payable in cash, £2,068k (2010: £1,686k) payable in a variable number of shares and £161k (2010: £359k) unamortised share option charge.

31 Trade and other payables

Current liabilities

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Trade payables	**1,195**	894	**667**	599
Other payables	**2,210**	2,124	**1,766**	1,710
Accruals	**662**	707	**598**	304
Deferred income including government grants	**3,888**	4,594	**1,771**	2,544
Payables to subsidiaries	**-**	-	**235**	123
	7,955	8,319	**5,037**	5,280

Non current liabilities

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Deferred income in respect of government grants	**2,034**	977	**1,570**	977

The group and company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 39.

The group has claimed three government grants to date as follows:

- Grant amounting to £2,698k, conditional on recruitment of additional staff. The grant is recognised as deferred income as additional staff are recruited and is being amortised over the period of the grant.
- Grant amounting to £468k, conditional on the provision of staff training. It is recognised as other income as training is provided.
- Grant amounting to £1,339k, conditional upon research and development expenditure. This is recognised as deferred income as expenditure is incurred and is being amortised over the useful life of the generated intangible.

32 Current tax payable

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Current tax payable	**1,176**	1,417	**1,489**	1,345

33 Provisions

	Group £'000
At 1 March 2010	**645**
Payments	**(301)**
At 28 February 2011	**344**
At 1 March 2009	-
Onerous contracts arising on acquisition of subsidiary	683
Payments	(38)
At 28 February 2010	645

On acquisition of trade and assets of Cognotec Holdings Ltd in the prior year certain contracts were identified that were deemed to be onerous in nature due to the requirement to deliver services for no additional income. This related to a prepayment made by a third party prior to the groups' purchase of the trade and assets of the business.

The contracted service to be delivered for this payment had not been delivered at the time of the acquisition. The group has an obligation to refund the prepayment and has subsequently commenced repayment of this amount during the year.

34 Capital and other commitments

There was no capital or other commitments at the current or prior year end.

35 Leasing commitments

Non-cancellable operating lease rentals are payable as follows:

	Group 2011 £'000	2010 £'000	*Company* 2011 £'000	2010 £'000
Less than one year	**412**	290	**140**	140
Between one and five years	**1,130**	874	**560**	560
More than five years	**980**	1,120	**980**	1,120
	2,522	2,284	**1,680**	1,820

The group leases four premises under operating lease arrangements.

Group
During the year £348k was recognised as an expense in the income statement in respect of operating leases (2010: £280k).

Company
During the year £140k was recognised as an expense in the income statement in respect of operating leases (2010: £140k).

Notes *(continued)*

36 Pension contributions

The group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £308k (2010: £213k). Contributions amounting to £84k (2010: £46k) were payable to the schemes at the year end and are included in creditors.

37 Related party transactions

Group

Key management personnel compensation
The remuneration of the directors and rights to subscribe for shares as set out in note 12 is deemed to be the remuneration of key management personnel.

Key management personnel and director transactions
The Group is charged rent monthly for the use of apartments located in London owned by Brian Conlon. The charge incurred during the financial year amounted to £53k (2010: £53k). Rent deposits of £26k (2010: £26k) have been paid to the Brian Conlon in respect of these apartments.

During the year, until the date of his resignation, the group incurred £200k (2010: £214k) expenditure with Ishtara Consulting Limited, a company in which P Kinney is a director for consulting services. The balance owed to Ishtara at 28 February 2011 is £40k (2010: £39k).

During the year the group incurred £50k (2010: £ 49k) expenditure with Glenmount Limited, a consultancy services company in which M O'Neill is a director. The balance owed to Glenmount at 28 February 2011 is £10k (2010: £15k).

A 15 year lease was entered into for the rental of office space for the head office in Newry. The lessor is Oncon Properties, a partnership owned by B Conlon and M O'Neill. £140k (2010: £140k) rental charge was incurred in the year. The balance owed to Oncon at 28 February 2011 is £99k (2010: £Nil).

Other related party transactions

	Commission earned		**Administrative expenses incurred from**	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Associate	**869**	360	**303**	-
	869	360	**303**	-

37 Related party transactions *(continued)*

	Receivables outstanding		Payables outstanding	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Associate	**616**	393	**-**	-
	616	393	**-**	-

Company

Other related party transactions

	Revenue		Administrative expenses incurred from	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Subsidiaries	**485**	-	**2,892**	120
Associate	**869**	360	**303**	-
	1,354	360	**3,195**	120

	Receivables outstanding		Payables outstanding	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Subsidiaries	**5,995**	5,226	**236**	123
Associates	**616**	393	-	-
	6,611	5,619	**236**	123

The above associate receivables balances outstanding for group and company includes a trade receivable balance of £454k (2010: £95k) and a prepayment of £162k (2010: £298k).

All outstanding trade receivable balances with the associate are on an arms length basis and are due to be settled in cash within six months of the reporting date. The balances are not secured. The group has a perpetual OEM agreement for the kbd+ software. In addition, the group has a sales partner agreement to regulate circumstances where it may assist the associate on the sale of its products.

During the year development costs of £677k (2010: £198k) were recharged from a subsidiary to the company.

Interest is charged on inter-company loans at market rates.

38 Ultimate controlling party

There is no one party who is the ultimate controlling party of the group.

39 Financial instruments

Fair values

Group
The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

2011

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	11,845	-	11,845	11,845
Cash and cash equivalents	3,501	-	3,501	3,501
Secured bank loans	-	(22,683)	(22,642)	(22,642)
Finance leases	-	(26)	(26)	(26)
Trade, accruals and other payables	-	(4,067)	(4,067)	(4,067)
Employee benefits	-	(2,401)	(2,401)	(2,401)
Contingent deferred consideration	-	(7,610)	(7,610)	(7,610)
Provisions	-	(344)	(344)	(344)

2010

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	8,812	-	8,812	8,812
Cash and cash equivalents	1,711	-	1,711	1,711
Secured bank loans	-	(22,231)	(22,185)	(21,099)
Finance leases	-	(92)	(92)	(89)
Trade, accruals and other payables	-	(3,725)	(3,725)	(3,725)
Employee benefits	-	(1,714)	(1,714)	(1,714)
Contingent deferred consideration	-	(7,542)	(7,542)	(7,542)
Provisions	-	(645)	(645)	(645)

Notes *(continued)*

39 Financial instruments *(continued)*

Company

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

2011

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	15,495	-	15,495	15,495
Cash and cash equivalents	2,956	-	2,956	2,956
Secured bank loans	-	(22,683)	(22,642)	(22,642)
Trade, accruals and other payables	-	(3,266)	(3,266)	(3,266)
Employee benefits	-	(2,121)	(2,121)	(2,121)
Contingent deferred consideration	-	(5,268)	(5,268)	(5,268)

2010

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	12,389	-	12,389	12,389
Cash and cash equivalents	860	-	860	860
Secured bank loans	-	(22,231)	(22,185)	(21,099)
Trade, accruals and other payables	-	(2,736)	(2,736)	(2,736)
Employee benefits	-	(1,530)	(1,530)	(1,530)
Contingent deferred consideration	-	(5,298)	(5,298)	(5,298)

39 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 was:

	Group Carrying amount		*Company* Carrying amount	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Trade and other receivables	**11,845**	8,812	**15,495**	12,389
Cash and cash equivalents	**3,501**	1,711	**2,956**	860
	15,346	10,523	**18,451**	13,249

All financial assets which are subject to credit risk are held at amortised cost.

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

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Europe	**1,063**	626	**5,688**	3,384
America	**4,061**	2,127	**3,415**	2,981
United Kingdom	**6,211**	5,981	**6,334**	5,981
Australasia	**510**	78	**58**	43
	11,845	8,812	**15,495**	12,389

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

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
End-user customer	**8,566**	5,984	**5,152**	4,740
Other	**3,279**	2,828	**10,343**	7,649
	11,845	8,812	**15,495**	12,389

The group's most significant customer is an investment bank which accounts for £3,262k of the trade and other receivables carrying amount at 28 February 2011 (2010: £2,958k). No other customers had receivable balances in excess of 10% of the group's total balance at the year end. In addition, £2,428k (2010: £2,664k) is receivable from Invest Northern Ireland in respect of grants receivable.

39 Financial instruments *(continued)*

Impairment losses

The ageing of trade receivables at the reporting date was:

Group	**Gross 2011 £'000**	**Impairment 2011 £'000**	**Gross 2010 £'000**	**Impairment 2010 £'000**
Not past due	**3,402**	**-**	2,697	-
Past due 0-30 days	**3,357**	**-**	2,549	-
Past due 31-120 days	**215**	**-**	642	24
Past due 120 days +	**1,487**	**440**	176	152
Total	**8,461**	**440**	6,064	176

Company	**Gross 2011 £'000**	**Impairment 2011 £'000**	**Gross 2010 £'000**	**Impairment 2010 £'000**
Not past due	**2,202**	**-**	1,745	-
Past due 0-30 days	**2,409**	**-**	2,451	-
Past due 31-120 days	**69**	**-**	232	24
Past due 120 days +	**368**	**350**	126	126
Total	**5,048**	**350**	4,554	150

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

	Group		***Company***	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Balance at 1 March	**176**	382	**150**	350
Impairment loss recognised	**381**	52	**211**	12
Written off	**(117)**	(258)	**(11)**	(212)
Balance at end of period	**440**	176	**350**	150

A specific impairment loss was incurred during the year with regard to concerns over the recoverability of debt relating to four customers (2010: three customers), mainly due to the economic circumstances of the customers. The group and company believe that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviours.

The above allowance for impairment for the group includes a collective based provision of £82k (2010: nil). The allowance for impairment for the company is entirely specific.

39 Financial instruments *(continued)*

Liquidity risk

Group

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

28 February 2011

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(22,642)	(27,012)	(1,120)	(1,120)	(3,163)	(21,609)	-
Finance leases	(26)	(28)	(28)	-	-	-	-
Trade and other payables	(4,067)	(4,067)	(4,067)	-	-	-	-
Deferred Consideration	(5,381)	(5,483)	(3,104)	(284)	(2,095)	-	-
Other Provision	(344)	(344)	(50)	(50)	(100)	(144)	
	(32,460)	(36,934)	(8,369)	(1,454)	(5,358)	(21,753)	-

28 February 2010

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(22,185)	(24,421)	(3,666)	(1,207)	(2,367)	(17,181)	-
Finance leases	(92)	(100)	(36)	(36)	(28)	-	-
Trade and other payables	(3,725)	(3,725)	(3,725)	-	-	-	-
Deferred Consideration	(5,497)	(5,646)	(118)	(3,394)	(830)	(1,304)	-
Other Provision	(645)	(645)	-	-	(645)	-	-
	(32,144)	(34,537)	(7,545)	(4,637)	(3,870)	(18,485)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 28.

Company

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

28 February 2011

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(22,642)	(27,012)	(1,120)	(1,120)	(3,163)	(21,609)	-
Trade and other payables	(3,266)	(3,266)	(3,266)	-	-	-	-
Deferred Consideration	(3,039)	(3,039)	(2,929)	(110)	-	-	-
	(28,947)	(33,317)	(7,315)	(1,230)	(3,163)	(21,609)	-

28 February 2010	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(22,185)	(24,421)	(3,666)	(1,207)	(2,367)	(17,181)	-
Trade and other payables	(2,736)	(2,736)	(2,736)	-	-	-	-
Deferred Consideration	(3,524)	(3,579)	(118)	(3,219)	(242)	-	-
	(28,445)	(30,736)	(6,520)	(4,426)	(2,609)	(17,181)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 28.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Notes *(continued)*

39 Financial instruments *(continued)*

Currency risk

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

	28 February 2011			28 February 2010		
	CAD £000's	**Euro £'000**	**USD £'000**	CAD £000's	Euro £'000	USD £'000
Trade receivables	**171**	**627**	**2,901**	425	27	1,729
Secured bank loans	**-**	**-**	**(3,182)**	-	-	(2,789)
Trade payables	**-**	**-**	**(65)**	-	-	(280)
Gross balance sheet exposure	**171**	**627**	**(346)**	425	27	(1,340)

The secured bank loan above excludes bank loans designated in a net investment hedge of £10,036k (2010: £10,631k).

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

	28 February 2011			28 February 2010		
	CAD £000's	**Euro £'000**	**USD £'000**	CAD £000's	Euro £'000	USD £'000
Trade receivables	**171**	**46**	**1,805**	425	27	929
Secured bank loans	**-**	**-**	**(3,182)**	-	-	(2,789)
Trade payables	**-**	**-**	**(41)**	-	-	(34)
Gross balance sheet exposure	**171**	**46**	**(1,418)**	425	27	(1,894)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2011	2010	**2011**	2010
USD 1	1.55	1.59	1.61	1.52
EUR 1	1.17	1.14	1.17	1.12
CAD 1	1.58	1.77	1.57	1.60

39 Financial instruments *(continued)*

Sensitivity analysis

A 10% strengthening of Sterling against the above currencies at the end of the period would decrease group equity and profit or loss by approximately £45k (2010: £78k). A 10% weakening of Sterling against the above currencies at the end of the period would increase group equity and profit or loss by approximately £45k (2010: £78k). This analysis assumes that all other variables, in particular interest rates, remain constant.

At the reporting date the interest profile of the group's and company's interest bearing financial instruments was:

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Variable rate instruments				
- Financial assets	**-**	-	**-**	-
- Financial liabilities	**(22,683)**	(22,231)	**(22,683)**	(22,231)
	(22,683)	(22,231)	**(22,683)**	(22,231)
Fixed rate instruments				
- Financial assets	**-**	-	**-**	-
- Financial liabilities	**(26)**	(92)	**(26)**	(92)
	(26)	(92)	**(26)**	(92)

A 10% reduction in interest rates at the end of the period would increase group equity and profit and loss by approximately £124k (2010: £124k). A 10% increase in interest rates at the end of the period would decrease group equity and profit or loss by approximately £119k (2010: £104k). This analysis assumes that all other variables remain constant.

40 Employee benefits

	Group		*Company*	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Accrued holiday pay	**654**	438	**527**	351
Employee taxes	**1,747**	1,276	**1,594**	1,179
	2,401	1,714	**2,121**	1,530

41 Share based payments

Options have been granted as set out below under the group's two share option schemes which are open to all directors and employees of the group. The key terms of all options issued are consistent, with all options subject to the completion of one, two, three and four years of service as set by the group prior to the grant of the option, with the exception of options issued as purchase consideration which include conditions relating to performance. As the options vest at annual intervals over a three year period, they are deemed to consist of three separate options for valuation purposes. Vested options are exercisable following the satisfaction of the service criteria for a period not exceeding 10 years from the date of grant. It is noted that share options which pre-date the scope of IFRS 2: Share Based Payment, are not accounted for under this standard.

The number and weighted average exercise prices of share options have been analysed into three exercise price ranges as follows:

	Weighted average exercise price 2011	**Number of options 2011**	Weighted average exercise price 2010	Number of options 2010
Maximum options outstanding at beginning of period	**1.28**	**2,076,000**	1.14	914,000
Lapsed during the period	**1.41**	**(45,500)**	1.26	(51,000)
Exercised during the period	**1.03**	**(240,125)**	0.86	(56,000)
Granted during the period	**-**	**-**	1.36	1,269,000
Maximum options outstanding at end of period	**1.31**	**1,790,375**	1.28	2,076,000
Exercisable at end of period	**1.24**	**780,000**	1.17	907,000

The options outstanding at 28 February 2011 above have an exercise price in the range of £0.51 to £1.785 (2010: £0.510 to £1.785) and a weighted average contractual life of 6.7 years (2010: 6.4 years).

	Weighted average exercise price 2011	**Number of options 2011**	Weighted average exercise price 2010	Number of options 2010
Maximum options outstanding at beginning of period	**2.71**	**676,000**	2.67	315,000
Lapsed during the period	**2.53**	**(69,500)**	2.67	(39,000)
Exercised during the period	**2.67**	**(30,500)**	-	-
Granted during the period	**2.27**	**511,000**	2.74	400,000
Maximum options outstanding at end of period	**2.51**	**1,087,000**	2.71	676,000
Exercisable at end of period	**2.67**	**200,000**	2.67	184,000

The options outstanding at 28 February 2011 above have an exercise price in the range of £2.270 to £2.735 (2010: £2.670 to £2.735) and a weighted average contractual life of 8.1 years (2010: 7.2 years).

41 Share based payment *(continued)*

	Weighted average exercise price 2011	**Number of options 2011**	Weighted average exercise price 2010	Number of options 2010
Maximum options outstanding at beginning of period	**-**	**-**	-	-
Lapsed during the period	**-**	**-**	-	-
Exercised during the period	**-**	**-**	-	-
Granted during the period	**4.15**	**350,000**	-	-
Maximum options outstanding at end of period	**4.15**	**350,000**	-	-
Exercisable at end of period	**-**	**-**	-	-

The options outstanding at 28 February 2011 above have an exercise price of £4.150 and a weighted average contractual life of 9 years.

The weighted average share price at the date of exercise for share options exercised for the year ending 28 February 2011 was £3.310 per share (2010: £1.950).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using an adjusted Black Scholes model, with the following inputs:

Employees and directors

Grant of options on 21 November 2010

	2011
Fair value of share options and assumptions	
Fair value at grant date	**1.52**
Share price at grant date	**4.15**
Exercise price	**4.15**
Number of options	**350,000**
Expected volatility (weighted average volatility)	**40%**
Option life (expected weighted average life)	**4 years**
Expected dividends	**0%**
Risk-free interest rate (based on government bonds)	**4%**

41 Share based payments *(continued)*

Grant of options on 03 March 2010

Fair value of share options and assumptions	**2011**
Fair value at grant date	**0.83**
Share price at grant date	**2.27**
Exercise price	**2.27**
Number of options	**511,000**
Expected volatility (weighted average volatility)	**40%**
Option life (expected weighted average life)	**4 years**
Expected dividends	**0%**
Risk-free interest rate (based on government bonds)	**4%**

Grant of options on 31 July 2009

Fair value of share options and assumptions	2010
Fair value at grant date	0.65
Share price at grant date	1.765
Exercise price	1.765
Number of options	175,000
Expected volatility (weighted average volatility)	40%
Option life (expected weighted average life)	4 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	4%

Grant of options on 21 July 2009

Fair value of share options and assumptions	2010
Fair value at grant date	0.66
Share price at grant date	1.785
Exercise price	1.785
Number of options	40,000
Expected volatility (weighted average volatility)	40%
Option life (expected weighted average life)	4 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	4%

41 Share based payments *(continued)*

Grant of options on 03 March 2009

Fair value of share options and assumptions	2010
Fair value at grant date	0.44
Share price at grant date	1.21
Exercise price	1.21
Number of options	654,000
Expected volatility (weighted average volatility)	40%
Option life (expected weighted average life)	4 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	4%

Business Combinations

Grant of options on 26 October 2009

Fair value of share options and assumptions	2010
Fair value at grant date	0.78
Share price at grant date	2.735
Exercise price	2.735
Number of options	400,000
Expected volatility (weighted average volatility)	40%
Option life (expected weighted average life)	2.75 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	4%

Grant of options on 1 April 2009

Fair value of share options and assumptions	2010
Fair value at grant date	0.42
Share price	1.389
Exercise price	1.389
Number of options	400,000
Expected volatility (weighted average volatility)	40%
Option life (expected weighted average life)	2.75 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	4%

The adjustments made to the standard Black Scholes model are those required to reflect more clearly the company's experience relating to key assumptions.

Notes *(continued)*

41 Share based payment *(continued)*

Employee expenses

	2011 **£'000**	2010 £'000
Expense relating to:		
Share options granted in 2006/07 – equity settled	**-**	18
Share options granted in 2007/08 – equity settled	**7**	51
Share options granted in 2009/10 – equity settled	**145**	128
Share options granted in 2010/11 – equity settled	**188**	-
Total expense recognised as employee costs	**340**	197

Business combinations

Amount relating to:		
Share options granted in 2009/10 – equity settled	**198**	137
Total amount recognised in share based payment reserve	**538**	333

42 Post balance sheet events

Subsequent to the year end, the company issued 450,914 ordinary shares in part payment of contingent deferred consideration.

43 Contingencies

Government grants
A portion of grants may become repayable should the conditions of offer cease to be met. The repayment of the employment grant is contingent on the maintenance of employment levels to May 2014.

First Derivatives plc

Corporate directory

Brokers
Charles Stanley Securities
25 Luke Street
London
EC2A 4AR
United Kingdom

Telephone: +44 (0) 207 149 6000
Fax: +44 (0) 207 149 6777
Website: www.csysecurities.com

IEX Brokers
Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin
Ireland

Telephone: +353 1 614 0600
Fax: +353 1 667 2111
Email: support@goodbody.ie
Website: www.goodbody.ie

Solicitors
Mills Selig
21 Arthur Street
Belfast
BT1 4GA
Northern Ireland

Telephone: +44 28 9024 3878
Fax: +44 28 9023 1956
Email: info@nilaw.com
Website: www.millselig.com

Auditors
KPMG
Stokes House
17-25 College Square East
Belfast
BT1 6DH

Telephone: +44 (0)28 90243377
Fax: +44 (0)28 90893893
Website: www.kpmg.ie

Registrars
Neville Registrars Ltd.
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

Telephone: +44 121-585 1131
Fax: +44 121 585 1132

PR
Stakeholder Communications
2 Donegal Square East,
Belfast
BT1 5HB
Northern Ireland

Telephone: +44 (0)28 9033 9949
Email: info@stakeholdergroup.com
Website: www.stakeholdergroup.com

Walbrook Public Relations
4 Lombard Street,
London
EC3V 9HD

Telephone:+44 (0)20 7933 8780
Email: info@walbrookpr.com
Website: www.walbrookpr.com

First Derivatives plc

Global directory

UK & Ireland

Head Office
First Derivatives plc
3 Canal Quay
Newry
Co. Down
N.Ireland
BT35 6BP
Telephone: +44 28 3025 2242
Fax: +44 28 3025 2060

Belfast
Suite B
First Floor
11-13 Gloucester Street
Belfast
Co. Antrim
N. Ireland
BT1 4LS

London
Fifth Floor
9 Devonshire Square
London
EC2M 4YF
UK

Dublin
1st Floor
Fleming Court
Flemings Place
Mespil Road
Dublin 4
Eire

USA & Canada

New York
45 Broadway
Suite 2040
New York
NY 10006
USA
Telephone: +1 888 290 3525

New Jersey
14 Vervalen Street
Closter
NJ 07624
USA

Philadelphia
1880 JFK Boulevard
19th Floor
Philadelphia
PA19103
USA

Toronto
330 Bay Street
Suite 820
Toronto
Ontario, M5H 2S8
Canada

Asia Pacific

Sydney
Suite 713
1C Burdett Street
Hornsby
NSW 2076,
Australia

Adelaide
Rose Park House
30 Kensington Road
Rose Park
SA 5067
Australia