First Derivatives plc

Directors' report and consolidated financial statements

Registered number: NI 30731

28 February 2009

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Chairman's statement

Despite a turbulent market 2008/2009 was the thirteenth year of continuing growth for the group. The pre-tax profit for the year before loss on currency translation [1] was £5.383 million (2008: £4.745 million on a similar basis) an increase of 13%.

As noted above normalised pre-tax profit for the year was £5.383 million compared with £4.745 million in the previous year. Turnover for the year was £17.548 million up from £12.669 million. Basic normalised earnings per share were 27.7p (2008: 23.5p) based on normalized post tax profit of £3,735,000, after allowing for currency translation and its taxation impact. The Board is recommending a final dividend of 6.65p per share which, together with the interim dividend of 2.35p paid in October 2008, totals 9.0p and is covered approximately 3 times by earnings on a normalized basis. This will be paid on 06 July 2009 to those shareholders on the register on 05 June 2009. The shares will be marked ex-dividend on 03 June 2009.

In my interim statement I referred to the first substantial order for one of the Delta products. The Delta Suite is a high performance modular suite of Trading, Risk Management, Market data, CEP and Analysis applications. Since then significant resource has gone into further development and the sales pipeline continues to expand. In addition to further sales secured since the year end the group has obtained an order from a US hedge fund for in excess of £250,000 and we would expect to see further substantial orders during the current financial year. Sales continue to be on an annual recurring license basis. New sales of Partner products during the second half were boosted by a substantial order towards the year end. The pipeline remains healthy with a higher level of enquiries originating in North America than in Europe. At the end of January we announced an OEM License Agreement with our partners Kx Systems Inc. This agreement provides us with the flexibility needed in the development of our range of Delta software products, opening further market opportunities for the suite.

The demand for our capital market consultancy services has continued to expand in the second half of the year with new business wins in North America and Europe. Margins have been reduced on some of our existing client projects. However, a temporary customer paralysis in decision making on commitment to new projects which we experienced in the second half appears to be easing and we have embarked on a number of new projects since the year end including a significant contract for a new client in Canada.

Since its acquisition in September, Market Resource Partners ("MRP") has traded ahead of management expectations assisted by securing contracts for managing and executing technology sales programs for two of the world's largest US based technology companies announced in October. The outlook for MRP continues to be positive with further work being secured from large US based technology companies.

At the beginning of April this year the group announced the acquisition of Lepton Solutions Pty Ltd ("Hologram") an Australian based technology company. This acquisition expands the group's presence in the increasingly important Asia Pacific region increasing its ability to service its global client base. In addition the principals are leaders in the field of Risk Management and Stock Exchange Trading software which further enhances development expertise. The Hologram product base complements that of First Derivatives plc ("FDP") and will slot seamlessly into the Delta product suite.

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[1] The economic climate has seen a significant currency fluctuation in Sterling. Pre-tax profit is stated after a loss on currency translation of £922,000 which has arisen from the necessity under accounting treatment to translate the group's Dollar loans at the exchange rate ruling on 28th February 2009 in comparison to the exchange rate on 1st March 2008. This treatment takes no account of the group's natural hedge to its Dollar loan when considering the Dollar assets carried at historical cost on the balance sheet.

First Derivatives plc

Chairman's statement

The group continues to strengthen its management team. Paul Kinney was appointed to the Board in May 2008, Graham Ferguson appointed in September and Kevin Cunningham in January this year. In addition there have been a number of key appointments below Board level both in Marketing and Human Resources. These appointments will enable the group to continue growing but have impacted on the overheads for the year, however the benefits should show through in future years.
At the end of January the Company announced it had secured support from Invest Northern Ireland (Northern Ireland's Economic Development Agency) towards the recruitment and training of additional staff. This commitment is for over £3 million and is to support the creation of new posts within the Company along with being focused toward the development of staff skills. The support is based on increase in the headcount level from the beginning of June 2008 but the financial benefits will not start to come through until the current financial year.

The group employee training program has continued to benefit and we continue to experience a low staff turnover. Employee numbers at the year end were 243 up from 118 at the end of the previous year.

FDP has made one further acquisition of residential property during the year, which is used to accommodate staff on assignments in the major financial sectors. At the year end the Company owned 33 such properties with a book value of £16.9m. Despite the global downturn in the property market the valuation of our property portfolio remains largely unchanged. These properties (mostly in prime residential areas in London and New York) are for the sole use of staff undertaking onsite assignments. The use of these properties, not only present significant operational savings but boost staff morale. The properties were valued at 28 February 2009 at £20.3m a surplus of £3.9m. Again this revaluation has not been incorporated into the financial statements.

On behalf of shareholders I would like to thank Brian Conlon and his staff members for their input in what has been another successful year.

It is too early to predict the outcome for the current financial year. However, the pipeline of business from new and existing customers remains strong for Delta software sales, our Capital Markets Consulting division and Technology Sales division and the Directors expect to be able to report further progress in the first half of the year.

David Anderson
Chairman

First Derivatives plc

Chief Executive's statement

The last 18 months has witnessed an unprecedented period of uncertainty and upheaval in the capital markets. Many of the organisations in our target market have failed or merged and have suffered unprecedented trading losses. Against this background I am pleased to report that FDP has had another successful year and we have continued to grow our operations.

Review of activities

First Derivatives provides consulting services to the capital markets and sells software and related services. We have a broad customer base and provided services last year to 48 different investment banks and hedge funds. Whilst London and New York continue to remain our primary centre of activities, we have also provided services during the last year to clients in financial centres such as Toronto, Chicago, Singapore, Hong Kong, Stockholm and Vienna. As a result of recent acquisitions and sales initiatives we have new branch offices in Philadelphia, New York, Shanghai, Adelaide and Sydney.

Software division

The relative importance of our Software division continues to grow. We have significantly increased the size of our R&D team by recruiting technology experts, supplemented by experienced consultants with many years domain expertise. Our work in the field gives us a unique insight into the problems faced by our customers and the accompanying technological challenges. We are capitalising on this to build a suite of products under the Delta brand name. The Delta suite now contains a number of mature products with an installed user base of 15+ customers worldwide and we will continue to roll out new modules, many with applications beyond the banking sector in areas such as telecommunications, utilities and government. These products are sold on an annual licensing model and additional revenues accrue from implementation, training and support services.

In tandem we are building a sales and marketing infrastructure to support the global rollout of these products. With the recent acquisitions of MRP and Hologram we now have a local presence in the world's major financial centres. In addition our sales bandwidth has increased significantly by the addition to our team of a number of experienced sales and marketing professionals with a proven track record in building technology companies.

We continue to provide sales and marketing support to Kx Systems on a worldwide basis. Their products are used by some of the world's largest banks and Kx Systems lists organisations such as JP Morgan, Merrill Lynch, Lehman Brothers, Goldman Sachs, Deutsche Bank and Dresdner as users. We derive revenue from sales commission, support contracts, training and consulting.

Consulting division

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. We have worked in partnership with our customers to help them meet budget challenges during the new strained climate. Although we have experienced some margin erosion we have lost no significant contracts – indeed the compelling value of our offering has helped us win new business. Following the recent acquisitions our nearshore proposition is now even more attractive as we can now offer this on a global follow-the-sun model in three timezones.

Chief Executive's statement (*continued)*

Marketing division

Our newly functioning Technology Sales division, operating under the MRP brand, has made significant progress. The division has secured contract wins and ongoing business with some of the world's largest hardware and software companies. The division has also been instrumental in generating business for other divisions.

Management and Personnel

During the past year we have made a number of key strategic hires to help drive the future strategic growth of the business. These include people with corporate finance, strategic consulting and business development backgrounds. The strengthening of our management team will enable us to sustain the Company's growth and to exploit ongoing opportunities.

We now employ almost 260 people. Our success in retaining staff means that the experience profile of our consultants continues to improve. Our Capital Markets Training Programme, implemented in late 2006 has been a resounding success and has helped to differentiate us from our competition. The majority of our staff who have been with us for two years or more are participating in our employee share option scheme.

Once again I would like to pay tribute to all First Derivatives employees who almost without exception 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. Normalised pre-tax profit for the year was £ 5,383,000 (2008: £4,745,000) on turnover of £ 17,548,000 (2008: £12,669,000). Despite the challenges from the wider environment, our gross operating margins remained steady at 51%, a fall of only 2%. Our balance sheet is strong with a cash balances up to £1,299,000 and equity shareholders' funds of £ 11,271,000 (2008: £8,302,000), an increase of 36%. This, and our confidence in our ability to generate cash going forward, enables the Board to recommend a final dividend of 6.65p per share (2008: 5.8p) which means that we will have paid a total dividend of 9.0p (2008: 8.1p) per share for the full year.

In August 2008 the group negotiated new loan facilities with its principal bank with a purpose of fixing its debt structure for a definitive period in these uncertain times while increasing headroom to allow capitalisation opportunities that may arise. Our current debt levels primarily result from our decision to hold property for staff use, a strategy which we continuously review. As at the 28th February 2009 the group had £5.5 million of unutilised available facilities.

Outlook

We see the coming financial year as a period year of continuing our investment for growth. As well as organic growth we will continue to pursue acquisition opportunities where we see a strategic fit and have access to sources of finance to execute these. Although the outlook for the banking sector is still uncertain we anticipate trading in line with market expectations. Looking further ahead we are confident that our global reach, expanding product base and long-term relationships with our consulting customers will leave us ideally placed to reap the benefit of any upswing.

Brian Conlon
Chief Executive Officer

First Derivatives plc

Directors and advisers

Directors	R D Anderson	–	Non-executive chairman*
	B G Conlon	–	Chief Executive Officer
	M G O'Neill	–	Chief Operating Officer
	R G Ferguson	–	Chief Financial Officer *
	K Cunningham	–	Executive director
	P Kinney	–	Non-executive director
	A Toner	–	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 Trevor Hill Newry Co Down BT34 1DN	Bank of Ireland Corporate Headquarters Donegall Place Belfast BT1 5LU
Nominated Advisor/IEX 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 and 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 2009. Due to the acquisition of MRP on 1 September 2009, consolidated financial statements are prepared for the first time.

Results and dividend

The group's profit after taxation attributable to the shareholders for the year to 28 February 2009 was £3,071,000 (2008: £3,054,000)

The directors propose the payment of a final dividend of 6.65p per share (previous year: 5.8p) which, together with the interim dividend of 2.35p per share (2008: 2.3p), totals 9.0p (2008: 8.1p) 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 of a final dividend of 5.8p per share in respect of the prior year ended 29 February 2008 and an interim dividend of 2.35p per share for the year ended 28 February 2009.

Principal activities and review of the business

The principal activities of First Derivatives plc (FDP) are the provision of a range of software and support services to the investment bank market, the derivatives technology industry, and the provision of technology sales services to the IT sector.

Investments

Effective 1 September 2008 First Derivatives plc acquired 100% of the members' interests of Market Resource Partners LLC (MRP), a private American company specialising in lead generation and marketing in the technology sector. At the time of acquisition, "MRP" had approximately 95 employees. Based in Philadelphia, its client base is a roll call of the world's largest technology companies. The acquisition of "MRP" enhances "FDP's" presence in its largest market increasing its global multi vendor support offering while also providing "FDP" with a channel to market for its growing Delta Suite of products. The initial consideration paid was $4.5m in cash and the issue of 436,644 shares in "FDP". Further payments are subject to "MRP" meeting certain profit goals over the two years from the date of the acquisition. The maximum consideration that could be payable over the next two years is $14m paid out partly in cash and shares. The deferred consideration expected to be paid has been accrued within the financial statements.

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 4. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more that one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the company.

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 it 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. Its 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. 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 British Pounds. The group has exposure to USD 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 cash-flow hedge using sales proceeds to repay the associated capital and interest on USD borrowings. In addition by funding the acquisition of MRP in US dollars the group provides an investment hedge against its foreign operations.

The other information required to be disclosed in respect of the review of the group's business as required under Article 242ZZB of the Companies (Northern Ireland) Order 1986 is given in the Chairman's statement on page 2 and the Chief Executive's statement under the heading 'Financial Review' on page 5.

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 36.

Property, plant and equipment

The details of property, plant and equipment are given in note 15 of the financial statements.

First Derivatives plc

Directors' report *(continued)*

Directors and their interests

Directors' beneficial interests in the issued share capital of the company at 28 February 2009 and 29 February 2008 were as follows:

	28 February 2009 Ordinary shares of 0.5 pence each	**Acquired shares In year**	**Sale of shares In year**	29 February 2008 or on appointment Ordinary shares of 0.5 pence each
R D Anderson (Non-executive director)	140,000	-	-	140,000
B G Conlon (Executive director)	9,096,000	-	-	9,096,000
K Cunningham (Executive director)	168,108	168,108	-	-
G Ferguson (Executive director)	-	-	-	-
P Kinney (Non-executive director)	-	-	-	-
M G O'Neill (Executive director)	1,040,000	-	-	1,040,000
A Toner (Non-executive director)	25,944	-	-	25,944

R D Anderson is currently a non-executive director of several other companies and has 25 years experience in corporate advisory work.

A Toner is head of Allianz, Northern Ireland and is a director of Ranson Productions Limited.

P Kinney is a self employed consultant and has 20 years in corporate advisory work.

The directors did not have any interest in contracts requiring disclosure, except for the matters referred to in note 34 to the financial statements.

Substantial shareholdings

At 13 May 2008 the group had received no notification of any interests in 3% or more of the ordinary share capital, other than B G Conlon (66.2%) and M G O'Neill's (7.6%) interests disclosed above.

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 £365,000 (2008: £125,000) were capitalised in respect of activities which were deemed to be development activities in accordance with the group's accounting policies.

Directors' report *(continued)*

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 £20.8 million.

Political and charitable donations

During the year the group made no political or charitable donations (2008: £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 2009 the company had 23 days purchases outstanding (29 February 2008: 17 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 Event

On 1 April 2009, the group acquired Lepton Solutions pty Limited. Further details are set out in note 38.

Auditor

KPMG have expressed their willingness to continue in office as auditor and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the board

Richard Fulton
Secretary

19th May 2009

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 group and parent 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 laws and have elected to prepare the parent company financial statements on the basis of IFRSs as adopted by the EU and as applied in accordance with the Companies (Northern Ireland) Order 1986.

The consolidated and company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the group and parent company and the performance of the group for that period; the Companies (Northern Ireland) Order 1986 provides in relation to such financial statements that references in the relevant part of that Order to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 company will continue in business.

The directors are responsible for keeping proper accounting records that 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 (Northern Ireland) Order 1986. 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 also responsible for preparing a directors' report that complies with the Companies (Northern Ireland) Order 1986.

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 systems 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.

First Derivatives plc

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

We have audited the consolidated and company financial statements ("the financial statements") of First Derivatives plc for the year ended 28 February 2009 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 243 of the Companies (Northern Ireland) Order 1986. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the statement of Directors' responsibilities on page 11.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you whether, in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the financial statements and consider whether it is consistent with the audited financial statements. Other information comprises only the Chairman's statement and managing Directors statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

First Derivatives plc

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

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 28 February 2009 and of its profit for the year then ended;

- the company financial statements give a true and fair view in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies (Northern Ireland) Order 1986 of the state of the company's affairs as at 28 February 2009;

- the financial statements have been properly prepared in accordance with the companies (Northern Ireland) order 1986; and

- the information given in the directors' report is consistent with the financial statements.

KPMG 19th May 2009
Chartered Accountants
Registered Auditor
Stokes House
17/25 College Square East
Belfast

First Derivatives plc

Consolidated income statement

Year ended 28 February 2009

	Note	**2009 £'000**	2008 £'000
Revenue		**17,548**	12,669
Cost of sales		**(8,607)**	(5,997)
Gross profit		**8,941**	6,672
Other operating income	*5*	**159**	151
Administrative expenses	*6*	**(3,165)**	(1,595)
Operating profit		**5,935**	5,228
Finance income	*8*	**10**	210
Finance expenses	*8*	**(562)**	(693)
Loss on foreign currency translation	*8*	**(922)**	(29)
Net financing expenses		**(1,474)**	(512)
Profit before taxation		**4,461**	4,716
Income tax expense	*10*	**(1,390)**	(1,662)
Profit for the year		**3,071**	3,054
Earnings per share		**Pence**	Pence
Basic	*14a*	**22.8**	23.3
Diluted	*14a*	**22.2**	22.2

The notes on pages 22 to 61 form part of these financial statements.

First Derivatives plc

Consolidated balance sheet
Year ended 28 February 2009

	Note	2009 £'000	2008 £'000
Non current assets			
Property, plant and equipment	*15*	**17,171**	16,786
Intangible assets	*17*	**10,513**	125
Other financial assets	*18*	**1,872**	520
Deferred tax asset	*25*	**177**	541
Total non current assets		**29,733**	17,972
Current assets			
Trade and other receivables	*19*	**6,334**	4,126
Cash and cash equivalents	*20*	**1,299**	396
Total current assets		**7,633**	4,522
Total assets		**37,366**	22,494
Current liabilities			
Interest bearing borrowings	*21*	**(989)**	(1,834)
Trade and other payables	*23*	**(4,134)**	(2,453)
Current tax payable	24	**(1,472)**	(1,228)
Employee benefits	37	**(833)**	(625)
Contingent deferred consideration	*22*	**(1,175)**	-
Total current liabilities		**(8,603)**	(6,140)
Non-current liabilities			
Interest bearing borrowings	*21*	**(12,986)**	(7,965)
Deferred tax liability	*25*	**(87)**	(87)
Contingent deferred consideration	*22*	**(4,419)**	-
Total non-current liabilities		**(17,492)**	(8,052)
Total liabilities		**(26,095)**	(14,192)
Net assets		**11,271**	8,302
Equity			
Share capital	*26*	**69**	66
Share premium	*27*	**2,274**	1,278
Share option reserve	*28*	**430**	719
Fair value reserve	*29*	**223**	223
Currency translation adjustment reserve	*30*	**244**	-
Retained earnings		**8,031**	6,016
Total equity		**11,271**	8,302

These financial statements were approved by the board of directors on 19 May 2009.

Brian Conlon
Director

The notes on pages 22 to 61 form part of these financial statements.

First Derivatives plc

Company balance sheet
Year ended 28 February 2009

	Note	2009 £'000	2008 £'000
Non current assets			
Property, plant and equipment	*15*	**17,001**	16,786
Intangible assets	*17*	**485**	125
Other financial assets	*18*	**1,872**	520
Investment in subsidiaries	*16*	**9,153**	-
Deferred tax asset	*25*	**120**	541
Total non current assets		**28,631**	17,972
Current assets			
Trade and other receivables	*19*	**5,495**	4,126
Cash and cash equivalents	*20*	**850**	396
Total current assets		**6,345**	4,522
Total assets		**34,976**	22,494
Current liabilities			
Interest bearing borrowings	*21*	**(924)**	(1,834)
Trade and other payables	*23*	**(3,128)**	(2,453)
Current tax payable	*24*	**(1,282)**	(1,228)
Employee benefits	*37*	**(806)**	(625)
Contingent deferred consideration	*22*	**(1,175)**	-
Total current liabilities		**(7,315)**	(6,140)
Non-current liabilities			
Interest bearing borrowings	*21*	**(12,889)**	(7,965)
Deferred tax liability	*25*	**(87)**	(87)
Contingent deferred consideration	*22*	**(4,419)**	-
Total non-current liabilities		**(17,395)**	(8,052)
Total liabilities		**(24,710)**	(14,192)
Net assets		**10,266**	8,302
Equity			
Share capital	*26*	**69**	66
Share premium	*27*	**2,274**	1,278
Share option reserve	*28*	**430**	719
Fair value reserve	*29*	**223**	223
Retained earnings		**7,270**	6,016
Total equity		**10,266**	8,302

These financial statements were approved by the board of directors on 19 May 2009.

Brian Conlon
Director

The notes on pages 22 to 61 form part of these financial statements.

First Derivatives plc

Consolidated statement of changes in equity

Year ended 28 February 2009

	Share capital	Share premium	Share option reserve	Fair value reserve	Currency translation adjustment	Retained earnings	Total equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 March 2007	**65**	**1,020**	**535**	**190**	**-**	**3,616**	**5,426**
Deferred tax on share options outstanding	-	-	(75)	-	-	**-**	**(75)**
Net change in fair value of available for sale assets	-	-	-	232	-	**-**	**232**
Net change in fair value of available for sale assets transferred to profit or loss	-	-	-	(199)	-	**-**	**(199)**
Total income and expense recognised directly in equity	-	-	(75)	33	-	**-**	**(42)**
Profit for the year	-	-	-	-	-	3,054	**3,054**
Total recognised income and expense	-	-	(75)	33	-	3,054	**3,012**
Shares issued	1	258	-	-	-	**-**	**259**
Share based payment charge	-	-	259	-	-	115	**374**
Dividends to equity holders	-	-	-	-	-	(769)	**(769)**
Balance at 29 February 2008	**66**	**1,278**	**719**	**223**	**-**	**6,016**	**8,302**
Balance at 1 March 2008	**66**	**1,278**	**719**	**223**	**-**	**6,016**	**8,302**
Deferred tax on share options outstanding	-	-	(308)	-	-	**-**	**(308)**
Net gains on net investment in foreign subsidiary	-	-	-	-	819	-	**819**
Net loss on hedge of movement in foreign subsidiary	-	-	-	-	(575)	-	**(575)**
Total income and expense recognised directly in equity	-	-	(308)	-	244	-	**(64)**
Profit for the year	-	-	-	-	-	3,071	**3,071**
Total recognised income and expense	-	-	(308)	-	244	3,071	**3,007**
Shares issued	3	996	(122)	-	-	-	**877**
Share based payment charge	-	-	183	-	-	-	**183**
Transfer on exercise or lapse	-	-	(42)	-	-	42	**-**
Dividends to equity holders	-	-	-	-	-	(1,098)	**(1,098)**
Balance at 28 February 2009	**69**	**2,274**	**430**	**223**	**244**	**8,031**	**11,271**

The notes on pages 22 to 61 form part of these financial statements.

First Derivatives plc

Company statement of changes in equity

Year ended 28 February 2009

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2007	**65**	**1,020**	**535**	**190**	**3,616**	**5,426**
Deferred tax on share options outstanding	-	-	(75)	-	-	**(75)**
Net change in fair value of available for sale assets	-	-	-	232	-	**232**
Net change in fair value of available for sale assets transferred to profit or loss	-	-	-	(199)	-	**(199)**
Total income and expense recognised directly in equity	-	-	(75)	33	-	**42**
Profit for the year	-	-	-	-	3,054	**3,054**
Total recognised income and expense	-	-	(75)	33	3,054	**3,012**
Shares issued	1	258	-	-	-	**259**
Share based payment charge	-	-	259	-	115	**374**
Dividends to equity holders	-	-	-	-	(769)	**(769)**
Balance at 29 February 2008	**66**	**1,278**	**719**	**223**	**6,016**	**8,302**
Balance at 1 March 2008	**66**	**1,278**	**719**	**223**	**6,016**	**8,302**
Deferred tax on share options outstanding	-	-	(308)	-	-	**(308)**
Total income and expense recognised directly in equity	-	-	(308)	-	-	**(308)**
Profit for the year	-	-	-	-	2,310	**2,310**
Total recognised income and expense	-	-	(308)	-	2,310	**2,002**
Shares issued	3	996	(122)	-	-	**877**
Share based payment charge	-	-	183	-	-	**183**
Transfer on exercise or lapse	-	-	(42)	-	42	**-**
Dividends to equity holders	-	-	-	-	(1,098)	**(1,098)**
Balance at 28 February 2009	**69**	**2,274**	**430**	**223**	**7,270**	**10,266**

The notes on pages 22 to 61 form part of these financial statements.

First Derivatives plc

Consolidated cash flow statement

Year ended 28 February 2009

	2009	2008
	£'000	£'000
Cashflows from operating activities		
Profit before taxation	**4,461**	4,716
Finance income	**(10)**	(210)
Finance expense	**1,484**	722
Operating profit	**5,935**	5,228
Depreciation	**262**	153
Amortisation of intangible assets	**250**	180
Equity settled share-based payment transactions	**183**	259
	6,630	5,820
Change in trade and other receivables	**(1,625)**	(1,588)
Change in trade and other payables	**1,167**	1,072
	6,172	5,304
Corporation tax paid	**(1,100)**	(1,279)
Net cash from operating activities	**5,072**	4,025
Cash flows from investing activities		
Interest received	**10**	11
Acquisition of subsidiary	**(2,773)**	-
Acquisition of property, plant and equipment	**(468)**	(8,797)
Acquisition of other financial assets	**(1,352)**	-
Proceeds from sale of available for sale assets	**-**	220
Acquisition of intangible assets	**(365)**	(125)
Net cash used in investing activities	**(4,948)**	(8,691)
Cash flows from financing activities		
Proceeds from issue of share capital	**20**	259
Receipt of new long term loan	**10,193**	6,001
Repayment of borrowings	**(6,221)**	(225)
Payment of finance lease liabilities	**(90)**	-
Interest paid	**(528)**	(560)
Effects of exchange rate changes on cash and cash equivalents	**(1,497)**	-
Dividends paid	**(1,098)**	(769)
Net cash from financing activities	**779**	4,706
Net increase in cash and cash equivalents	**903**	40
Cash and cash equivalents at 1 March 2008	**396**	356
Cash and cash equivalents at 28 February 2009	**1,299**	396

The notes on pages 22 to 61 form part of these financial statements.

First Derivatives plc

Company cash flow statement
Year ended 28 February 2009

	2009	2008
	£'000	£'000
Cashflows from operating activities		
Profit before taxation	**3,638**	4,716
Finance income	**(23)**	(210)
Finance expense	**2,059**	722
Operating profit	**5,674**	5,228
Depreciation	**226**	153
Amortisation of intangible assets	**5**	180
Equity settled share-based payment transactions	**183**	259
	6,088	5,820
Change in trade and other receivables	**(1,355)**	(1,588)
Change in trade and other payables	**820**	1,072
	5,553	5,304
Corporation tax paid	**(1,100)**	(1,279)
Net cash from operating activities	**4,453**	4,025
Cash flows from investing activities		
Interest received	**10**	11
Acquisition of subsidiary, net of cash acquired	**(2,773)**	-
Acquisition of property, plant and equipment	**(441)**	(8,797)
Acquisition of other financial assets	**(1,352)**	-
Proceeds from sale of available for sale assets	**-**	220
Acquisition of intangible assets	**(365)**	(125)
Net cash used in investing activities	**(4,921)**	(8,691)
Cash flows from financing activities		
Proceeds from issue of share capital	**20**	259
Receipt of new long term loan	**10,193**	6,001
Repayment of borrowings	**(6,221)**	(225)
Interest paid	**(475)**	(560)
Effects of exchange rate changes on cash and cash equivalents	**(1,497)**	-
Dividends paid	**(1,098)**	(769)
Net cash from financing activities	**922**	4,706
Net increase in cash and cash equivalents	**454**	40
Cash and cash equivalents at 1 March 2008	**396**	356
Cash and cash equivalents at 28 February 2009	**850**	396

The notes on pages 22 to 61 form part of these financial statements.

First Derivatives plc

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 40 Church Lane, Belfast, BT1 4FR. The company is primarily involved in the provision of a range software and consultancy 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 19 May 2009.

(a) Basis of preparation

The consolidated financial statements consolidate those of the company and its subsidiaries (together referred to as the "group"). 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 ("EU IFRSs"). On publishing the group financial statements here together with the company financial statements, the company is taking advantage of the exemption in Article 238 of the Companies (Northern Ireland) Order 1986 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.

In these financial statements the following EU IFRSs and related pronouncements which are effective for the first time, have been adopted. There has been no material affect on the financial statements and so comparatives have not been restated:

- IFRIC 9 'Reassessment of Embedded Derivatives'
- IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions'
- IFRIC 14 'IAS19 – The Limit on a Defined Benefit Asset Minimum Funding Requirements and their Interaction

Measurement convention

The financial statements are presented in GBP, rounded to the nearest thousand, which is the group'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.

Notes *(continued)*

1 Significant accounting policies *(continued)*

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Those estimates deemed to be critical or judgementful are as follows:

- It is noted that management have assessed that all residences owned by the company 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 acquisition of its subsidiary based on forecast results and certain other criteria as required by the terms of the sale and purchase agreement.

- Management have estimated the fair value of intangibles acquired on acquisitions based on the projected profitability expected to be generated or in certain instances where an intangible asset has been created by the company, the value has been derived from establishing the current estimated cost associated with generating this asset.

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.

New standards and interpretations not yet applied

The following EU IFRSs were available for early application but have not been applied by the group in these financial statements. Their adoption is not expected to have a material affect on the financial statements unless otherwise indicated:

- IFRS 8 Operating Segments introduces the group's "management approach" to segment reporting.

- IFRS 8, which becomes mandatory for the 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the group presents segment information in respect of its business and geographical segments (see note). The group is still examining the implications for its segment reporting due to ongoing restructuring on the management reporting system following acquisitions made during the year and subsequent to the year end.

- Revised IAS 23 'Borrowing Costs' (mandatory for the year commencing on or after 1 January 2009).

- Revised IAS 1 'Presentation of Financial Statements' (mandatory for the year commencing on or after 1 January 2009).

1 Significant accounting policies *(continued)*

New standards and interpretations not yet applied (continued)

- Revised IAS 27 'Consolidated and Separate Financial Statements' (mandatory for the year commencing on or after 1 January 2009). IAS 27 makes changes to the recognition of and accounting for dividends from pre-acquisition profits and for group reorganisations. No significant impact is expected for the group.

- Amendments to IFRS 2 'Share based payment – Vesting Conditions and Cancellations' (mandatory for the year commencing on or after 1 January 2009). IFRS 2 amends the definition of vesting conditions to clarify that vesting conditions are limited to service conditions and performance conditions. No significant impact is expected for the group.

- IFRIC 13 'Customer Loyalty Programmes' (mandatory for the year commencing on or after 1 July 2008). IFRIC 13 clarifies the revenue recognition principles when a transaction includes credits granted under customer loyalty programs. No significant impact is expected for the group.

(b) Basis of consolidation

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.

Special purpose entities

Where the company has invested in an entity which has been created to accomplish a narrow and well defined objective, the entity is deemed to be a special purpose entity. A special purpose entity is only consolidated if, based on an evaluation of the substance of its relationship with the company and the special purpose entity's risks and rewards, the company concludes that it controls the special purpose entity. All special purpose entities not deemed to be under the control of the company are held as available for sale assets.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statement.

1 Significant accounting policies *(continued)*

(c) Foreign currency

i) Translation of foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the group entities at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to functional currency at the exchange rate at that date. 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 stated at fair value are translated to 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.

ii) Translation of financial results of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are taken directly to the currency translation adjustment reserve. They are released into the income statement upon disposal.

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 directly in equity in the currency translation adjustment reserve.

iii) Hedge of net investment in foreign operation

Foreign currency differences arising on the retranslation of a hedge of a net investment in a foreign operation are recognised directly in equity, in the currency translation adjustment reserve, to the extent that the hedge is effective. To the extent that the hedge is ineffective, 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 stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (i)). 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.

(ii) Leased assets

Leases under the terms of which the group assumes substantially all of the risks and rewards of ownership are classified as finance leases.

(d) Property, plant and equipment *(continued)*

(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.

(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.

(e) Available for sale financial assets
The groups's investments in special purpose entities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items are recognised directly in equity. When an investment is sold, the cumulative gain or loss in equity is transferred to profit or loss. Investments in unquoted equity instruments held by the company are classified as being available-for-sale and are held at fair value unless the fair value of these assets cannot be measured reliably, in which case they are measured at cost, subject to impairment testing.

(f) Intangible assets and goodwill
i) Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. 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.

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 if the product or process is technically and commercially feasible and the group has sufficient resources to complete development.

(f) Intangible assets and goodwill *(continued)*

The expenditure capitalised in respect of software assets includes the cost of materials, direct labour and an appropriate proportion of overheads. 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 (i)).

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 (i)).

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 expensed as incurred.

v) Amortisation
Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that the asset is available for use as follows:

Customer lists	-	12.5% straight line
Software	-	12.5 - 50 % straight line
Brands	-	12.5% straight line
Internal use software	-	12.5% straight line
Developed software	-	12.5% - 20% straight line

(g) Trade and other receivables
Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy (i)).

(h) 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.

(i) Impairment
(i) Financial assets
A financial asset 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 one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset recoverable amount is estimated.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in the income statement. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

1 Significant accounting policies *(continued)*

(i) Impairment *(continued)*

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities.

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

For goodwill and assets that have an indefinite useful life, the recoverable amount is estimated at each balance sheet date.

The recoverable amount of an asset or cash-generating unit 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. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) 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, impairments are not reversed.

(j) 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.

1 Significant accounting policies *(continued)*

(k) 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.

(l) Employee benefits

(i) Defined contribution plans

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.

(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.

(iii) Short term benefits

Liabilities for employee benefits for wages, salaries and annual leave 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.

(m) 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, 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.

(n) 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.

(o) Revenue

(i) Product and Services rendered

Revenue from product and services rendered 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.

1 Significant accounting policies *(continued)*

(o) Revenue *(continued)*

(ii) 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 when there is reasonable assurance that it will be received and that the group will comply with the conditions attaching to it. Grants that compensate the group for expenses incurred are recognised as other operating income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the groupfor 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.

(p) 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.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge 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.

(q) Finance income and expenses

Financing expenses comprise interest payable on borrowings calculated using the effective interest rate method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, and foreign exchange gains and losses.

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.

(r) 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 items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable 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, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably 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.

1 Significant accounting policies *(continued)*

(r) Taxation *(continued)*

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 reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

Credit risk
The group's exposure to credit risk is associated with 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.

Liquidity risk
The group generates positive operating cash flows, and it is therefore the group's policy to utilise excess cash in the acquisition of property, plant and equipment and intangibles in addition to borrowings at prevailing market interest rates.

Market risk
The group currently does not 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 in foreign currency produces a natural hedge of a proportion of the group's exposures to foreign currency movements.

Capital management
The group is not subject to external requirements in respect of its capital (defined as share capital, share premium and shares to be issued) with the exception of the need to comply with the level of ordinary shares available for trading on the Alternative Investment Market and IEX. The group has complied with this requirement 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.

Notes *(continued)*

3 Acquisitions of subsidiaries

On 1st September 2008 the group acquired 100% of the ordinary shares in Market Resource Partners LLC for an estimated £8,133,000 including contingent consideration, satisfied as detailed below. The company specialises in lead generation in the technology sector. In the 6 months to 28 February 2009 the subsidiary contributed revenue of £3,015,000 and profit after tax of £289,000 to the consolidated accounts for the year. If the subsidiary had been acquired on 1 March 2009 it would have contributed revenue of £5,666,000 to the consolidated accounts.

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

	Pre-acquisition carrying amounts	**Fair value adjustments**	**Recognised values on acquisition**
	£000	**£000**	**£000**
Acquiree's net assets at the acquisition date:		-	
Property, plant and equipment	**148**	-	**148**
Intangible assets	**380**	**2,576**	**2,956**
Trade and other receivables	**583**	-	**583**
Cash and cash equivalents	**(70)**	-	**(70)**
Interest-bearing loans and borrowings	**(204)**	-	**(204)**
Trade and other payables	**(722)**	-	**(722)**
Net identifiable assets and liabilities	**115**	**2,576**	**2,691**
Goodwill on acquisition (note 17) Including cost of acquisition			**5,442**
			8,133
Consideration paid, satisfied as follows:			
Cash			**2,703**
Shares issued			**857**
Contingent consideration			**4,573**
			8,133
Cash consideration paid			**2,703**
Overdraft (acquired)			**70**
Net cash outflow			**2,773**

As part of the purchase consideration 436,644 shares were issued at the average market value ruling at the date of the transaction (£1.96). Contingent consideration is payable in four six monthly instalments based on the performance of the company over a two year period. Contingent consideration recorded in the financial statements is the estimate of future consideration payable based on current performance.

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 lever off client relationships and knowhow.

4 Segment reporting

Business segments

The group has three major categories of sales revenue which are largely delivered from the same cost base. In addition, the group is subject to similar business risks and benefits in all geographical locations in which the company conducts its business. As such, the group is deemed to have one business and geographical segment. The group has disclosed below certain information on its three revenue streams and its revenue by geographical location.

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

- Consulting division which provides services to capital markets
- Technology sales division which provides sales lead generation services to the technology sector
- Software division which develops and has an interest in intellectual property and provides related services.

Revenue by division

	Consulting division		Technology Sales Division		Software division		Total	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Total Segment Revenue	**8,950**	6,465	**3,015**	-	**5,583**	6,204	**17,548**	12,669

Revenue by geographical location

	Europe		America		Australasia		Total	
	2009 £000	2008 £000	**2009 £000**	2008 £000	**2009 £000**	2008 £000	**2009 £000**	2008 £000
Revenue from external customers	**9,441**	7,481	**7,450**	4,479	**657**	709	**17,548**	12,669

Notes *(continued)*

5 Other operating income

	2009 £'000	2008 £'000
Grants received	**32**	147
Other income	**127**	4
	159	151

6 Administrative expenses

	2009 £'000	2008 £'000
Rent, rates and insurance	**358**	125
Telephone	**107**	70
Accountancy, audit and legal expenses	**127**	134
Advertising and marketing	**163**	107
Depreciation and amortisation	**512**	333
Labour costs	**1,387**	504
Other	**401**	199
Listing expenses	**110**	123
	3,165	1,595

7 Personnel expenses and numbers

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

	Group		*Company*	
	2009 Average no.	2008 Average no.	**2009 Average no.**	2008 Average no.
Administration	**47**	8	**11**	8
Technical	**186**	96	**123**	96
	233	104	**134**	104

The aggregate payroll costs of these persons were as follows:

	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Wages and salaries	**6,874**	4,063	**5,326**	4,063
Share based payments (see note 37)	**183**	259	**183**	259
Social security costs	**720**	661	**612**	661
Other pension costs	**128**	93	**127**	93
Less capitalised costs	**(365)**	(125)	**(365)**	(125)
	7,540	4,951	**5,883**	4,951

Notes *(continued)*

8 Finance income and expense

	2009 **£'000**	2008 £'000
Interest income on bank deposits	**10**	11
Disposal of available for sale asset	**-**	199
Finance income	**10**	210
Loss on foreign currency translation of monetary assets	**(922)**	(29)
Interest expense on bank loans	**(551)**	(531)
Other interest	**(11)**	(162)
Finance expense	**(562)**	(693)
Net finance expense recognised in profit or loss	**(1,474)**	(512)

Assets classed as available for sale are held at fair value with changes in value recognised in the Fair value reserve. Changes in other assets not held at Fair value are recognised in the income statement. No disposal of assets classified as available for sale occurred in the year (2008: £199,000).

9 Statutory and other information

	2009 **£'000**	2008 £'000
Depreciation on property, plant and equipment:		
Owned assets	**201**	153
Assets held under finance lease	**61**	-
Provision for bad debts	**218**	156
Amortisation of intangibles	**250**	180
Rents payable in respect of operating leases	**217**	-
Auditor's remuneration:		
Auditor of the company:		
KPMG Ireland:		
Audit and review of financial reports	**48**	23
Other services:		
Auditor of the company:		
KPMG Ireland:		
Other assurance services	**59**	300
Taxation services	**10**	12

Notes *(continued)*

10 Tax on profit

Income tax recognised in the income statement	**2009 £'000**	2008 £'000
Current tax expense		
Current period	**1,298**	1,529
Adjustment for prior periods	**44**	201
	1,342	1,730
Deferred tax expense		
Origination and reversal of timing differences	**(15)**	(20)
Reduction in tax rate	**-**	5
Deferred tax on share options	**63**	(53)
	48	(68)
Total income tax in income statement	**1,390**	1,662

	2009 £'000	2008 £'000
Reconciliation of effective tax rate		
Profit excluding income tax	**4,461**	4,716
Income tax using the company's domestic tax rate (28.17%)	**1,257**	1,415
Effect of reduction in tax rate	**-**	5
Tax exempt income	**(162)**	(60)
Expenses not deductible for tax purposes	**102**	61
Relief on share options exercised	**-**	(21)
Prior year deferred tax movement	**-**	(29)
Under/(over) in prior year	**44**	201
Other differences	**86**	143
Deferred tax on share option amortisation	**63**	(53)
	1,390	1,662

The directors are not aware of any issues that will significantly impact on the future tax charge.

Notes *(continued)*

11 Remuneration of directors

The remuneration paid to the directors was:

	2009 £'000	2008 £'000
Aggregate emoluments (including benefits in kind)	**240**	209
Company pension contributions	**27**	21
Fees for provision of services	**25**	-
	292	230

During the period there were 3 directors accruing benefits under a defined contribution pension scheme (29 February 2008: 2).

The aggregate emoluments and company pension contributions of the highest paid director amounted to £90,000 and £12,000 respectively during the year (2008: £90,000 and £16,000 respectively).

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

12 Dividends

	2009 £'000	2008 £'000
Final dividend relating to the prior year	**776**	468
Interim dividend paid	**322**	301
	1,098	769

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 5.8 (previous year 3.6) pence per share and the interim dividend paid during the year amounted to 2.35 (previous year: 2.3) pence per share.

13 Company result

Under Article 238 of the Companies (Northern Ireland) Order 1986, the company is exempt from the requirement to present its own income statement. The profit after tax (after deduction of loss on foreign currency of £1,498,000) for the financial year of the company as approved by the Board was £2,310,000 (2008: £3,054,000).

14 (a) Earnings per ordinary share

Basic

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of £3,071,000 (2008: £3,054,000). The weighted average number of ordinary shares for the year ended 28 February 2009 and ranking for dividend was 13,487,052 (2008: 13,088,749).

	2009 Pence per share	2008 Pence per share
Basic earnings per share	**22.8**	23.3

Weighted average number of ordinary shares

	2009 Number '000	2008 Number '000
Issued ordinary shares at beginning of period	**13,279**	12,944
Effect of share options exercised	**6**	145
Effect of shares issued for purchase consideration	**202**	-
Weighted average number of ordinary shares at end of period	**13,487**	13,089

Diluted

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of £3,071,000 (2008: £3,054,000). The weighted average number of ordinary shares for the year ended 28 February 2009 and ranking for dividend was 13,849,132 (2008: 13,761,879).

	2009 Pence per share	2008 Pence per share
Diluted earnings per share	**22.2**	22.2

Weighted average number of ordinary shares (diluted)

	2009 Number	2008 Number
Weighted average number of ordinary shares (basic)	**13,487**	13,089
Effect of share options in issue	**356**	673
Effect of shares to be issued for purchase consideration	**6**	-
Weighted average number of ordinary shares (diluted) at end of period	**13,849**	13,762

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.

The number of anti-dilutive share options in issue at 28 February 2009 is 196,294 (2008: 29,942)

Notes *(continued)*

14 (b) Adjusted earnings before tax per ordinary share

Adjusted earnings per share are based on profit before taxation of £4,461,000 (2008: £4,716,000). The number of shares used in this calculation is consistent with note 14(a) above.

	2009 Pence per share	2008 Pence per share
Basic adjusted earnings per ordinary share	**33.1**	36.0
Diluted adjusted earnings before tax per ordinary share	**32.2**	34.3

Reconciliation from earnings per ordinary share to adjusted earnings per ordinary share.

	2009 Pence per share	2008 Pence per share
Basic earnings per share	**22.8**	23.3
Impact of taxation charge	**10.3**	12.7
Adjusted basic earnings before tax per share	**33.1**	36.0
Diluted earnings per share	**22.2**	22.2
Impact of taxation charge	**10.0**	12.1
Adjusted diluted earnings before tax per share	**32.2**	34.3

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

14 (c) Normalised earnings per share

Normalised earnings per share are based on a normalised profit after taxation of £3,735,000 (2008: £3,075,000). Normalised profit after tax has been calculated by adjusting for the loss on foreign currency translation after tax effect which is £664,000 (£922,000 after tax of 28%). The number of shares used in this calculation is consistent with note 14 (a) above.

	2009 Pence per share	2008 Pence per share
Basic normalised earnings per ordinary share	**27.7**	23.5
Diluted normalised earnings per ordinary share	**26.9**	22.3

15 Property, plant and equipment

Group

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2008	17,042	224	40	17,306
Additions	360	93	15	468
Acquisition through business combinations	4	144	-	148
Exchange adjustments	1	33	-	34
At 28 February 2009	**17,407**	**494**	**55**	**17,956**
Depreciation				
At 1 March 2008	279	216	25	520
Exchange adjustments	-	3	-	3
Charge for the year	199	54	9	262
At 28 February 2009	**478**	**273**	**34**	**785**
Net book value				
At 28 February 2009	**16,929**	**221**	**21**	**17,171**
At 1 March 2008	16,763	8	15	16,786

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2007	8,265	219	25	8,509
Additions	8,777	5	15	8,797
At 28 February 2008	**17,042**	**224**	**40**	**17,306**
Depreciation				
At 1 March 2007	131	212	24	367
Charge for the year	148	4	1	153
At 28 February 2008	**279**	**216**	**25**	**520**
Net book value				
At 28 February 2008	**16,763**	**8**	**15**	**16,786**
At 1 March 2007	8,134	7	1	8,142

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

At 28 February 2009 the net carrying amount of leased plant and machinery was £146,000 (2008: Nil). The leased equipment secures lease obligations (see note 21). Cost of equipment was £304,000 and accumulated depreciation at 28 February 2009 was £170,000. Depreciation of £60,848 was charged during the year (2008: Nil).

Notes *(continued)*

15 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 2008	17,042	224	40	17,306
Additions	360	66	15	441
At 28 February 2009	**17,402**	**290**	**55**	**17,747**
Depreciation				
At 1 March 2008	279	216	25	520
Charge for the year	197	19	10	226
At 28 February 2009	**476**	**235**	**35**	**746**
Net book value				
At 28 February 2009	**16,926**	**55**	**20**	**17,001**
At 1 March 2008	16,763	8	15	16,786

	Land and buildings £'000	Plant and equipment £'000	Office furniture and equipment £'000	Total £'000
Cost				
At 1 March 2007	8,265	219	25	8,509
Additions	8,777	5	15	8,797
At 29 February 2008	**17,042**	**224**	**40**	**17,306**
Depreciation				
At 1 March 2007	131	212	24	367
Charge for the year	148	4	1	153
At 29 February 2008	**279**	**216**	**25**	**520**
Net book value				
At 29 February 2008	**16,763**	**8**	**15**	**16,786**
At 1 March 2007	**8,134**	**7**	**1**	**8,142**

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

No assets are held under finance leases.

16 Investment in subsidiaries

The company has the following investments in subsidiaries

	Country of incorporation	Class of share held	Ownership 2009	2008
Company				
Market Resource Partners LLC	United States	Ordinary	100%	-

	Company £'000
Unlisted Investments at cost	
At 1 March 2008	**-**
Additions	**8,133**
Increase of contingent deferred consideration	**1,020**
At 28 February 2009	**9,153**

The group's share of post-acquisition total recognised profit or loss in the above subsidiary for the year ended 28 February 2009 was £289,000 (2008 - £Nil)

The increase in contingent deferred consideration arises from foreign exchange movements on unpaid consideration.

First Derivatives plc

Notes *(continued)*

17 Intangible assets

Group

	Customer lists	Software	Brand name	Goodwill	Developed software	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
Balance at 1 March 2008	-	-	-	-	1,025	1,025
Capitalisation of employee costs	-	-	-	-	365	365
Additions	-	5	-	-	-	5
Acquisition through business combinations	1,724	1,089	143	5,442	-	8,398
Exchange adjustments	387	245	32	1,212	-	1,876
Balance at 28 February 2009	2,111	1,339	175	6,654	1,390	11,669
Amortisation and impairment losses						
Balance at 1 March 2008	-	-	-	-	900	900
Exchange adjustment	-	6	-	-	-	6
Amortisation for the year	122	113	10	-	5	250
Balance at 28 February 2009	122	119	10	-	905	1,156
Carrying amounts						
At 28 February 2009	**1,989**	**1,220**	**165**	**6,654**	**485**	**10,513**
At 1 March 2008	**-**	**-**	**-**	**-**	125	125

17 Intangible assets *(continued)*

Group	Customer lists	Software	Brand name	Goodwill	Developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2007	-	-	-	-	900	900
Capitalisation of employee cost	-	-	-	-	125	125
Balance at 29 February 2008	-	-	-	-	1,025	1,025
Amortisation and impairment losses						
Balance at 1 March 2007	-	-	-	-	720	720
Amortisation for the year	-	-	-	-	180	180
Balance at 29 February 2008	-	-	-	-	900	900
Carrying amounts						
At 29 February 2008	**-**	**-**	**-**	**-**	**125**	**125**
At 1 March 2007	-	-	-	-	180	180

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

Notes *(continued)*

17 Intangible assets *(continued)*

Business combinations

Effective on 1 September 2008, First Derivatives plc acquired the members' interest in Market Resource Partners LLC. The business combination led to the recognition of goodwill of £6,654,000 (see note 3). As a significant element of goodwill arises from contingent consideration which has not yet crystalised, there is no impairment of goodwill as at 28 February 2009.

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

	2009	2008
Administration expenses	**250**	180

Developed software

Company	**Developed software £'000**
Cost	
Balance at 1 March 2008	1,025
Capitalisation of employee cost	365
Balance at 28 February 2009	**1,390**
Amortisation and impairment losses	
Balance at 1 March 2008	900
Amortisation for the year	5
Balance at 28 February 2009	**905**
Carrying amounts	
At 28 February 2009	**485**
At 1 March 2008	125
Cost	
Balance at 1 March 2007	900
Capitalisation of employee cost	125
Balance at 29 February 2008	1,025
Amortisation and impairment losses	
Balance at 1 March 2007	720
Amortisation for the year	180
Balance at 29 February 2008	900
Carrying amounts	
At 29 February 2008	**125**
At 1 March 2007	180

18 Other financial assets

2009
Available for sale assets

	Group £'000	Company £'000
Unlisted equity investments		
At 1 March 2008	520	520
Fair value movement	-	-
Additions	1,352	1,352
At 28 February 2009	**1,872**	**1,872**

2008
Available for sale assets

	Group £'000	Company £'000
Unlisted equity investments		
At 1 March 2007	421	421
Fair value movement	319	319
Disposals	(220)	(220)
At 29 February 2008	520	520

The fair value of unlisted equity investments is 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.

19 Trade and other receivables

	Group		***Company***	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Trade receivables	**5,542**	3,325	**4,308**	3,325
Receivables from related parties	**-**	-	**490**	-
Sundry receivables	**17**	15	**-**	15
Prepayments	**415**	531	**337**	531
Overseas & social security tax recoverable	**360**	255	**360**	255
	6,334	4,126	**5,495**	4,126

At 28 February 2009 trade receivables are shown net of an allowance for doubtful debts of £382,000 (2008: £275,000) arising from on-going invoice disputes and the risk of companies becoming insolvent. The impairment loss recognised in the year was £218,000 (2008: £156,000). See note 36 for discussion of credit risk.

20 Cash and cash equivalents

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Bank balances	**1,299**	396	**850**	396

See note 36 for discussion of interest rate risk and sensitivity analysis.

21 Interest bearing borrowings

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Current liabilities				
Bank loans	**924**	1,834	**924**	1,834
Finance leases	**65**	-	**-**	-
	989	1,834	**924**	1,834
Non-current liabilities				
Bank loans	**12,941**	8,023	**12,941**	8,023
Less: Capital arrangement fee	**(52)**	(58)	**(52)**	(58)
Finance leases	**97**	-	**-**	-
	12,986	7,965	**12,889**	7,965

Terms and debt repayment schedule

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

£15,000,000 multi currency loan (Facility A)
£4,500,000 multi currency loan (Facility B)

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	28 February 2009 Face value £000	28 February 2009 Carrying amount £000	29 February 2008 Face value £000	29 February 2008 Carrying amount £000
Facility A	GBP	1.75%+Libor	2013	7,043	7,017	-	-
Facility A	USD	1.75%+Libor	2013	6,822	6,796	-	-
Finance Lease	USD	11%	2012	162	162	-	-
Loan A	GBP	1.5%+Base	2016	-	-	1,985	1,985
Loan B	GBP	1.5%+Base	2016	-	-	2,596	2,596
Loan C	GBP	1.5%+Base	2017	-	-	1,806	1,806
Loan E	USD	1.5%+Base	2010	-	-	3,470	3,412
Total interest-bearing borrowings				14,027	13,975	9,857	9,799

The bank loans are secured over property, plant and equipment with a carrying amount of £17,001,000 (2008: £16,786,000). All outstanding loans have interest charged at 1.75% (2008: 1.5%) above the inter-bank rate.

Notes *(continued)*

21 Interest bearing borrowings (*continued*)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Minimum lease payments 2009	Interest 2009	Principal 2009	Minimum lease payments 2008	Interest 2008	Principal 2008
	£'000	£'000	£'000	£'000	£'000	£'000
Less than one year	80	15	65	-	-	-
Between one and five years	107	10	97	-	-	-
	187	25	162	-	-	-

The finance leases are secured over the leased equipment

22 Contingent consideration

Contingent consideration liabilities are payable as follows:

Group and Company

	Total 2009	Total 2008
	£'000	£'000
Less than one year	1,175	-
Between one and five years	4,419	-
	5,594	-

Refer to note 3 for details on contingent consideration. The payment of contingent deferred consideration will comprise 75% cash with 25% satisfied by the issue of shares.

Notes *(continued)*

23 Trade and other payables

	Group		*Company*	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Trade payables	**553**	285	**425**	285
Other payables	**1,734**	1,193	**1,552**	1,193
Accruals	**224**	590	**160**	590
Deferred Income	**1,623**	385	**991**	385
	4,134	2,453	**3,128**	2,453

See note 36 for discussion of currency and liquidity risks.

24 Current tax payable

	Group		*Company*	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Current tax payable	**1,472**	1,228	**1,282**	1,228

The current tax liability for the group of £1,472,000 (2008: £1,228,000) represents the amount of income taxes payable in respect of current and prior financial periods.

Notes *(continued)*

25 Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**1**	4	**-**	-	**1**	4
Share based payments	**84**	455	**-**	-	**84**	455
Employee benefits	**24**	24	**-**	-	**24**	24
Net fair value movement on Available for sale assets	**-**	-	**(87)**	(87)	**(87)**	(87)
Intangible assets	**25**	-	**-**	-	**25**	-
Other	**43**	58	**-**	-	**43**	58
Net tax assets/(liabilities)	**177**	541	**(87)**	(87)	**90**	454

Movement in temporary differences during the year:

	Balance at 1 March 2007	Recognised in income	Recognised in equity	Balance at 29 Feb 2008	Recognised in income	Recognised in equity	Balance at 28 Feb 2009
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	8	(4)	-	4	(3)	-	**1**
Share based payments	477	53	(75)	455	(63)	(308)	**84**
Employee benefits	47	(23)	-	24	-	-	**24**
Net fair value movement on Available for sale assets	-	-	(87)	(87)	-	-	**(87)**
Intangible assets	-	-	-	-	33	(8)	**25**
Other	16	42	-	58	(15)	-	**43**
	548	68	(162)	454	(48)	(316)	**90**

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

25 Deferred taxation *(continued)*

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 £000	**2008 £000**	**2009 £000**	**2008 £000**	**2009 £000**	**2008 £000**
Property, plant and equipment	**1**	4	-	-	**1**	4
Share based payments	**84**	455	-	-	**84**	455
Employee benefits	**24**	24	-	-	**24**	24
Net fair value movement on Available for sale assets	**-**	-	(87)	(87)	**(87)**	(87)
Other	**11**	58	-	-	**11**	58
Net tax assets/(liabilities)	**120**	541	(87)	(87)	**33**	454

Movement in temporary differences during the year:

	Balance at 1 March 2007 £000	Recognised in profit and loss £000	Recognised in equity £000	Balance at 29 Feb 2008 £000	Recognised in profit and loss £000	Recognised in equity £000	Balance at 28 Feb 2009 £000
Property, plant and equipment	8	(4)	-	4	(3)	-	**1**
Share based payments	477	53	(75)	455	(63)	(308)	**84**
Employee benefits	47	(23)	-	24	-	-	**24**
Net fair value movement on Available for sale assets	-	-	(87)	(87)	-	-	**(87)**
Other	16	42	-	58	(47)	-	**11**
	548	68	(162)	454	(113)	(308)	**33**

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

Notes *(continued)*

26 Share capital

	Ordinary shares 2009	2008
In issue at 1 March	**13,279,324**	12,944,548
Issued for cash	**18,500**	334,776
Issued as purchase consideration	**436,644**	-
In issue at 28 February – fully paid	**13,734,468**	13,279,324

	2009 Number	**2009** £'000	2008 Number	2008 £'000
Equity shares				
Authorised				
Ordinary shares of £0.005 each	**20,000,000**	**100**	20,000,000	100
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**13,734,468**	**69**	13,279,324	66

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 18,500 share options for £20,000 and the issue of 436,644 shares as £857,000 purchase consideration.

27 Share premium account

	Group **2009**	2008	*Company* **2009**	2008
	£'000	£'000	**£'000**	£'000
Opening balance	**1,278**	1,020	**1,278**	1,020
Premium on shares issued	**996**	258	**996**	258
Closing balance	**2,274**	1,278	**2,274**	1,278

28 Share option reserve

	Group **2009**	2008	*Company* **2009**	2008
	£'000	£'000	**£'000**	£'000
Opening balance	**719**	535	**719**	535
Fair value of share based payments cost	**183**	259	**183**	259
Options exercised in the period	**(122)**	-	**(122)**	-
Effect of option lapses	**(42)**	-	**(42)**	-
Deferred tax on share based payments	**(308)**	(75)	**(308)**	(75)
Closing balance	**430**	719	**430**	719

28 Share option reserve *(continued)*

The share option reserve comprises the charge for unexercised share options granted to employees which has been charged to the income statement in accordance with IFRS 2 *Share-based Payments* net of deferred tax assets relating to the tax deduction receivable when the options are exercised.

29 Fair value reserve

	Group		*Company*	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Opening balance	**223**	190	**223**	190
Fair value movement	**-**	232	**-**	232
Sale of asset	**-**	(199)	**-**	(199)
Closing balance	**223**	223	**223**	223

30 Currency translation adjustment reserve

	Group		*Company*	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Opening balance	**-**	-	**-**	-
Net gains on net investment in foreign subsidiary	**819**	-	**-**	-
Net loss on hedge of movement in foreign subsidiary	**(575)**	-	**-**	-
Closing balance	**244**	-	**-**	-

31 Capital and other commitments

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

32 Leasing commitments

Non cancellable operating lease rentals are payable as follows:

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Less than one year	308	-	140	-
Between one and five years	1,036	-	560	-
More than five years	1,260	-	1,260	-
	2,604	-	1,960	-

The group leases 2 premises under operating lease arrangements.

Group
During the year £217,000 was recognised as an expense in the income statement in respect of operating leases (2008: £Nil).

Notes *(continued)*

32 Leasing commitments *(continued)*

Company
During the year £140,000 was recognised as an expense in the income statement in respect of operating leases (2008: £Nil).

33 Pension contributions

The group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £128,000 (2008: £93,000). Contributions amounting to £13,000 (2008: £14,000) were payable to the scheme at the year end and are included in creditors.

34 Related party transactions

The group is charged rent monthly for the use of apartments located in London owned by the managing director. The charge incurred during the financial year amounted to £52,800 (2008: £52,800). Rent deposits of £26,400 (2008: £26,400) have been paid to the managing director in respect of these apartments. The remuneration of the directors as set out in note 11 is deemed to be the remuneration of key management personnel.

During the year the group incurred £154,000 (2008: £nil) expenditure with Ishtara Consulting Limited, a company in which P Kinney is a director. The balance owed to Ishtara at 28 February 2009 is £50,000 (2008: £nil).

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. £140,000 (2008: £nil) rental charge was incurred in the year. The balance owed to Oncon at 28 February is £13,000 (2008: £nil).

During the year management charges and interest on intercompany loans of £32,000 and £14,000 respectively were charged by the company to subsidiary operations.

35 Ultimate controlling party

The company is controlled by Brian Conlon, its majority shareholder.

Notes *(continued)*

36 Financial instruments

Group

Fair values

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

2009

	Loans and receivables £'000	Available for sale £'000	Liabilities at amortised cost £'00	Carrying amount £'000	Fair value £'000
Available for sale assets	-	1,872	-	1,872	1,872
Trade and other receivables	5,919	-	-	5,919	5,919
Cash and cash equivalents	1,299	-	-	1,299	1,299
Secured bank loans	-	-	(13,865)	(13,813)	(13,865)
Finance leases			(162)	(162)	(162)
Trade, accurals and other payables	-	-	(2,511)	(2,511)	(2,511)
Employee benefits	-	-	(833)	(833)	(833)
Deferred consideration	-	-	(5,594)	(5,594)	(5,594)

2008

	Loans and receivables £'000	Available for sale £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Available for sale assets	-	520	-	520	520
Trade and other receivables	3,595	-	-	3,595	3,595
Cash and cash equivalents	396	-	-	396	396
Secured bank loans	-	-	(9,857)	(9,799)	(9,857)
Trade, accruals and other payables	-	-	(2,068)	(2,068)	(2,068)
Employee benefits	-	-	(625)	(625)	(625)

Notes *(continued)*

36 Financial instruments *(continued)*

Company

Fair values

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

2009

	Loans and receivables	Available for sale	Liabilities at amortised cost	Carrying amount	Fair value
	£'000	£'000	£'000	£'000	£'000
Available for sale assets	-	1,872	-	1,872	1,872
Trade and other receivables	5,158	-	-	5,158	5,158
Cash and cash equivalents	850	-	-	850	850
Secured bank loans	-	-	(13,865)	(13,813)	(13,865)
Trade, accruals and other payables	-	-	(2,137)	(2,137)	(2,137)
Employee benefits	-	-	(806)	(806)	(806)
Deferred consideration	-	-	(5,594)	(5,594)	(5,594)

2008

	Loans and receivables	Available for sale	Liabilities at amortised cost	Carrying amount	Fair value
	£'000	£'000	£'000	£'000	£'000
Available for sale assets	-	520	-	520	520
Trade and other receivables	3,595	-	-	3,595	3,595
Cash and cash equivalents	396	-	-	396	396
Secured bank loans	-	-	(9,857)	(9,799)	(9,857)
Trade, accruals and other payables	-	-	(2,068)	(2,068)	(2,068)
Employee benefits	-	-	(625)	(625)	(625)

36 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	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Trade and other receivables	**5,919**	3,595	**5,158**	3,595
Cash and cash equivalents	**1,299**	396	**850**	396
	7,218	3,991	**6,008**	3,991

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

Credit risk

Impairment losses

The ageing of trade receivables at the reporting date was:

Group	Gross 2009 £'000	Impairment 2009 £'000	Gross 2008 £'000	Impairment 2008 £'000
Not past due	**1,785**	**93**	1,782	-
Past due 0-30 days	**2,868**	**93**	726	50
Past due 30-60 days	**135**	**10**	291	50
Past due 60-90 days	**408**	**23**	486	50
Past due 90-120 days	**34**	**24**	261	75
Past due 120 days +	**694**	**139**	54	50
Total	**5,924**	**382**	3,600	275

Company	Gross 2009 £'000	Impairment 2009 £'000	Gross 2008 £'000	Impairment 2008 £'000
Not past due	**979**	**93**	1,782	-
Past due 0-30 days	**2,583**	**93**	726	50
Past due 30-60 days	**54**	**10**	291	50
Past due 60-90 days	**368**	**15**	486	50
Past due 90-120 days	**17**	**17**	261	75
Past due 120 days +	**657**	**122**	54	50
Total	**4,658**	**350**	3,600	275

36 Financial instruments *(continued)*

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

	Group		*Company*	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Balance at 1 March	**275**	125	**275**	125
Impairment loss recognised	**218**	156	**186**	156
Written off	**(111)**	(6)	**(111)**	(6)
Balance at end of period	**382**	275	**350**	275

An impairment loss was incurred during the year with regard to concerns over the recoverability of debt relating to three customers.

Liquidity risk - Group

28 February 2009

	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	(13,813)	(15,218)	(646)	(640)	(1,254)	(12,678)	-
Finance leases	(162)	(162)	(33)	(32)	(64)	(33)	
Trade and other payables	(2,541)	(2,541)	(2,541)	-	-	-	-
	(16,516)	(17,921)	(3,220)	(672)	(1,318)	(12,711)	-

29 February 2008

	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	(9,799)	(11,569)	(1,215)	(1,184)	(2,208)	(4,459)	(2,503)
Trade and other payables	(1,478)	(1,478)	(1,478)	-	-	-	-
	(11,277)	(13,047)	(2,693)	(1,184)	(2,208)	(4,459)	(2,503)

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 21.

Liquidity risk - Company

28 February 2009

	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	(13,813)	(15,218)	(646)	(640)	(1,254)	(12,678)	-
Trade and other payables	(2,137)	(2,137)	(2,137)	-	-	-	-
	(15,950)	(17,355)	(2,783)	(640)	(1,254)	(12,678)	-

29 February 2008

	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	(9,799)	(11,569)	(1,215)	(1,184)	(2,208)	(4,459)	(2,503)
Trade and other payables	(1,478)	(1,478)	(1,478)	-	-	-	-
	(11,277)	(13,047)	(2,693)	(1,184)	(2,208)	(4,459)	(2,503)

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 21.

36 Financial instruments *(continued)*

Currency risk - Group

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

	28 February 2009		29 February 2008	
	Euro	**USD**	Euro	USD
	£'000	**£'000**	£'000	£'000
Trade receivables	**86**	**2,806**	119	1,947
Secured bank loans	**-**	**(3,668)**	-	(6,902)
Finance leases	**-**	**(162)**		
Trade payables	**-**	**(160)**	-	(53)
Gross balance sheet exposure	**86**	**(1,184)**	119	(5,008)

The secured bank loan above excludes bank loans designated in a net investment hedge.

Currency risk - Company

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

	28 February 2009		29 February 2008	
	Euro	**USD**	Euro	USD
	£'000	**£'000**	£'000	£'000
Trade receivables	**86**	**1,541**	119	1,947
Secured bank loans	**-**	**(3,668)**	-	(6,902)
Trade payables	**-**	**(32)**	-	(53)
Gross balance sheet exposure	**86**	**(2,159)**	119	(5,008)

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
USD 1	1.571	2.003	1.426	1.989
EUR 1	1.217	1.434	1.126	1.310

Sensitivity analysis

A 10 percent strengthening of the pound against the above currencies at the end of the period would increase group equity and profit or loss by approximately £122,000 (2008: £543,000). A 10 percent weakening of the pound against the above currencies at the end of the period would decrease group equity and profit or loss by approximately £ 100,000 (2008: £444,000). This analysis assumes that all other variables, in particular interest rates, remain constant.

36 Financial instruments *(continued)*

Sensitivity analysis

A 10% reduction in interest rates at the end of the period would increase group equity and profit and loss by approximately £70,000 (2008: £126,000). A 10% increase in interest rates at the end of the period would decrease group equity and profit or loss by approximately £70,000 (2008: £126,000. This analysis assumes that all other variables remain constant.

37 Employee benefits

	Group		*Company*	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Accrued holiday pay	**293**	200	**266**	200
Employee taxes	**540**	425	**540**	425
	833	625	**806**	625

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 and three years of service as set by the group prior to the grant of the option. 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.

Group and Company
The number and weighted average exercise prices of share options are as follows:

In thousands of options	**Weighted average exercise price 2009**	**Number of options 2009**	Weighted average exercise price 2008	Number of options 2008
Maximum options outstanding at beginning of period	**1.54**	**1,485,834**	1.11	1,514,367
Lapsed during the period	**1.64**	**(238,334)**	1.25	(60,667)
Exercised during the period	**0.88**	**(18,500)**	0.80	(318,866)
Granted during the period	**-**	**-**	2.67	351,000
Maximum options outstanding at end of period	**1.53**	**1,229,000**	1.54	1,485,834
Exercisable at end of period	**1.25**	**889,333**	1.00	562,034

The options outstanding at 28 February 2009 have an exercise price in the range of £0.51 to £2.67 (2008: £0.51 to £2.67) and a weighted average contractual life of 7.49 years (2008: 8.31 years).

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:

37 Employee benefits *(continued)*

Group and Company (continued)

Fair value of share options and assumptions	**2009**	2008
Fair value at grant date		
Share price	**-**	267p
Exercise price	**-**	267p
Expected volatility (weighted average volatility)	**-**	41%
Option life (expected weighted average life)	**-**	4 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.

Employee expenses

	2009 £'000	2008 £'000
Expense relating to:		
Share options granted in 2004/05 – equity settled	**-**	1
Share options granted in 2005/06 – equity settled	**9**	18
Share options granted in 2006/07 – equity settled	**26**	166
Share options granted in 2007/08 – equity settled	**148**	74
Total expense recognised as employee costs	**183**	259

38 Post balance sheet events

On 1 April 2009 the group announced the acquisition of Lepton Solutions Pty Limited, an Australian based technology company headquartered in Adelaide for a total cash consideration of up to $2.2 million Australian dollars and 400,000 share options. This acquisition has not been included in the financial statements.