First Derivatives plc

Directors' report and financial statements

Registered number: NI 30731

Draft – 29 February 2008

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Chairman’s statement

2007/2008 was the sixth year of continuing growth for the Company. I am pleased to report that the pre-tax profit for the year ended 29th February 2008 was £4.7 million compared with £2.5 million in the previous year, an increase of 86%. Turnover for the year was £12.7 million up from £9.3 million, an increase of 36%. The 2007 figures have been adjusted to reflect the impact of IFRS which has been adopted with effect from 1st March 2007.

Earnings per share increased by 56% from 14.9p to 23.3p. The Board is recommending a final dividend per share for the year of 5.8p which, together with the interim dividend of 2.3p paid in October 2007, totals 8.1p and is covered approximately 3 times by earnings. This will be paid on 7th July 2008 to those shareholders on the register on 6th June 2008. The shares will be marked ex-dividend on 4th June 2008.

Despite the turmoil across financial markets we have continued to increase our capital markets activities and continue to experience strong levels of demand for our consultants. We are continuing to recruit to satisfy customer requirements.

There have been further substantial sales of Kx products during the financial year to both new and existing customers. The partnership continues to evolve and a number of expansion initiatives are being considered.

In my interim statement I referred to the fact that we had made our first sale of one of our own niche range of software products. Further modest sales have since been made and increased resources are being applied to marketing these products. These sales generate annual recurring licence revenues and can also generate implementation revenues. The Company is now developing an encouraging potential sales pipeline for these products.

The Capital Markets Training Programme introduced in late 2006 has led to significant benefits including continued low staff turnover and more effective deployment of staff with customers. Staff numbers have risen from 89 to the current level of 118. We continue to strengthen the FDP management team and I anticipate that we shall shortly announce the appointment of a Finance Director. As a result of this expansion in staff numbers the Company has recently relocated its head office to larger premises in Newry.

We are also announcing the appointment of Paul Kinney who is joining the Board as a Non-Executive Director effective from 14 May 2008.

FDP has made further acquisitions of residential property during the year, which is used to accommodate staff on assignment in the major financial centres. At the year end the company owned 32 such properties with a book value of £16.8. These properties were valued at 29th February 2008 by Digney Boyds at £19.3 million a surplus of £2.5 million. Again this revaluation has not been incorporated in the financial statements.

Outlook

The Company's rate of growth during the last financial year has been exceptional. 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 and the Directors expect to be able to report further progress in the first half of the year.

David Anderson
Chairman

First Derivatives plc

Managing director’s statement

First Derivatives plc (“FDP”) has had another successful year and we have continued to grow our operations despite the recent turmoil in the financial markets.

Review of activities

First Derivatives provides consulting services to the capital markets and sells software and related services. As with last year we are currently operating at effectively 100% utilisation of staff and plan to increase our headcount further in the coming year. 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 Dublin, San Francisco, Vancouver, Los Angeles, Singapore, Sydney, Munich, Frankfurt, Vienna, Mumbai, Hong Kong, Boston and Stockholm. Due to the long-term and repeat nature of our assignments, we have strong visibility on our revenue for the year ahead..

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 nine 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 also have a number of nearshore contracts with other large banks. These nearshore contracts involve providing remote support services from our offices in Newry.

Software division

As announced previously, First Derivatives is now generating sales from its own proprietary niche software products. We are pleased to report the sale of four of our products to six financial institutions in London and New York. This follows a number of years of intensive R&D where we have applied our domain knowledge and software development expertise in creating leading-edge products. These products are sold on an annual licensing model and additional revenues accrue from implementation services. In the coming year we will be investing heavily in developing further products and accelerating our sales and marketing efforts.

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. We have a strong commercial relationship with Kx and I anticipate that this will strengthen further during 2008.

Personnel

The Company now employs almost 120 people and 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.

Managing director's statement *(continued)*

Property Portfolio

As the number of staff working on-site in the major financial centres increases we will continue to buy property in lieu of paying for hotels and rented accommodation. As at the balance sheet date we had purchased 22 properties in the UK and 10 properties in New York financed by cash and term loans. The location of our properties in prime areas of the City of London, the West End and in Manhattan means that we are relatively insulated from trends in the general property markets.

Financial Review

The Company has reported revenues and profits significantly higher than last year. Pre-Tax Profit for the year was £4,716,000 (2007 restated: £2,531,000) on turnover of £12,669,000 (2007: £9,332,000). These results are prepared for the first time under International Financial Reporting Standards. Although the impact is not significant we have restated the 2007 accounts to reflect the adoption of IFRS.

Growth was due largely to increased consultant utilisation and sales/services from software products in which we have an interest in the IP. Our operating margins increased to 41.2% from 28.2%. Our balance sheet is strong with a cash balance largely unchanged at £396,000 and equity shareholders' funds of £8,302,000 (2007 restated; £5,426,000), an increase of 53%. This, and our confidence in our ability to generate cash going forward, enables the Board to recommend a final dividend of 5.8p per share (2007: 3.6p) which means that we will have paid a total dividend of 8.1p (2007: 5.0p) per share for the full year.

Outlook

We are increasing headcount to meet demand from the current and anticipated sales pipeline and to further develop and enhance our product suite. Our outlook for the year ahead is for trading to continue in line with previous trends and the further strengthening of our balance sheet. We now have a spread of activities with our recurring and visible revenue streams insulating us against general industry downturn and our interest in the sale of various software products giving us the benefit of considerable potential upside.

Brian Conlon
Managing Director

First Derivatives plc

Directors and advisers

Directors	R D Anderson	–	Non-executive chairman*
	B G Conlon	–	Managing director
	M G O'Neill	–	Operations director
	A Toner	–	Non-executive director*

Secretary	John F Gibbons LLB	
Registered office	40 Church Lane Belfast BT1 4FR	
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 adviser/IEX Advisor and Joint Brokers	Charles Stanley Securities 25 Luke Street London EC2A 4AR	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 29 February 2008.

Results and dividend

The company's profit after taxation attributable to the shareholders for the year to 29 February 2008 was £3,054,000 (2007: £1,907,000)

The directors propose the payment of a final dividend of 5.8p per share (previous year: 3.6p) which, together with the interim dividend of 2.3p per share, totals 8.1p (2007: 5.0p) per share. The final dividend has not been included in creditors as it was not approved before the year end.

Dividends paid during the year comprise of a final dividend of 3.6p per share in respect of the prior year ended 28 February 2007 and an interim dividend of 2.3p per share for the year ended 29 February 2008.

Principal activities and review of the business

The principal activities of First Derivatives plc are the provision of a range of support services to the investment bank market, the derivatives technology industry and the provision of its own range of e-business applications.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks.

The key business risks affecting the company are set out below and in the chairman's and managing directors' statements.

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.

Employees

The company's growth depends largely on growing staff numbers and training staff to meet the diverse requirements of our customer base. The company continues to refine its recruitment process to ensure a constant influx of suitable new staff and the internal training programme (CMTP) is constantly evolving. To help retain staff we have instituted a mentoring programme, feedback loops to address concerns and issues and our incentivisation programme includes share options as a retention tool.

Market Risk

The company operates in a competitive and often cyclical market environment. We are addressing these risks by focussing our 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.

The other information required to be disclosed in respect of the review of the company's business as required under Article 242ZZB of the Companies (Northern Ireland) Order 1986 is given in the chairman's and managing director's statements under the heading 'Financial Review and Key Performance Indicators'.

First Derivatives plc

Directors' report *(continued)*

Financial risk management

The company'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 company does not use derivatives. The company's main cash flow risk, credit and liquidity risks are those associated with selling on credit. This is managed through credit control procedures. The company 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 company has exposure in USD as a result of mortgage financing apartment purchases and trade receivables. These form a natural hedge and we are using sales proceeds to repay the associated capital and interest on the borrowings.

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 31.

Property, plant and equipment

The details of property, plant and equipment are given in note 13 of the financial statements.

Directors and their interests

Directors beneficial interests in the issued share capital of the company at 29 February 2008 and 28 February 2007 were as follows:

	2008 Ordinary shares of 0.5 pence each	**Purchase of shares In year**	**Sale of shares In year**	2007 Ordinary shares of 0.5 pence each
R D Anderson (Non-executive director)	**140,000**	11,200	-	128,800
B G Conlon (Executive director)	**9,096,000**	-	-	9,096,000
M G O'Neill (Executive director)	**1,040,000**	-	-	1,040,000
A Toner (Non-executive director)	**25,944**	7,500	-	18,444

R D Anderson is currently a non-executive director of several other companies. He is a non-executive director of Prestbury Holdings plc, an AIM listed company, 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.

The directors did not have any interest in contracts requiring disclosure under the Companies (Northern Ireland) Order 1986, except for the matters referred to in note 29 to the financial statements.

Substantial shareholdings

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

Research and development

The company was not involved in any research and development activities during the year other than the development of certain products primarily for the use of customers of KX Systems. Costs of £125,000 (2007: £Nil) were capitalised in respect of activities which were deemed to be development activities in accordance with the company's accounting policies.

Employees

It is company 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 company's employment.

The company 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 £19.3million.

Political and charitable donations

During the year the company made political and charitable donations of £Nil (2007: £Nil).

Supplier payment policy

The company 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 29 February 2008 the company had 57 days purchases outstanding (28 February 2007: 29 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.

First Derivatives plc

Directors’ report *(continued)*

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

John F Gibbons
Secretary

13 May 2008

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 financial statements for each financial year. As required by the Alternative Investment Market (AIM) rules and permitted by company law, the directors have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs") and applicable laws.

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

In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 company 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 reflect the company's size and structure. The main features of the company'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 two non-executive directors, both take an active role in board matters.

- The company has an audit committee and a remuneration committee. These committees consist of the non-executive directors with executive directors in attendance when necessary. They have written constitutions and terms of reference.

- The audit committee meets twice each year, prior to the publication of the interim 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 company'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 company 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.

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

We have audited the financial statements of First Derivatives plc for the year ended 29 February 2008 which comprise the income statement, the statement of changes in equity, the balance sheet, the cash flow statement 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

As described in the statement of directors' responsibilities on page 10, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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 in accordance with IFRS as adopted by the EU 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 Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the chairman's statement and the managing director's 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 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.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 29 February 2008 and of its profit for the year then ended;

- 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 13 May 2008
Chartered Accountants
Registered Auditor
Stokes House
17/25 College Square East
Belfast

First Derivatives plc

Income statement
Year ended 29 February 2008

	Note	2008 £'000	2007 £'000
Revenue		**12,669**	9,332
Cost of sales		**(6,501)**	(6,161)
Gross profit		**6,168**	3,171
Other operating income	*4*	**151**	147
Administrative expenses	*5*	**(1,091)**	(686)
Operating profit		**5,228**	2,632
Finance income	*7*	**210**	43
Finance expenses	*7*	**(722)**	(144)
Net financing expenses		**(512)**	(101)
Profit before taxation		**4,716**	2,531
Income tax expense	*9*	**(1,662)**	(624)
Profit for the year		**3,054**	1,907
Earnings per share		**Pence**	**Pence**
Basic	*12a*	**23.3**	14.9
Diluted	*12a*	**22.2**	14.3

The notes on pages 18 to 50 form part of these financial statements.

First Derivatives plc

Statement of changes in equity

Year ended 29 February 2008

	Share capital £000	Share premium £000	Share option reserve £000	Available for sale reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2006	**64**	**910**	**52**	**-**	**2,235**	**3,261**
Deferred tax on share options outstanding	-	-	352	-	-	**352**
Net change in fair value of available for sale assets	-	-	-	190	-	**190**
Total income and expense recognised directly in equity	-	-	352	190	-	**542**
Profit for the year	-	-	-	-	1,907	**1,907**
Total recognised income and expense	-	-	352	190	1,907	**2,449**
Shares issued	1	110	-	-	-	**111**
Share based payment charge	-	-	131	-	34	**165**
Dividends to equity holders	-	-	-	-	(560)	**(560)**
Balance at 28 February 2007	**65**	**1,020**	**535**	**190**	**3,616**	**5,426**
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	-	**21**
Profit for the year	-	-	-	-	3,054	**3,054**
Total recognised income and expense	-	-	(75)	33	3,054	**2,979**
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**

The notes on pages 18 to 50 form part of these financial statements.

First Derivatives plc

Balance sheet
Year ended 29 February 2008

	Note	2008 £'000	2007 £'000
Non current assets			
Property, plant and equipment	*13*	**16,786**	8,142
Intangible assets	*14*	**125**	180
Other financial assets	*15*	**520**	421
Deferred tax asset	*21*	**541**	548
Total non current assets		**17,972**	9,291
Current assets			
Trade and other receivables	*16*	**4,126**	2,538
Cash and cash equivalents	*17*	**396**	356
Total current assets		**4,522**	2,894
Total assets		**22,494**	12,185
Current liabilities			
Interest bearing borrowings	*18*	**(1,834)**	(1,185)
Trade and other payables	*19*	**(2,453)**	(1,535)
Current tax payable	*20*	**(1,228)**	(739)
Employee benefits	*32*	**(625)**	(462)
Total current liabilities		**(6,140)**	(3,921)
Non-current liabilities			
Interest bearing borrowings	*18*	**(7,965)**	(2,838)
Deferred tax liability	*21*	**(87)**	-
Total non-current liabilities		**(8,052)**	(2,838)
Total liabilities		**(14,192)**	(6,759)
Net assets		**8,302**	5,426
Equity			
Share capital	*22*	**66**	65
Share premium	*23*	**1,278**	1,020
Share option reserve	*25*	**719**	535
Available for sale reserve	*24*	**223**	190
Retained earnings		**6,016**	3,616
Total equity		**8,302**	5,426

These financial statements were approved by the board of directors on 13 May 2008.

Brian Conlon
Director

The notes on pages 18 to 50 form part of these financial statements.

First Derivatives plc

Cash flow statement

Year ended 29 February 2008

	2008 £'000	2007 £'000
Cashflows from operating activities		
Profit before taxation	**4,716**	2,531
Finance income	**(210)**	(43)
Finance expense	**722**	144
Operating profit	**5,228**	2,632
Depreciation	**153**	96
Amortisation of intangible assets	**180**	180
Equity settled share-based payment transactions	**259**	131
	5,820	3,039
Change in trade and other receivables	**(1,588)**	(301)
Change in trade and other payables	**1,072**	494
	5,304	3,232
Corporation tax paid	**(1,279)**	(456)
Net cash from operating activities	**4,025**	2,776
Cash flows from investing activities		
Interest received	**11**	43
Interest paid	**(560)**	(144)
Acquisition of property, plant and equipment	**(8,797)**	(4,977)
Acquisition of other financial assets	**-**	(120)
Proceeds from sale of available for sale assets	**220**	-
Acquisition of intangible assets	**(125)**	-
Net cash used in investing activities	**(9,251)**	(5,198)
Cash flows from financing activities		
Proceeds from issue of share capital	**259**	111
Receipt of new long term loan	**6,001**	2,325
Repayment of borrowings	**(225)**	(159)
Dividends paid	**(769)**	(560)
Net cash from financing activities	**5,266**	1,717
Net increase/(decrease) in cash and cash equivalents	**40**	(705)
Cash and cash equivalents at 1 March 2007	**356**	1,061
Cash and cash equivalents at 29 February 2008	**396**	356

The notes on pages 18 to 50 form part of these financial statements.

First Derivatives plc

Notes
(forming part of the financial statements)

First Derivatives plc ("FDP" or the "company") is a company 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 of support services to the investment bank market, the derivatives technology industry and the provision of its own range of e-business applications.

The financial statements were authorised for issuance on 13 May 2008.

1 Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs"). These are the company's first financial statements prepared in accordance with IFRSs. IFRS 1, First-time adoption of International Financial Reporting Standards has been applied.

The standards and interpretations applied are those effective for accounting periods beginning on or after 1 March 2007.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the company is provided in note 33. This note includes reconciliations of equity and profit for comparative periods reported under UK GAAP (previous GAAP) to those reported for those periods under IFRSs.

(b) Basis of preparation

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

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

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. 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 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

One new standard has been issued by the International Accounting Standards Board and adopted by the EU and is not yet effective for the year ended 29 February 2008, and has not been applied in preparing these consolidated financial statements:

- IFRS 8 Operating Segments introduces the company's "management approach" to segment reporting. IFRS 8, which becomes mandatory for the company's 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 3). The company is still examining the implications for its segment reporting.

1 Significant accounting policies *(continued)*

(b) Basis of preparation *(continued)*

The preparation of the financial statements in accordance with adopted IFRSs resulted in changes to the accounting policies as compared with the prior period annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening adopted IFRSs balance sheet at 1 March 2006 for the purposes of the transition to adopted IFRSs, as required by IFRS 1. The impact of the transition from previous GAAP to adopted IFRSs is explained in note 33.

(c) 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.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to GBP at the exchange rate at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to GBP at exchange rate at the date the fair value was determined. Foreign exchange differences arising on retranslation are recognised in profit or loss.

(e) 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 j). 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 in terms of which the company assumes substantially all of the risks and rewards of ownership are classified as finance leases.

(iii) Subsequent costs

The company 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 company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

1 Significant accounting policies *(continued)*

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

(iv) Depreciation

Depreciation is calculated to write down the costs of parts of items to their residual values and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

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

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

(f) Available for sale financial assets

The company'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 derecognised, 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.

(g) Intangible assets

(i) 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 company has sufficient resources to complete development.

The expenditure capitalised 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 j).

(ii) Other intangible assets

Intangible assets other than goodwill that are acquired by the Company are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy j).

(iii) 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.

1 Significant accounting policies *(continued)*

(g) Intangible assets (continued)

(iv) 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:

Software assets	-	20% straight line

(h) Trade and other receivables

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

(i) 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 company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) 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.

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 profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

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, the reversal is recognised directly in equity.

Notes *(continued)*

1 Significant accounting policies *(continued)*

(j) Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the company'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.

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.

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

Notes *(continued)*

1 Significant accounting policies *(continued)*

(k) Earnings per share

The company 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 company 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.

(l) 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.

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

(ii) Share-based payment transactions

The share option programme allows company employees to acquire shares of the company. 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 except where forfeiture is only due to share prices not achieving the threshold for vesting.

(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 company 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 company 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.

1 Significant accounting policies *(continued)*

(n) Provisions

A provision is recognised in the balance sheet when the company 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.

(o) 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.

(p) Revenue

(i) Services rendered

Revenue from services rendered including commission income 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.

(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 company will comply with the conditions attaching to it. Grants that compensate the company 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 company for the cost of an asset are recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

(q) 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.

(r) Finance income and expenses

Net financing costs 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.

1 Significant accounting policies *(continued)*

(s) Taxation

Income tax expense on the profit or loss for the periods 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.

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 company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

Credit risk

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

Notes *(continued)*

2 Financial risk management *(continued)*

Market risk
The company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risk. All loans are variable rate in nature, with the terms being at prevailing market interest rates.

The company does not use hedge accounting. The level of trading in foreign currency produces a natural hedge of a proportion of the company's exposures to foreign currency movements. The company's exposure to the price risk of financial instruments is therefore minimal.

Capital management
The company 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 company has complied with this requirement in the current year. Additional shares in the company are made available to staff by the use of share option schemes as disclosed in the notes to the financial statements.

3 Segment reporting

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

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

- Consultancy division which provides services to capital markets
- Software division which develops and has an interest in intellectual property and provides related services.

Revenue by division

	Consultancy division		**Software division**		**Total**	
	2008 £000	2007 £000	**2008 £000**	2007 £000	**2008 £000**	2007 £000
Total segment revenue	**6,465**	4,847	**6,204**	4,485	**12,669**	9,332

Notes *(continued)*

3 Segment reporting (continued)

Revenue by geographical location

	Europe		America		Australasia		Unallocated		Total	
	2008 £000	2007 £000	**2008 £000**	2007 £000	**2008 £000**	2007 £000	**2008 £000**	2007 £000	**2008 £000**	2007 £000
Revenue from external customers	**7,481**	5,059	**4,479**	4,143	**709**	130	**-**	-	**12,669**	9,332

4 Other operating income

	2008 £'000	2007 £'000
Grants received	**147**	147
Other income	**4**	-
	151	147

5 Administrative expenses

	2008 £'000	2007 £'000
Rent, rates and insurance	**125**	122
Telephone	**70**	54
Accountancy, audit and legal expenses	**134**	77
Advertising and marketing	**107**	40
Depreciation and amortisation	**333**	276
Other	**199**	33
Listing expenses	**123**	84
	1,091	686

First Derivatives plc

Notes *(continued)*

6 Personnel expenses and numbers

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

	2008 Average no.	2007 Average no.
Administration	**1**	1
Technical	**103**	85
	104	86

The aggregate payroll costs of these persons were as follows:

	2008 £'000	2007 £'000
Wages and salaries	**4,063**	3,510
Share based payments (see note 32)	**259**	131
Social security costs	**661**	425
Other pension costs	**93**	85
Less capitalised costs (see note 14)	**(125)**	-
	4,951	4,151

7 Finance income and expense

	2008 £'000	2007 £'000
Interest income on bank deposits	**11**	36
Dividend income	**-**	7
Disposal of available for sale asset	**199**	-
Finance income	**210**	43
Loss on foreign currency translation	**(29)**	(10)
Interest expense on bank loans	**(531)**	(134)
Other interest	**(162)**	-
Finance expense	**(722)**	(144)
Net finance expense recognised in profit or loss	**(512)**	(101)

Assets classed as available for sale are held at fair value with changes in value recognised in the available for sale reserve. On disposal of an available for sale asset in the current year, £199,000 has been transferred to finance income as indicated above.

8 Statutory and other information

	2008	2007
	£'000	£'000
Depreciation on property, plant and equipment		
Owned assets	**153**	96
Provision for bad debts	**56**	133
Amortisation of intangibles	**180**	180
Rents payable in respect of operating leases	**-**	17
Auditor's remuneration:		
Auditor of the company:		
KPMG Ireland:		
Audit and review of financial reports	**23**	19
Other services:		
Auditor of the company:		
KPMG Ireland:		
Other assurance services	**300**	-
Taxation services	**12**	7

Notes *(continued)*

9 Tax on profit

Income tax recognised in the income statement	**2008** **£'000**	2007 £'000
Current tax expense		
Current period	**1,529**	853
Adjustment for prior periods	**201**	(132)
	1,730	721
Deferred tax expense		
Origination and reversal of timing differences	**(20)**	(19)
Reduction in tax rate	**5**	-
Deferred tax on share options	**(53)**	(28)
	(68)	(47)
Total income tax in income statement	**1,662**	624

Reconciliation of effective tax rate		
Profit excluding income tax	**4,716**	2,531
Income tax using the company's domestic tax rate (30%)	**1,415**	759
Effect of reduction in tax rate	**5**	-
Tax exempt income	**(60)**	-
Expenses not deductible for tax purposes	**61**	25
Relief on share options exercised	**(21)**	(41)
Prior year deferred tax movement	**(29)**	5
Under/(over) in prior year	**201**	(132)
Other differences	**143**	36
Deferred tax on share option amortisation	**(63)**	(29)
Deferred tax charge on share option exercise	**10**	1
	1,662	624

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

Notes *(continued)*

10 Remuneration of directors

The remuneration paid to the directors was:

	2008 **£'000**	2007 £'000
Aggregate emoluments (including benefits in kind)	**209**	195
Company pension contributions	**21**	21
	230	216

During the period there were 2 directors accruing benefits under a defined contribution pension scheme (28 February 2007: 2).

The aggregate emoluments and company pension contributions of the highest paid director amounted to £90,000 and £16,000 respectively during the year (2007: £80,000 and £16,056 respectively).

11 Dividends

	2008 **£'000**	2007 £'000
Final dividend relating to the prior year	**468**	381
Interim dividend paid	**301**	179
	769	560

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 3.6 (previous year 3.0) pence per share and the interim dividend paid during the year amounted to 2.3 (previous year: 1.4) pence per share.

First Derivatives plc

Notes *(continued)*

12 (a) Earnings per ordinary share

Basic
The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of £3,054,000 (2007: £1,907,000). The weighted average number of ordinary shares for the year ended 29 February 2008 and ranking for dividend was 13,088,749 (2007: 12,771,232).

	2008 Pence per share	2007 Pence per share
Basic earnings per share	**23.3**	14.9

Weighted average number of ordinary shares

	2008 Number '000	2007 Number '000
Issued ordinary shares at beginning of period	**12,944**	12,715
Effect of share options exercised	**145**	56
Weighted average number of ordinary shares at end of period	**13,089**	12,771

Diluted
The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of £3,054,000 (2007: £1,907,000). The weighted average number of ordinary shares for the year ended 29 February 2008 and ranking for dividend was 13,761,879 (2007: 13,290,938).

	2008 Pence per share	2007 Pence per share
Diluted earnings per share	**22.2**	14.3

Weighted average number of ordinary shares (diluted)

	2008 Number	2007 Number
Weighted average number of ordinary shares (basic)	**13,089**	12,771
Effect of share options in issue	**673**	520
Weighted average number of ordinary shares (diluted) at end of period	**13,762**	13,291

The average market value of the company'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.

Notes *(continued)*

12 (b) Adjusted earnings before tax per ordinary share

Adjusted earnings per share are based on profit before taxation of £4,716,000 (2007: £2,531,000). The number of shares used in this calculation is consistent with note 12(a) above.

	2008 Pence per share	2007 Pence per share
Basic adjusted earnings per ordinary share	**36.0**	19.8
Diluted adjusted earnings before tax per ordinary share	**34.3**	19.0

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

	2008 Pence per share	2007 Pence per share
Basic earnings per share	**23.3**	14.9
Impact of taxation charge	**12.7**	4.9
Adjusted basic earnings before tax per share	**36.0**	19.8
Diluted earnings per share	**22.2**	14.3
Impact of taxation charge	**12.1**	4.7
Adjusted diluted earnings before tax per share	**34.3**	19.0

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

13 Property, plant and equipment

	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.

First Derivatives plc

Notes *(continued)*

13 Property, plant and equipment *(continued)*

	Land and Buildings £'000	Plant and equipment £'000	Office furniture and equipment £'000	Total £'000
Cost				
At 1 March 2006	3,301	206	25	3,532
Additions	4,964	13	-	4,977
At 28 February 2007	**8,265**	**219**	**25**	**8,509**
Depreciation				
At 1 March 2006	77	170	24	271
Charge for the year	54	42	-	96
At 28 February 2007	**131**	**212**	**24**	**367**
Net book value				
At 28 February 2007	**8,134**	**7**	**1**	**8,142**
At 1 March 2006	3,224	36	1	3,261

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

14 Intangible assets

	Software £'000
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 1 March 2007	180
At 29 February 2008	**125**
Cost	
Balance at 1 March 2006	900
Acquisitions	-
Balance at 28 February 2007	900
Amortisation and impairment losses	
Balance at 1 March 2006	540
Amortisation for the year	180
Balance at 28 February 2007	720
Carrying amounts	
At 1 March 2006	360
At 28 February 2007	**180**

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

Notes *(continued)*

15 Other financial assets

2008

	Available for sale assets £'000
Unlisted investments	
At 1 March 2007	421
Fair value movement	319
Disposals	(220)
At 29 February 2008	**520**

2007

	Available for sale assets £'000
Unlisted investments	
At 1 March 2006	111
Additions	120
Fair value movement	190
At 28 February 2007	**421**

The fair value of unlisted 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.

16 Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	**3,325**	2,475
Sundry receivables	**15**	24
Prepayments	**531**	39
Overseas & social security tax recoverable	**255**	-
	4,126	2,538

At 29 February 2008 trade receivables are shown net of an allowance for doubtful debts of £275,000 (2007: £125,000) arising from on-going invoice disputes and companies becoming insolvent. The impairment loss recognised in the year was £156,000 (2007: £133,000). See note 31 for discussion of credit risk.

17 Cash and cash equivalents

	2008	2007
	£’000	£’000
Bank balances	**396**	356

See note 31 for discussion of interest rate risk and sensitivity analysis.

18 Interest bearing borrowings

	2008	2007
	£’000	£’000
Current liabilities		
Bank loans	**1,834**	1,185
	1,834	1,185
Non-current liabilities		
Bank loans	**8,023**	2,904
Less: Capital arrangement fee	**(58)**	(66)
	7,965	2,838

Terms and debt repayment schedule

The company had the following term loans facilities with Bank of Ireland at the end of the year:

£2,400,000 ten year term loan (loan A)
£2,843,000 ten year term loan (loan B)
£2,728,000 ten year term loan (loan C)
US$9,500,000 three year loan facility (loan E)

The terms and conditions of outstanding loans were as follows:

	Currency	**Nominal interest rate**	**Year of maturity**	**29 February 2008**		28 February 2007	
				Face value	**Carrying amount**	Face value	Carrying amount
				£000	**£000**	£000	£000
Loan A	GBP	1.5%+Base	2016	1,985	1,985	500	500
Loan B	GBP	1.5%+Base	2016	2,596	2,596	488	488
Loan C	GBP	1.5%+Base	2017	1,806	1,806	-	-
Loan D	USD	1.5%+Base	2007	-	-	939	939
Loan E	USD	1.5%+Base	2010	3,470	3,412	2,162	2,096
Total interest-bearing borrowings				9,857	9,799	4,089	4,023

The bank loans are secured over land and buildings with a carrying amount of £16,786,000 (2007: £8,142,000). All loans have interest charged at 1.5% above the bank base rate.

19 Trade and other payables

	2008 **£'000**	2007 £'000
Trade payables	**285**	157
Other payables	**1,193**	698
Accruals and deferred income	**975**	680
	2,453	1,535

See note 31 for discussion of currency and liquidity risks.

20 Current tax payable

	2008 **£'000**	2007 £'000
Current tax payable	**1,228**	739
	1,228	739

The current tax liability for the company of £1,228,000 (2007: £739,000) represents the amount of income taxes payable in respect of current and prior financial periods

21 Deferred taxation

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**4**	8	-	-	**4**	8
Share based payments	**455**	477	-	-	**455**	477
Employee benefits	**24**	47	-	-	**24**	47
Net fair value movement on available for sale assets	**-**	-	(87)	-	**(87)**	-
Other	**58**	16	-	-	**58**	16
Net tax assets (liabilities)	**541**	548	(87)	-	**454**	548

Movement in temporary differences during the year:

	Balance at 1 March 2006 £000	Recognised in profit and loss £000	Recognised in equity £000	Balance at 28 Feb 2007 £000	Recognised in profit and loss £000	Recognised in equity £000	Balance at 29 Feb 2008 £000
Property, plant and equipment	8	-	-	8	(4)	-	**4**
Share based payments	97	28	352	477	53	(75)	**455**
Employee benefits	31	16	-	47	(23)	-	**24**
Net fair value movement on available for sale assets	-	-	-	-	-	(87)	**(87)**
Other	13	3	-	16	42	-	**58**
	149	47	352	548	68	(162)	**454**

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)*

22 Share capital

	2008 Number	2008 £'000	2007 Number	2007 £'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	**13,279,324**	**66**	**12,944,458**	**65**

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 334,866 share options in issue.

23 Share premium account

	2008 £'000	2007 £'000
Opening balance	**1,020**	910
Premium on shares issued	**258**	110
Closing balance	**1,278**	1,020

24 Share option reserve

	2008 £'000	2007 £'000
Opening balance	**535**	52
Fair value of share based payments	**259**	131
Deferred tax on share based payments	**(75)**	352
Closing balance	**719**	535

The share option reserve comprises the fair value of 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 exercised.

Notes *(continued)*

25 Available for sale reserve

	2008	2007
	£'000	£'000
Opening balance	**190**	-
Fair value movement	**232**	190
Sale of asset	**(199)**	-
Closing balance	**223**	190

26 Capital and other commitments

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

27 Leasing commitments

At the end of the current and prior year the company had no non-cancellable operating lease commitments.

28 Pension contributions

The company makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £93,000 (2007: £85,000). Contributions amounting to £14,000 (2007: Nil) were payable to the scheme at the year end and are included in creditors.

29 Related party transactions

The company is charged rent annually for the use of apartments located in London owned by the managing director. The charge incurred during the financial year amounted to £52,800 (2007: £52,800). Rent deposits of £26,400 have been paid to the managing director in respect of these apartments. The remuneration of the directors as set out in note 10 is deemed to be the remuneration of key management personnel.

30 Ultimate controlling party

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

31 Financial instruments

Fair values

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

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	-	-	(9,799)	(9,799)	(9,799)
Trade and other payables	-	-	(1,478)	(1,478)	(1,478)
Employee benefits	-	-	(625)	(625)	(625)

2007

	Loans and receivables £'000	Available for sale £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Available for sale assets	-	421	-	421	421
Trade and other receivables	2,499	-	-	2,499	2,499
Cash and cash equivalents	356	-	-	356	356
Secured bank loans	-	-	(4,089)	(4,089)	(4,089)
Trade and other payables	-	-	(855)	(855)	(855)
Employee benefits	-	-	(462)	(462)	(462)

31 Financial instruments *(continued)*

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2008	2007
	£'000	£'000
Trade and other receivables	**3,695**	2,499
Cash and cash equivalents	**396**	356
	4,091	2,855

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:

	Gross 2008 £'000	Impairment 2008 £'000	Gross 2007 £'000	Impairment 2007 £'000
Not past due	**1,782**	-	1,234	-
Past due 0-30 days	**726**	50	624	-
Past due 30-60 days	**291**	50	56	-
Past due 60-90 days	**486**	50	686	125
Past due 90-120 days	**261**	75	-	-
Past due 120 days +	**54**	50	-	-
Total	**3,600**	275	2,600	125

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

	2008	2007
	£'000	£'000
Balance at 1 March	**125**	144
Impairment loss recognised	**156**	133
Written off	**(6)**	(152)
Balance at end of period	**275**	125

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

Notes *(continued)*

31 Financial instruments *(continued)*

Liquidity risk

29 February 2008

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Secured bank loans	(9,799)	(9,857)	(913)	(913)	(1,786)	(4,006)	(2,239)
Trade and other payables	(1,478)	(1,478)	(1,478)	-	-	-	-
	(11,277)	(11,335)	(2,391)	(913)	(1,786)	(4,006)	(2,239)

28 February 2007

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Secured bank loans	(4,023)	(4,089)	(592)	(593)	(275)	(947)	(1,682)
Trade and other payables	(855)	(855)	(855)	-	-	-	-
	(4,878)	(4,944)	(1,447)	(593)	(275)	(947)	(1,682)

The above contracted cash flows exclude interest on secured bank loans the terms of which are set out in note 18.

Currency risk

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

	29 February 2008		28 February 2007	
	Euro	**USD**	Euro	USD
	£'000	**£'000**	£'000	£'000
Trade receivables	**119**	1,947	32	1,858
Secured bank loans	**-**	(6,902)	-	(4,246)
Trade payables	**-**	(53)	-	-
Gross balance sheet exposure	**119**	(5,008)	32	(2,388)

Notes *(continued)*

31 Financial instruments *(continued)*

Currency risk (continued)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2008	2007	**2008**	2007
	£'000	£'000	**£'000**	£'000
USD 1	2.003	1.876	1.989	1.964
EUR 1	1.434	1.474	1.310	1.485

Sensitivity analysis

A 10 percent strengthening of the pound against the above currencies at the end of the period would have increased equity and profit or loss by approximately £159,000 (2007: £76,000). A 10 percent weakening of the pound against the above currencies at the end of the period would have decreased equity and profit or loss by approximately £175,000 (2007: £84,000). This analysis assumes that all other variables, in particular interest rates, remain constant.

32 Employee benefits

	2008	2007
	£'000	£'000
Accrued holiday pay	**200**	167
Employee taxes	**425**	295
	625	462

Share based payments

Options have been granted as set out below under the company's two share option schemes which are open to all directors and employees of the company. 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 company 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.

Notes *(continued)*

32 Employee benefits *(continued)*

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

In thousands of options	**Weighted average exercise price 2008**	**Number of options 2008**	Weighted average exercise price 2007	Number of options 2007
Maximum options outstanding at beginning of period	**1.11**	**1,514,367**	0.71	1,182,967
Forfeited during the period	**1.25**	**(60,667)**	0.77	(51,000)
Exercised during the period	**0.80**	**(318,866)**	0.46	(229,600)
Granted during the period	**2.67**	**351,000**	1.61	612,000
Maximum options outstanding at end of period	**1.54**	**1,458,834**	1.11	1,514,367
Exercisable at end of period	**1.00**	**562,034**	0.67	670,389

The options outstanding at 29 February 2008 have an exercise price in the range of £0.51 to £2.67 (2007: £0.51 to £1.61) and a weighted average contractual life of 8.31 years (2007: 8.58 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:

Fair value of share options and assumptions	**2008**	2007
Fair value at grant date		
Share price	**267p**	**161p**
Exercise price	**267p**	**161p**
Expected volatility (weighted average volatility)	**41%**	**40%**
Option life (expected weighted average life)	**4 years**	**4 years**
Expected dividends	**0%**	**2%**
Risk-free interest rate (based on government bonds)	**4%**	**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

	2008 £’000	2007 £’000
Expense relating to:		
Share options charged in 2004/05	**13**	13
Share options charged in 2005/06	**38**	38
Share options charged in 2006/07	**131**	131
Share options charged in 2007/08	**259**	-
Total expense recognised as employee costs	**441**	182

33 Explanation of transition to IFRSs

As stated in note 1(a), these are the company's first financial statements prepared in accordance with IFRSs.

The accounting policies in note 1 have been applied in preparing the financial statements for the financial year ended 29 February 2008, the comparative information for the financial year ended 28 February 2007 and the preparation of an opening IFRSs balance sheet at 1 March 2006 (the company's date of transition).

In preparing its opening IFRSs balance sheet and comparative information for the financial year ended 28 February 2007, the Company has adjusted amounts reported previously in financial statements prepared in accordance with UK GAAP.

An explanation of how the transition from UK GAAP to IFRSs has affected the company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

33 Explanation of transition to IFRSs *(continued)*

Reconciliation of equity

	Note	Previous GAAP	Effect of transition to adopted IFRSs	Adopted IFRSs	Previous GAAP	Effect of transition to adopted IFRSs	Adopted IFRSs
			1 March 2006			28 February 2007	
		£000	£000	£000	£000	£000	£000
Assets							
Property, plant and equipment	*b*	3,238	23	**3,261**	8,088	54	**8,142**
Intangible assets		360	-	**360**	180	-	**180**
Other financial assets		111	-	**111**	210	-	**210**
Available for sale asset	*a*	90	(90)	**-**	111	100	**211**
Deferred tax assets	*e*	-	149	**149**	-	548	**548**
Total non-current assets		3,799	82	**3,881**	8,589	702	**9,291**
Trade and other receivables	*e*	2,251	(21)	**2,230**	2,562	(24)	**2,538**
Cash and cash equivalents		1,061	-	**1,061**	356	-	**356**
Total current assets		3,312	(21)	**3,291**	2,918	(24)	**2,894**
Total assets		7,111	61	**7,172**	11,507	678	**12,185**
Liabilities							
Interest-bearing loans and borrowings		140	-	**140**	1,185	-	**1,185**
Trade and other payables		1,078	-	**1,078**	1,535	-	**1,535**
Corporation tax payable		551	-	**551**	739	-	**739**
Employee benefits	*c*	313	112	**425**	295	167	**462**
Provisions		-	-	**-**	-	-	**-**
Total current liabilities		2,082	112	**2,194**	3,754	167	**3,921**

First Derivatives plc

Notes *(continued)*

33 Explanation of transition to IFRSs *(continued)*

Reconciliation of equity

	Previous GAAP	Effect of transition to adopted IFRSs	Adopted IFRSs	Previous GAAP	Effect of transition to adopted IFRSs	Adopted IFRSs
		1 March 2006			28 February 2007	
	£000	£000	£000	£000	£000	£000
Liabilities (continued)						
Interest-bearing loans and borrowings	1,717	-	**1,717**	2,838	-	**2,838**
Total non-current liabilities	1,717	-	**1,717**	2,838	-	**2,838**
Total liabilities	3,799	112	**3,911**	6,592	167	**6,759**
Net assets	3,312	(51)	**3,261**	4,915	511	**5,426**
Equity						
Issued capital	64	-	**64**	65	-	**65**
Shares option reserve	55	(3)	**52**	186	349	**535**
Share premium account	910	-	**910**	1,020	-	**1,020**
Retained earnings	2,283	(48)	**2,235**	3,644	(28)	**3,616**
Available for sale reserve	-	-	**-**	-	190	**190**
Total equity	3,312	(51)	**3,261**	4,915	511	**5,426**

33 Explanation of transition to IFRSs *(continued)*

(a) The company's investment in Carrickbridge Developments Limited is deemed to be a special purpose entity under SIC 12: Consolidation – Special Purpose Entities, due to its limited, pre-agreed activities. The company is not exposed to the majority of the risks and rewards of the entity and therefore has classified its 45% interest in the investment as an available for sale asset at fair value. The fair value of the equity interest was assessed as £Nil at 1 March 2006, which has resulted in an impairment of £90k being recognised in revenue reserves. Under UK GAAP this asset was held at historic cost of £90k at 28 February 2006 since the diminution in value was deemed to be temporary. As at 28 February 2007 the fair value of the asset was assessed to be £211k. Under UK GAAP the historic cost was £111k. This gives an adjustment to the asset of £100k with the movement in the available for sale reserve created for the fair value increase in the year being £190k.

(b) The company has reassessed the residual value of buildings at the relevant balance sheet date. The effect is to increase property, plant and equipment by £23k at 1 March 2006, and £54k at 28 February 2007.

(c) The company's holiday year runs concurrent with its financial year, and up to 5 days of holiday leave not taken by the end of February can be carried forward into the new financial year, hence an accrual is required under IAS 19. The effect is to increase the employee benefits creditor by £112k at 1 March 2006 and £167k at 28 February 2007.

(d) The company applied FRS 20: Share Based Payments in its financial statements for the year ended 28 February 2007, including a prior year adjustment in respect of the financial year ended 28 February 2006. As a result of this, no adjustment is required upon the adoption of IAS 2: Share based payments.

(e) The company has applied IAS 12: *Income Taxes* from 1 March 2006, resulting in the recognition of a deferred tax asset arising from the future tax deduction expected on the exercise of share options. This has increased the company's deferred tax asset by £97k at 1 March 2006 and £477k at 28 February 2007. In addition, a deferred tax asset on the holiday pay accrual established under IAS 19 has been recorded, resulting in an increase in the deferred tax asset of £31k at 1 March 2006 and £47k at 28 February 2007. As deferred tax assets were recorded as current assets under UK GAAP and are separately disclosed within non-current assets under IFRS, there is a reclassification of £21k from current assets to non-current assets at 1 March 2006 (£24k at 28 February 2007).

33 Explanation of transition to IFRSs *(continued)*

Reconciliation of profit for 2007

	Previous GAAP	Effect of transition to adopted IFRSs	Adopted IFRSs
	£000	£000	£000
		28 February 2007	
Revenue	9,332	-	**9,332**
Cost of sales	(6,137)	(24)	**(6,161)**
Gross profit	3,195	(24)	**3,171**
Other operating expenses	147	-	**147**
Administrative expenses	(686)	-	**(686)**
Operating profit before financing costs	2,656	(24)	**2,632**
Financial income	43	-	**43**
Financial expenses	(144)	-	**(144)**
Net financing costs	(101)	-	**(101)**
Profit before tax	2,555	(24)	**2,531**
Income tax expense	(634)	10	**(624)**
Profit for the period	1,921	(14)	**1,907**
Basic earnings per share (pence)	15.0	(0.1)	14.9
Diluted earnings per share (pence)	14.4	(0.1)	14.3

The profit for the period ended 28 February 2007 is impacted by some of the adjustments described in the reconciliation of equity and related notes above. The reduction of depreciation on property increased profit by £31k, the increase in holiday leave accrual reduced profit by £55k and the increase in deferred tax asset on share based payments and holiday pay accrual has increased profit for the period by £10k.

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statement presented under IFRSs and the cash flow statement presented under previous GAAP.

First Derivatives plc

Financial calendar

Annual General Meeting	17 June 2008
Payment of final dividend for 2007/08	7 July 2008
Interim results	September/October 2008
Payment of interim dividend for 2007/08	October 2008

First Derivatives plc

Notice of Annual General Meeting

Notice is hereby given that the Thirteenth Annual General Meeting of First Derivatives plc (“the company”) will be held at the offices of the company, 3 Canal Quay, Newry, BT35 6BP on Tuesday, 17 June 2008 at 11.30am to consider the following resolutions:

Ordinary business

1 That the directors’ report, statement of accounts and independent auditor’s report for the year ended 29 February 2008 be received and approved.

2 That a final dividend of 5.8p per share be declared for the year ended 29 February 2008.

3 To re-elect David Anderson as a director of the company in accordance with Article 115 of the Articles of Association of the company.

4 To re-appoint KPMG as auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which accounts are laid before the company at a remuneration to be fixed by the directors.

5 That in substitution for all existing and unexercised authorities, the directors of the company be and they are hereby generally and unconditionally authorised pursuant to Article 90 of the Companies (Northern Ireland) Order 1986 (the “Order”) to allot relevant securities (as defined in the Article) up to an aggregate nominal value of £20,000, such authority to expire on the earlier of the date falling 15 months after the date of passing of this resolution, and the next Annual General Meeting of the company, whichever is the later, but so that the company may, before such expiry, make an offer or agreement as if such authority has not expired.

6 That in substitution for all existing and unexercised authorities and subject to the passing of the immediately preceding resolution, the directors of the company be and they are hereby empowered pursuant to Article 105 of the Order to allot equity securities pursuant to the authority conferred by the preceding resolution as if Article 99(1) of the Order did not apply to any such allotment provided that the power conferred by the resolution, unless previously revoked or varied by special resolution of the company in general meeting, shall be limited:

   (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the directors of the company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory, and;

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £6,639 representing 10% of the current issued share capital of the company;

and shall expire on the date of the next Annual General Meeting of the company or (if earlier) 15 months from the date of the passing of this resolution save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Registered Office:
21 Arthur Street
Belfast
BT1 4GA

John F Gibbons
Secretary

13 May 2008

Notes

1 A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the company.

2 A proxy form is enclosed with this notice. Proxies must be lodged at the office of the company, 3 Canal Quay, Newry, BT35 6BP, not less than 48 hours before the time of the meeting.

3 The completion and return of a proxy will not prevent a member from attending and voting in person at the meeting if so desired.

4 To be entitled to attend and vote at all the annual general meetings (and for the purpose of determination by the company of the number of votes they may cast), members must be entered in the Company Register of Members by 6 June 2008.

5 Copies of the executive directors service contracts of service together with the engagement letters of the non-executive directors, the register of directors (and their families) interest in the share capital of the company and the Memorandum and Articles of Association are available for inspection at the registered office of the company during usual business hours, and will be available for inspection at the Annual General Meeting from 11.15 am until the conclusion of the meeting.

First Derivatives plc

Proxy Form

First Derivatives plc

For use at the Annual General Meeting convened for 17 June 2008

I/We ……………………………………………………………………………………………….…………
(block letters please)

of ……………………………………………………………………………………………….…………
being a member(s) of the above named company, hereby appoint the chairman of the meeting*

or ……………………………………………………………………………………………….…………
as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on 17 June 2008 and at any adjournment thereof.

*If you wish to nominate an alternative proxy delete "the chairman of the meeting" and insert the name of the chosen proxy.

I/We direct my/our proxy to vote as follows:

Resolutions	For	Against
1		
2		
3		
4		
5		
6		

Please indicate with a tick in the relevant box how you wish your votes to be cast for each resolution.

Signature ……………………………………………… Date ……………………………………………..

Notes:

1 To be valid this form of proxy (together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of authority) must be lodged at the offices of the company, 3 Canal Quay, Newry, BT35 6BP, not less than 48 hours before the time of the meeting.

2 A form of proxy executed by a Corporation must be either under seal of under the hand of an officer or attorney duly authorised.

3 In the case of joint holdings the signature of the first-named on the Register of Members will be accepted to the exclusion of the votes of the other joint holders.

4 If this form is signed and returned without indication as to how the proxy is to vote, he will exercise his discretion both as to how he votes and whether or not he abstains from voting.

5 Completing and returning this form of proxy will not prevent a member from attending in person and voting should he wish.

6 Any amendment to this form of proxy must be initialled.

7 A proxy need not be a member.

8 A proxy is only entitled to vote on a poll.