First Derivatives plc

Directors' report and consolidated financial statements

Registered number: NI 30731

28 February 2010

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Chairman's statement

I am pleased to report that this was the fourteenth year of continuous profitability growth for the Group. Further the management team have executed against the Board's stated strategy, investing in the Group to deliver a platform for growth in future years.

Financials
Revenues for the year ended 28 February 2010 increased by 45% to £25.476m from £17.548 million in the previous year. Pre-tax profits increased by 27% to £5.645m compared to £4.461 million in 2009. Diluted earnings per share increased by 16% to 25.8p per share (2009: 22.2p).

Dividend
The Group continues to generate a strong operating cashflow and this along with our retained cash of £1.711 million at the year end allows the board to recommend a final dividend of 2.75p per share which together with the second interim dividend of 4.0p per share paid on 31st March 2010 amounts to 6.75p per share (2009: final dividend of 6.65p per share). Total dividends declared in respect of the year ended 28th February 2010 amount to 9.5p per share (2009: 9.0p per share) an increase of 6%. This will be paid on 5th July 2010 to those shareholders on the register on 4th June 2010. The shares will be marked ex-dividend on 2nd June 2010. Total dividends are covered approximately three times by earnings.

Delta software sales
This year has seen substantial investment in the development of our Delta product suite which has resulted the release of new product applications in the year. These new products have contributed to the continued growth in sales in the second half of the year. We recently announced the receipt of further investment from Invest Northern Ireland, Northern Ireland's Economic Development Agency, to aid market research and product development which will help accelerate the rate of development and the opportunity for return. We have been successful in increasing our channels to market for the Delta product suite. During the past year we have entered into distribution agreements with companies in Mumbai, India and Singapore.

Since the year end we have signed three contracts which will generate approximately $1 million in annualized revenue and our sales pipeline is continuing to grow. The group strategy is to establish an initial foothold with a new client and to then expose our broader offering to the relevant client areas. This progression in the client base is giving us the opportunity to pitch for substantially larger contracts than when we initially launched the product range

Consultancy
Capital Markets Consulting revenue continues to grow year on year as new clients are won and further opportunities are realised within our existing client base. We continue to experience price pressure on certain contracts; a position we expect to continue for the foreseeable future. In the summer of 2009 a significant investment was made in this division with the recruitment of an additional 43 personnel (mainly graduates) in order to build for the future. All new staff are placed in our Capital Markets Training Programme which ensures they are provided with appropriate level of domain knowledge and expertise to meet client requirements. We now have 174 people working in this area worldwide.

Market Resource Partners LLC ("MRP") which assists technology companies in the management and execution of sales programmes has had a strong year and is currently trading in line with management expectations. We have recently opened an MRP Global Centre of Excellence in Newry to provide existing and prospective clients with a global service.

Chairman’s statement *(continued)*

Acquisitions

Lepton Solutions Pty Limited (trading as Hologram), an Australian based company was acquired in April 2009 and has been integrated successfully into the Group enhancing our global service in the Asia Pacific region. The addition of this team has allowed us to harness their domain expertise in adding Exchange and Treasury Risk Management products to the Delta suite. These are scheduled for launch in the coming months. Recently it has been instrumental in winning two software contracts in the Far East.

In October 2009 First Derivatives acquired a further 17% of the equity in Kx Systems Inc (Kx) taking its holding to 22%. Kx is now treated as an associate of First Derivatives and its share of the profits since acquisition after amortization of acquired intangible assets of £54,000 has been included within profit before tax.

Reference Data Factory LLC (“RDF”) based in New Jersey, USA was acquired in October 2009. RDF specializes in reference data management systems and has expanded First Derivatives’ range of products in this area. RDF’s credibility in its marketplace has been enhanced by its membership of the First Derivatives group and we are in detailed negotiations on two major contracts with the sales pipeline starting to build up.

The business and assets of Cognotec Limited, a Dublin based company, was acquired in February 2010. It is a specialist provider of software products for the Foreign Exchange (“FX”) market and has a long history of providing enterprise based products to this market. The acquisition has seen First Derivatives acquire the rights to Real Stream (rebranded as “Delta RealStream”) its next generation retail FX platform and we have commenced deploying it worldwide to FX Brokers.

In April this year the first contract was announced for the provision of Delta RealStream to AFT, one of the leading Japanese online FX brokers. Contracts are transaction based whereby payments to the Company arise as volume of use of the system increases. Further contracts are currently under negotiation and there is a healthy pipeline of prospective customers. Whilst there has been an encouraging start to the use of the software it is very early to assess the volume flow through the system as volumes will progressively build as the clients start migrating to the system. Cognotec’s legacy software product AutoDeal+ has also been added to the First Derivatives product range.

Since the acquisition of Cognotec, a cost reduction programme has been implemented and whilst the Cognotec business is currently loss making the Board anticipates that it will break even in the current financial year.

Outlook

The substantial investment into First Derivatives coupled with acquisitions made during the year have increased our global coverage and extended our range of Delta software products. We are continuing to make a substantial investment in the development of the Group to ensure it is positioned for both short and long term benefits to shareholders. We have made a strong start to the current year and expect to be able to report further progress in the year to 28 February 2011.

I would like to thank Brian Conlon and his team for their input in what has been another successful year.

David Anderson
Chairman

First Derivatives plc

Chief Executive's statement

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

Review of activities
First Derivatives sells software products to the capital markets and provides a range of associated consulting services. We have a broad customer base and provided services last year to 65 different investment banks, brokers and hedge funds (2009: 42). The group has a global reach with a presence in many of the top financial centres such as Toronto, Chicago, Singapore, Hong Kong, Sydney and Shanghai.

Our track record of organic growth continued this year but the group has been strengthened by a series of strategic acquisitions – Hologram in Australia, RDF in the US and Cognotec in Dublin – and an increase of our stake in Kx Systems. These acquisitions have broadened our geographical reach, strengthened our management and R&D teams, given us direct entry into new markets, provided us with recurring revenue streams and added a number of new product lines to the Delta suite. These companies have been successfully integrated into the First Derivatives Group.

Software division
Our Delta brand is now firmly established and a number of high profile successful implementations have helped propagate the spread of the technology. The Delta suite now contains a range of mature products with an installed user base of more than 30 customers worldwide. These products are used for enterprise market data, trading and risk management. The Delta products are sold on an annual licence basis to further enhance our revenue visibility.

Our development plans have been accelerated from a number of perspectives by the recent strategic acquisitions and their associated software assets. Many of their product offerings were on our long-term product roadmap. We will continue to invest in these legacy product offerings by adding to their functionality and by merging them seamlessly with the Delta suite.

We now have managed data centres in London and Chicago. The capacity to host and manage data and software either on our own behalf or on behalf of others is a significant development. This development enables us to also promote the sale of our software via a transaction revenue based model. This allows us to share in the success of our customers and already billions of dollars of FX is being traded on a daily basis through our venues. We anticipate new ventures in this area including the trading of CFDs and oil.

The R&D team has increased substantially in size following our acquisitions and the Group is benefitting from the deep domain knowledge of experienced software professionals. Sales and delivery capacity has also been boosted and this is allowing us to attack with confidence new market segments such as Exchanges, Treasury Risk and Reference Data. In addition, our consulting work keeps us abreast of the latest technology trends and keeps us informed of the major problems faced by our customers. This combination of a larger R&D team, more delivery capacity and an increased sales force, will translate in to new product lines and additional revenue in the year ahead.

Our relationship with Kx Systems continues to flourish and we have increased our stake to in KxSystems to 22%. Our consultants are providing sales and marketing support to various Kx initiatives around the world. Their products are used by some of the world's largest financial institutions and Kx Systems lists organisations such as JP Morgan, Goldman Sachs, Zurich Financial Group, Morgan Stanley, Fidelity Investments and Total Gas & Power as users. We derive revenue from sales commission, support contracts, training and consulting.

Chief Executive's statement (*continued)*

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. The Company has been working in this area for 14 years and has been involved in many successful initiatives The premium attached to our brand, the increasing scale of our business and our global presence is giving us the critical mass needed to bid for larger more lucrative contracts. Although there is anecdotal evidence that demand in the market in general is picking up there is still significant downward pressure on margins. Our consulting with the technology industry continued to expand in the year exceeding internal budgets with a number of new clients being added in the period.

Management and Personnel
During the past year the Board has continued to assess the business structure of the Group during this phase of our expansion and growth. This has resulted in a number of strategic hires and these along with the additions to the team in the year through the acquisitions have significantly strengthened our management team. This will enable us to sustain the Company's growth and to exploit ongoing opportunities. We now employ almost 450 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 the Group from its competition. Once again I would like to pay tribute to all First Derivatives employees who 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. Pre-tax profit for the year was £ 5,645,000 (2009: £4,461,000) on turnover of £25,476,000 (2009: £17,548,000). Price pressure resulting from current economic factors along with long term strategic decisions made in the period have resulted in a fall in our gross operating margin from 51% to 41%. Our balance sheet is strong with a cash balances up to £1,711,000 and equity shareholders' funds of £16,310,000 (2009: £11,271,000), an increase of 45%. This, and our confidence in the Groups ability to generate cash, enables the Board to recommend a final dividend of 2.75p per share (2009: 6.65p) which means that we will have paid a total dividend of 9.5p (2009: 9.0p) per share for the full year.

Outlook
The coming financial year will be one of consolidating strategic investments made in the past 18 months. As well as organic growth the Board will continue to pursue acquisition opportunities where we see a strategic fit and have access to sources of finance to execute these. Although recent events in the debt markets have cast a pall over a nascent recovery in the banking sector we anticipate to report further growth in the year to 28th February 2011. We are confident that our global reach, maturing and expanding software product lines and focus on recurring revenue will deliver significant benefits in the years ahead.

Brian Conlon
Chief Executive Officer

First Derivatives plc

Directors and advisers

Directors	R D Anderson	–	Non-executive chairman*
	B G Conlon	–	Chief Executive Officer
	R G Ferguson	–	Chief Financial Officer *
	K Cunningham	–	Executive director
	M G O'Neill	–	Non-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 2010.

Results and dividend

The group's profit after taxation attributable to the shareholders for the year to 28 February 2010 was £3,787,000 (2009: £3,071,000).

The directors propose the payment of a final dividend of 2.75p per share (previous year: 6.65p), together with the interim dividend of 2.75p per share (2009: 2.35p) and additional interim dividend of 4.0p, totals 9.5p (2009: 9.0p) per share. The final dividend and additional interim dividend has not been included in payables as they were not approved before the year end.

Dividends paid during the year comprise of a final dividend of 6.35p per share in respect of the prior year ended 28 February 2009 and an interim dividend of 2.75p per share for the year ended 28 February 2010.

Principal activities and review of the business

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

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

Investments

Effective 1st April 2009, First Derivatives plc acquired 100% of the members' interests of Lepton Solutions Pty Limited (trading as Hologram), an Australian based company. Hologram principals are leaders in the field of Risk Management and Stock Exchange Trading software. In addition, Hologram was the exclusive Australasian partner of Kx Systems in the financial services sector which complemented First Derivatives exclusive partnership with Kx Systems in the financial services sector for North America, UK and Ireland. The acquisition grows First Derivatives existing presence in Asia Pacific and will help accelerate the Company's expansion by enhancing its global service offering. Hologram will also provide another channel to market for the Company's Delta product range for the Financial Services Sector in the areas of Algorithmic Trading, Market Data, Complex Event Processing and Risk Management. The acquisition cost of AUD $2.2m cash and 400,000 share options in First Derivatives, comprises AUD$1m cash paid initially and AUD$1.2m contingent deferred consideration along with contingent share options.

Effective 19th October 2009, First Derivatives plc acquired a further 15% interest in Kx Systems Inc (Kx), the California based firm which sells the market leading high performance and time series analysis database. Total consideration was US$7.5m, which comprised US$5.4m cash and 520,702 shares in First Derivatives plc. Following this and the addition of a further small holding, First Derivatives plc now owns 22% of the share capital of Kx. Kx offers a unique approach to streaming, real-time and historical data analysis with its high performance database platform. In 1998 First Derivatives entered into a partnership agreement with Kx which has become the Company's most successful third-party partnership such that it is now the exclusive sales partner for Kx in the financial sectors of North America, UK and Ireland.

First Derivatives plc

Directors' report *(continued)*

Effective 23rd October 2010, First Derivatives plc acquired 100% of the members' interest of Reference Data Factory LLC (RDF), a New Jersey based software company specialising in reference data management systems, for a maximum consideration of US$10m. The initial payment of US$2.5m comprised US$2m cash and 109,556 new shares in First Derivatives. US$7.5m represented contingent deferred consideration and will be paid in cash, based on sales generated by RDF over the 3 years to 23 October 2013. In addition, the 4 principals of RDF have been issued 400,000 contigeeennnt share options. This acquisition strengthens First Derivatives' range of software products in the field of Financial Data Management. RDF's products closely fit with First Derivatives existing in-house Delta Software products such that they can be incorporated into the Delta product suite.

Effective 15th February 2010, the group acquired the assets, including entire intellectual property rights, of Cognotec Holdings Limited, Cognotec Ireland Limited and Cognotec Limited, (Cognotec). Total consideration comprised a cash payment of US$4.7m. Cognotec was founded 20 years ago and has operations in Dublin, London, New York, Singapore and Tokyo. The company's AutoDeal+ and Realstream products are leading FX pricing and execution engines widely used throughout the world. Cognotec's flagship products are complementary to the products in the First Derivatives Delta suite and share a common technology base.

These acquisitions enable a range of services to be offered to various clients across the First Derivatives group. These services interlink and complement each other, which enables the group to be managed on an unified basis.

Principal risks and uncertainties

The group operates in a changing economic and technological environment.

The key business risks affecting the group are set out below and in the Chairman's statement on page 2 and Chief Executive's statement on page 4. Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the 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 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.

Directors' report *(continued)*

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 to manage its financial risk investment. The group's main cash flow, credit and liquidity risks are those associated with selling on credit. This is managed through credit control procedures. The group is also exposed to the impact of fluctuations in exchange rates as it generates income and incurs expenses in currencies other than GBP. 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 US dollar borrowings. In addition by funding the acquisitions of MRP, RDF and Kx in US dollars the group can achieve a net investment hedge against its foreign operations.

Other information

First Derivatives maintains successful relationships with Kx Systems and several key customers.

The other information required to be disclosed in respect of the review of the group's business as required under Section 417 of the Companies Act 2006 is given in the Chairman's statement on page 2 and the Chief Executive's statement under the heading 'Financial Review' on page 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 38.

Property, plant and equipment

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

Directors' report *(continued)*

Directors

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

R D Anderson
B G Conlon
M G O'Neill
R G Ferguson
K Cunningham
P Kinney
A Toner

Richard Fulton was appointed as Company Secretary on 15 May 2009.

Substantial shareholdings

At 21 May 2010 the group had received no notification of any interests in 3% or more of the ordinary share capital, other than B G Conlon (60.5%) and M G O'Neill's (6.5%) interests.

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 £1,311,000 (2009: £365,000) were capitalised in respect of activities which were deemed to be development activities in accordance with the group's accounting policies.

Employees

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

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

Market value of land and buildings

The directors consider that the market value of land and buildings is significantly higher than its carrying value. The estimated market value is £21.4 million.

Political and charitable donations

During the year the group made no political or charitable donations (2009: £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 2010 the company had 14 days purchases outstanding (29 February 2009: 23 days).

First Derivatives plc

Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Subsequent Events

There have been no significant events affecting the financial statements of the group or company since the end of the financial year.

Auditors

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

By order of the board

Richard Fulton
Secretary

21 May 2010

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 consolidated and company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare consolidated and company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the company financial statements in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Acts 2006.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

First Derivatives plc

Corporate governance

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

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

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

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

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

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

- The board of directors recognises its overall responsibility for the group's 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.

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

We have audited the consolidated and company financial statements (together 'the financial statements') of First Derivatives plc for the year ended 28 February 2010 which comprise the consolidated statement of comprehensive income, 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. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. Further details of the scope of an audit of financial statements are provided on the Auditing Practices Board's website at http://www.apb.org.uk/apb/scope.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 28 February 2010 and of the group's profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Arthur O’Brien (Senior Statutory Auditor)
For and on behalf of KPMG, Statutory Auditor 21 May 2010
Chartered Accountants
Stokes House
17/25 College Square East
Belfast
BT1 6DH

First Derivatives plc

Consolidated statement of comprehensive income

Year ended 28 February 2010

	Note	**2010** **£'000**	2009 £'000
Revenue	*4*	**25,476**	17,548
Cost of sales		**(15,111)**	(8,607)
Gross profit		**10,365**	8,941
Other operating income	*5*	**1,134**	159
Administrative expenses	*6*	**(5,207)**	(3,165)
Operating profit		**6,292**	5,935
Finance income	*8*	**8**	10
Finance expenses	*8*	**(475)**	(562)
Loss on foreign currency translation	*8*	**(234)**	(922)
Net financing expenses		**(701)**	(1,474)
Share of profit of associates using the equity method, net of income tax	*17*	**54**	-
Profit before income tax		**5,645**	4,461
Income tax expense	*10*	**(1,858)**	(1,390)
Profit for the year		**3,787**	3,071
Other comprehensive income			
Net change in fair value of available for sale asset, net of tax	*30*	**(135)**	-
Deferred tax on net change in fair value of available for sale asset	*30*	**38**	-
Deferred tax on share options outstanding	*16*	**263**	(308)
Net exchange gains on net investment in foreign subsidiaries and associate	*31*	**639**	819
Net loss on hedge of net investment in foreign subsidiaries and associate	*31*	**(189)**	(575)
Other comprehensive income for the period, net of tax		**616**	(64)
Total comprehensive income for the period attributable to equity holders' of the company		**4,403**	3,007
Earnings per share		**Pence**	Pence
Basic	*14a*	**27.1**	22.8
Diluted	*14a*	**25.8**	22.2

The notes on pages 25 to 76 form part of these financial statements.

First Derivatives plc

Consolidated balance sheet
Year ended 28 February 2010

	Note	**2010 £'000**	2009 £'000
Non current assets			
Property, plant and equipment	*15*	**17,938**	17,171
Intangible assets	*16*	**22,278**	10,513
Investment in associate	*17*	**7,710**	-
Other financial assets	*18*	**-**	1,872
Deferred tax asset	*26*	**518**	177
Total non current assets		**48,444**	29,733
Current assets			
Trade and other receivables	*19*	**9,725**	6,334
Cash and cash equivalents	*20*	**1,711**	1,299
Total current assets		**11,436**	7,633
Total assets		**59,880**	37,366
Current liabilities			
Interest bearing borrowings	*21*	**(4,574)**	(989)
Trade and other payables	*23*	**(8,319)**	(4,134)
Current tax payable	*24*	**(1,417)**	(1,472)
Employee benefits	*39*	**(1,714)**	(833)
Contingent deferred consideration	*22*	**(5,147)**	(1,175)
Total current liabilities		**(21,171)**	(8,603)
Non-current liabilities			
Interest bearing borrowings	*21*	**(17,703)**	(12,986)
Deferred tax liability	*26*	**(679)**	(87)
Contingent deferred consideration	*22*	**(2,395)**	(4,419)
Provisions	*25*	**(645)**	-
Trade and other payables	*23*	**(977)**	-
Total non-current liabilities		**(22,399)**	(17,492)
Total liabilities		**(43,570)**	(26,095)
Net assets		**16,310**	11,271
Equity			
Share capital	*27*	**72**	69
Share premium	*28*	**3,906**	2,274
Share option reserve	*29*	**983**	430
Fair value reserve	*30*	**-**	223
Revaluation Reserve	*32*	**174**	-
Currency translation adjustment reserve	*31*	**694**	244
Retained earnings		**10,481**	8,031
Total equity		**16,310**	11,271

These financial statements were approved by the board of directors on 21 May 2010.

Brian Conlon
Director *Registered company number: NI 30731*

The notes on pages 25 to 76 form part of these financial statements.

First Derivatives plc

Company balance sheet
Year ended 28 February 2010

	Note	**2010 £'000**	2009 £'000
Non current assets			
Property, plant and equipment	*15*	**17,653**	17,001
Intangible assets	*16*	**1,655**	485
Other financial assets	*18*	**-**	1,872
Investment in subsidiaries	*17*	**11,652**	9,153
Investment in associate	*17*	**7,196**	-
Deferred tax asset	*26*	**475**	120
Total non current assets		**38,631**	28,631
Current assets			
Trade and other receivables	*19*	**13,049**	5,495
Cash and cash equivalents	*20*	**860**	850
Total current assets		**13,909**	6,345
Total assets		**52,540**	34,976
Current liabilities			
Interest bearing borrowings	*21*	**(4,510)**	(924)
Trade and other payables	*23*	**(5,280)**	(3,128)
Current tax payable	*24*	**(1,345)**	(1,282)
Employee benefits	*39*	**(1,530)**	(806)
Contingent deferred consideration	*22*	**(4,974)**	(1,175)
Total current liabilities		**(17,639)**	(7,315)
Non-current liabilities			
Interest bearing borrowings	*21*	**(17,675)**	(12,889)
Deferred tax liability	*26*	**(510)**	(87)
Contingent deferred consideration	*22*	**(324)**	(4,419)
Trade and other payables	*23*	**(977)**	-
Total non-current liabilities		**(19,486)**	(17,395)
Total liabilities		**(37,125)**	(24,710)
Net assets		**15,415**	10,266
Equity			
Share capital	*27*	**72**	69
Share premium	*28*	**3,906**	2,274
Share option reserve	*29*	**983**	430
Fair value reserve	*30*	**126**	223
Retained earnings		**10,328**	7,270
Total equity		**15,415**	10,266

These financial statements were approved by the board of directors on 21 May 2010.

Brian Conlon
Director *Registered company number: NI 30731*
The notes on pages 25 to 76 form part of these financial statements.

Consolidated statement of changes in equity
Year ended 28 February 2009

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Currency translation adjustment £000	Retained earnings £000	Total equity £000
Balance at 1 March 2008	**66**	**1,278**	**719**	**223**	**-**	**6,016**	**8,302**
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	3,071	**3,071**
Other comprehensive income							
Deferred tax on share options outstanding	-	-	(308)	-	-	-	**(308)**
Net exchange gains on net investment in foreign subsidiaries and associate	-	-	-	-	819	-	**819**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	-	(575)	-	**(575)**
Total other comprehensive income	-	-	(308)	-	244	-	**(64)**
Total comprehensive income for the period	-	-	(308)	-	244	3,071	**3,007**
Transactions with owners, recorded directly in equity							
Exercise of share options	-	142	(122)	-	-	**-**	**20**
Issue of shares as purchase consideration	3	854	-	-	-	-	**857**
Share based payment charge	-	-	183	-	-	-	**183**
Transfer on forfeit of share options	-	-	(42)	-	-	42	**-**
Dividends to equity holders	-	-	-	-	-	(1,098)	**(1,098)**
Total contributions by and distributions to owners	3	996	19	-	-	(1,056)	**(38)**
Balance at 28 February 2009	**69**	**2,274**	**430**	**223**	**244**	**8,031**	**11,271**

The notes on pages 25 to 76 form part of these financial statements.

Consolidated statement of changes in equity

Year ended 28 February 2010

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

The notes on pages 25 to 76 form part of these financial statements.

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 2008	**66**	**1,278**	**719**	**223**	**6,016**	**8,302**
Total comprehensive income for the period						
Profit for the year					2,310	**2,310**
Other comprehensive income						
Deferred tax on share options outstanding	-	-	(308)	-	-	**(308)**
Total other comprehensive income	-	-	(308)	-	-	**(308)**
Total comprehensive income for the period	-	-	(308)	-	2,310	**2,002**
Transactions with owners, recorded directly in equity						
Exercise of share options	-	142	(122)	-	-	**20**
Issue of shares as purchase consideration	3	854	-	-	-	**857**
Share based payment charge	-	-	183	-	-	**183**
Transfer on forfeit of share options	-	-	(42)	-	42	**-**
Dividends to equity holders	-	-	-	-	(1,098)	**(1,098)**
Total contributions by and distributions to owners	3	996	19	-	(1,056)	**(38)**
Balance at 28 February 2009	**69**	**2,274**	**430**	**223**	**7,270**	**10,266**

The notes on pages 25 to 76 form part of these financial statements.

Company statement of changes in equity

Year ended 28 February 2010

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

The notes on pages 25 to 76 form part of these financial statements.

First Derivatives plc

Consolidated cash flow statement

Year ended 28 February 2010

	2010 £'000	2009 £'000
Cashflows from operating activities		
Profit before taxation	**5,645**	4,461
Finance income	**(8)**	(10)
Finance expense and foreign exchange loss	**709**	1,484
Share of associate	**(54)**	-
Operating profit	**6,292**	5,935
Depreciation	**336**	262
Amortisation of intangible assets	**619**	250
Equity settled share-based payment transactions	**197**	183
	7,444	6,630
Change in trade and other receivables	**(2,990)**	(1,625)
Change in trade and other payables	**5,508**	1,172
	9,962	6,177
Corporation tax paid	**(1,648)**	(1,100)
Net cash from operating activities	**8,314**	5,077
Cash flows from investing activities		
Interest received	**8**	10
Acquisition of subsidiaries, net of cash acquired	**(5,443)**	(2,773)
Acquisition of property, plant and equipment	**(1,099)**	(468)
Acquisition of other financial assets	**-**	(1,352)
Acquisition of associate	**(4,189)**	-
Acquisition of intangible assets	**(1,323)**	(370)
Payment of deferred consideration	**(1,993)**	-
Net cash used in investing activities	**(14,039)**	(4,953)
Cash flows from financing activities		
Proceeds from issue of share capital	**47**	20
Receipt of new long term loan	**9,726**	10,193
Repayment of borrowings	**(1,354)**	(6,221)
Payment of finance lease liabilities	**(70)**	(90)
Interest paid	**(475)**	(528)
Dividends paid	**(1,314)**	(1,098)
Net cash from financing activities	**6,560**	2,276
Net increase in cash and cash equivalents	**835**	2,400
Cash and cash equivalents at 1 March 2009	**1,299**	396
Effects of exchange rate changes on cash and cash equivalents	**(423)**	(1,497)
Cash and cash equivalents at 28 February 2010	**1,711**	1,299

The notes on pages 25 to 76 form part of these financial statements.

First Derivatives plc

Company cash flow statement

Year ended 28 February 2010

	2010	2009
	£'000	£'000
Cashflows from operating activities		
Profit before taxation	**5,620**	3,638
Finance income	**(14)**	(23)
Finance expense and foreign exchange loss	**884**	2,059
Operating profit	**6,490**	5,674
Depreciation	**252**	226
Amortisation of intangible assets	**24**	5
Equity settled share-based payment transactions	**197**	183
	6,963	6,088
Change in trade and other receivables	**(6,916)**	(1,355)
Change in trade and other payables	**3,706**	820
	3,753	5,553
Corporation tax paid	**(1,042)**	(1,100)
Net cash from operating activities	**2,711**	4,453
Cash flows from investing activities		
Interest received	**14**	10
Acquisition of subsidiaries, net of cash acquired	**(657)**	(2,773)
Acquisition of property, plant and equipment	**(904)**	(441)
Acquisition of other financial assets	**-**	(1,352)
Acquisition of associate	**(4,189)**	-
Acquisition of intangible assets	**(1,194)**	(365)
Payment of deferred consideration	**(1,993)**	-
Net cash used in investing activities	**(8,923)**	(4,921)
Cash flows from financing activities		
Proceeds from issue of share capital	**47**	20
Receipt of new long term loan	**9,726**	10,193
Repayment of borrowings	**(1,354)**	(6,221)
Interest paid	**(460)**	(475)
Dividends paid	**(1,314)**	(1,098)
Net cash from financing activities	**6,645**	2,419
Net increase in cash and cash equivalents	**433**	1,951
Cash and cash equivalents at 1 March 2009	**850**	396
Effects of exchange rate changes on cash and cash equivalents	**(423)**	(1,497)
Cash and cash equivalents at 28 February 2010	**860**	850

The notes on pages 25 to 76 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 3 Canal Quay, Newry BT35 6BP. 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 21 May 2010.

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

Both the consolidated financial statements and the company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the group financial statements together with the company financial statements, the company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

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

In these financial statements the following Adopted IFRSs which are effective for the first time, have been adopted. There have been no material affects on the financial statements and so comparatives have not been restated, with the exception of segmental information and IAS 1:

- Amendments to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate'
- Amendments to IFRS 2 'Share-based payment – Vesting Conditions and Cancellations'
- Amendment to IFRS 7 'Improving Disclosures about Financial Instruments'
- IFRS 8 'Operating Segments'
- Amendments to IAS 1 'Presentation of Financial Statements' have been adopted. The adoption of this standard has resulted in some presentational charges to the primary financial statements which have had no impact on the reported net result or financial position of the group or company
- Revised IAS 23 'Borrowing Costs'
- Amendments to IAS 32 and IAS 1 'Puttable Financial Instruments and Obligations Arising on Liquidation'
- Improvements to IFRSs (issued May 2008) (adoption dates vary but certain improvements are mandatory for the year commencing on or after 1 January 2009).
- IFRIC 13 'Customer Loyalty Programmes'

1 Significant accounting policies *(continued)*

Measurement convention

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

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 7 to 11. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive's Review on pages 4 to 5. In addition note 2 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The group meets its day to day working capital requirements through generated cash flows and loan facilities most of which are due for renewal in 2013. The current economic conditions create uncertainty particularly over the level of demand for the group's products and services and the availability of bank finance in the foreseeable future. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility. The group will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the group has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with 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 significantly judgemental 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 acquisitions of subsidiaries is based on forecast results and certain other criteria as required by the terms of the sale and purchase agreement.

1 Significant accounting policies *(continued)*

Critical accounting estimates and judgements (continued)

- 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:

- Revised IFRS 3 'Business Combinations' (mandatory for the year commencing on or after 1 July 2009).
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' (mandatory for the year commencing on or after 1 July 2009).
- IFRIC 12 'Service Concession Arrangements' (Mandatory for EU adopters for years beginning on or after 29 March 2009).
- IFRIC 15 'Agreements for the Construction of Real Estate' (mandatory for year commencing on or after 1 January 2010).
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' (mandatory for EU adopters for the year commencing on or after 30 June 2009)
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement: Eligible Hedged Items' (mandatory for year commencing on or after 1 July 2009).
- Amendments to IAS 39 'Reclassification of Financial Assets: Effective Date and Transition' (mandatory for year commencing on or after 1 July 2009).
- IFRIC 17 'Distributions of Non-cash Assets to Owners' (mandatory for year commencing on or after 1 November 2009).
- IFRIC 18 'Transfer of Assets from Customers' (mandatory for year commencing on or after 1 November 2009).
- Amendments to IAS 32 'Financial Instruments: Presentation – Classification of rights issue' (mandatory for year commencing on or after 1 February 2010).
- Amendments to IFRS 2 'Group Cash-Settled Share-based payments transactions' (mandatory for year commencing on or after 1 January 2010).
- Improvements to IFRSs (issued 16 April 2009) (adoption dates varies but certain improvements are mandatory for the year commencing on or after 1 July 2009).
- Revised IAS 24 'Related Party Disclosure' (mandatory for year commencing on or after 1 January 2011).
- IFRS 9 'Financial Instruments' (mandatory for year commencing on or after 1 January 2013).
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (mandatory for year commencing on or after 1 July 2010).
- Amendments to IFRIC 14 IAS 19 'The limit on a defined benefit – assets, minimum funding requirements and their interaction (mandatory for year commencing on or after 1 January 2011).

1 Significant accounting policies *(continued)*

(b) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the company. Control exists when the company 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.

Associates (equity accounted investees)
Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any subsequent accumulated impairment losses. The consolidated financial statements include the group's share of the total recognised income and expense and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of an investee.

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

Transactions eliminated on consolidation
Intra-group balances, and 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 the 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 foreign currency loans designated as a hedge of net investments 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 on (i) impairment). 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.

1 Significant accounting policies *(continued)*

(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.

Goodwill on associates is not amortised.

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

1 Significant accounting policies *(continued)*

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.

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) impairment).

iii) Other intangible assets

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

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
Acquired 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) impairment).

(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.

1 Significant accounting policies *(continued)*

(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, where the fall in value is significantly prolonged.

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.

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 groups of 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.

1 Significant accounting policies *(continued)*

(i) Impairment *(continued)*

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 of goodwill 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, directors and as part of business combinations.

(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.

1 Significant accounting policies *(continued)*

(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.

(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 and when there is reasonable assurance that it will be received and that the group will comply with the conditions attaching to it a release is then made to the profit and loss statement. 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 group for the cost of an asset are recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

(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, and foreign exchange gains and losses.

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

1 Significant accounting policies *(continued)*

(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.

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.

(s) Classification of financial instruments issues by the Group

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

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

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

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

Notes *(continued)*

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 is able to meet its liabilities as they fall due.

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 and borrowings in foreign currency produces a natural hedge of a proportion of the group's exposures to foreign currency movements on trading and investments.

Certain borrowings in foreign currencies are designated as net investment hedges of foreign operations.

Capital management
The 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 and associates

Subsidiaries

On 1st April 2009 the company acquired all of the ordinary shares in Lepton Solutions Pty Limited. In the 11 months to 28th February 2010 the subsidiary contributed income of £533,000 and net profit of £40,000 to the consolidated net profit for the year. If the acquisition had occurred on 1st March 2009 Group revenue would have been £25,524,000 and net profit would have been an estimated £5,735,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1st March 2009.

On 23rd October 2009 the company acquired all of the ordinary shares in Reference Data Factory LLC for. In the 4 months to 28th February 2010 the subsidiary contributed income of £61,000 and net profit of £46,000 to the consolidated net profit for the year. If the acquisition had occurred on 1st March 2009 Group revenue would have been £25,532,000 and net profit would have been an estimated £5,823,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1st March 2009.

On 14th February, First Derivatives (Ireland) Limited (previously Elvant Limited) acquired the trade and assets of Cognotec Holdings Limited. In the14 days to 28th February 2010 the subsidiary contributed income of £193,000 and net loss of £4,000 to the consolidated net profit for the year. If the acquisition had occurred on 1st March 2009 group revenue would have been £30,301,000 and net profit would have been an estimated £5,631,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1st March 2009.

3 Acquisitions of subsidiaries and associate (continued)

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

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquirees' net assets at the acquisition date:			
Property, plant and equipment	**33**	**-**	**33**
Intangible assets	**-**	**6,234**	**6,234**
Trade and other receivables	**1,395**	**(994)**	**401**
Cash and cash equivalents	**81**	**-**	**81**
Trade and other payables	**(134)**	**(487)**	**(621)**
Onerous contracts	**-**	**(683)**	**(683)**
Deferred tax liability	**-**	**(124)**	**(124)**
Net identifiable assets and liabilities	**1,375**	**3,946**	**5,321**
Goodwill on acquisition (note 16) including cost of acquisition			**3,312**
			8,633
Consideration paid, satisfied as follows:			
Cash			**5,524**
Shares issued			**300**
Share options issued			**137**
Contingent consideration – Cash			**2,672**
			8,633
Cash consideration paid			**5,524**
Cash (acquired)			**(81)**
Net cash outflow			**5,443**

Goodwill has arisen on the acquisitions and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combinations and the ability to leverage off client relationships and knowhow. In relation to Cognotec, the fair values of identifiable assets and liabilities have only been determined on a provisional basis as the acquisition was only completed in February 2010. An appropriate adjustment will be made in the next accounting period if required.

Effective on 1 April 2009, First Derivatives plc acquired the share capital of Lepton Solutions Pty Limited. The business combination led to the recognition of goodwill of £1,007,000. The group has carried out an impairment review of goodwill and has not identified any impairment. To the extent that operating results do not continue in line with current performance there may be a reversal of goodwill as a result of reduction in contingent deferred consideration.

3 Acquisitions of subsidiaries and associate *(continued)*

Effective on 23 October 2009, First Derivatives plc acquired the share capital of Reference Data Factory LLC. The business combination led to the recognition of goodwill of £2,181,000. The group has carried out an impairment review of goodwill and has not identified any impairment. To the extent that operating results do not continue in line with current performance there may be a reversal of goodwill as a result of reduction in contingent deferred consideration.

Effective on 14 February 2010, Elvant Limited acquired the total assets of Cognotec Holdings Limited. No goodwill arose on acquisition.

2009 acquisitions

On 1 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 and profit after tax of £144,000.

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

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
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 16) 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**

Notes *(continued)*

3 Acquisitions of subsidiaries and associate *(continued)*

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.

Acquisition of associate

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

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

Information from the financial statements of Kx Systems has not been disclosed as the directors consider that this would be prejudicial to the interests of shareholders.

2009 acquisitions

There were no acquisitions of associates in 2009.

4 Segment reporting

Business segments

The group's board of directors reviews internal management reports on a monthly basis. The board of directors does not review information about the business on a segmental basis.

The group has disclosed below certain information on its revenue by geographical location. Details regarding total revenues can be found in the Statement of Comprehensive Income notes.

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

- Consulting 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

	Consulting division		**Software division**		**Total**	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Total Segment Revenue	**19,352**	11,965	**6,124**	5,583	**25,476**	17,548

Geographical location analysis

	Europe		**America**		**Australasia**		**Total**	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Revenue from external customers	**11,900**	9,441	**11,839**	7,450	**1,737**	657	**25,476**	17,548
Non current assets	**24,252**	26,188	**22,572**	3,545	**1,620**	-	**48,444**	29,733

The group has a number of key customers who individually generate more than 10% of group revenue. The total revenue relating to these customers is £13,242,000 (2009: £8,356,000), 52% of total revenue (2009: 48%).

Notes *(continued)*

5 Other operating income

	2010 £'000	2009 £'000
Grants received	**986**	32
Other income	**148**	127
	1,134	159

During the year, employment grant income of £1,007,000 (2009: £nil) was claimed from Invest Northern Ireland. £206,000 (2009: £32,000) was claimed from Invest Northern Ireland and Nextgrid in respect of training and research grants. This income is recognised as the conditions for retaining the grant are met.

6 Administrative expenses

	2010 £'000	2009 £'000
Rent, rates and insurance	**619**	358
Telephone	**193**	107
Accountancy, audit and legal expenses	**101**	127
Advertising and marketing	**210**	163
Depreciation and amortisation	**955**	512
Labour costs	**2,403**	1,387
Other	**562**	401
Listing expenses	**164**	110
	5,207	3,165

7 Personnel expenses and numbers

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

	2010 Average no.	2009 Average no.
Administration	**52**	47
Technical	**308**	186
	360	233

The aggregate payroll costs of these persons were as follows:

	2010 £'000	2009 £'000
Wages and salaries	**12,333**	6,874
Share based payments (see note 39)	**197**	183
Social security costs	**1,196**	720
Other pension costs	**213**	128
Less capitalised costs	**(938)**	(365)
	13,001	7,540

Disclosed as:	**2010 £'000**	2009 £'000
Cost of sales	**10,598**	6,153
Administrative expenses	**2,403**	1,387
	13,001	7,540

8 Finance income and expense

	2010 £'000	2009 £'000
Interest income on bank deposits	**8**	10
Finance income	**8**	10
Loss on foreign currency translation of monetary assets	**(234)**	(922)
Interest expense on bank loans	**(462)**	(551)
Other interest	**(13)**	(11)
Finance expense	**(475)**	(562)
Net finance expense recognised in profit or loss	**(701)**	(1,474)

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.

Notes *(continued)*

9 Statutory and other information

	2010	2009
	£'000	£'000
Depreciation on property, plant and equipment:		
Owned assets	**263**	201
Assets held under finance lease	**73**	61
Provision for impairment of trade receivables	**52**	218
Amortisation of intangibles	**619**	250
Rents payable in respect of operating leases	**280**	217
Auditor's remuneration:		
Auditor of the company:		
KPMG Ireland:		
Audit of these financial statements	**59**	48
Other services:		
Auditor of the company:		
KPMG Ireland:		
Other assurance services	**7**	59
Taxation services	**83**	10
Services relating to corporate finance transactions	**38**	-

Notes *(continued)*

10 Tax on profit

Income tax recognised in the income statement	**2010 £'000**	2009 £'000
Current tax expense		
Current year	**1,579**	1,298
Adjustment for prior periods	**(135)**	44
	1,444	1,342
Deferred tax expense		
Origination and reversal of temporary differences	**294**	48
Adjustment for prior periods	**120**	-
	414	48
Total income tax in income statement	**1,858**	1,390

Reconciliation of effective tax rate		
Profit excluding income tax	**5,645**	4,461
Income tax using the company's domestic tax rate (28%) (2009: 28.17% 2009)	**1,581**	1,257
Tax exempt income	**-**	(162)
Expenses not deductible for tax purposes	**170**	102
Relief on share options exercised	**13**	-
Deferred tax movement not recognised	**28**	-
(Over)/under provision in prior year	**(15)**	44
Other differences	**(87)**	149
Profit of associate	**(16)**	-
Foreign tax rate differences	**184**	-
	1,858	1,390

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:

	2010 £'000	2009 £'000
Aggregate emoluments (including benefits in kind)	**293**	240
Company pension contributions	**33**	27
Fees for provision of services	**254**	25
	580	292

During the period there were 3 directors accruing benefits under a defined contribution pension scheme (28 February 2009: 3).

The aggregate emoluments and company pension contributions of the highest paid director amounted to £134,400 and £16,000 respectively during the year (2009: £90,000 and £12,000 respectively).

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

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

	Number of options			
	At start of year	Acquired during the year	At end of year	Exercise price £
Graham Ferguson	-	175,000	**175,000**	**1.77**
David Anderson	-	10,000	**10,000**	**1.79**
Adrian Toner	30,000	30,000	**60,000**	**1.79**

The average share price during the year was £2.33 (2009: £1.94) and the closing price at year end was £2.50 (2009: £1.40).

Notes *(continued)*

12 Dividends

	2010 **£'000**	2009 £'000
Final dividend relating to the prior year	**921**	776
Interim dividend paid	**393**	322
	1,314	1,098

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

The final dividend relating to the prior year amounted to 6.35 (previous year 5.8) pence per share and the interim dividend paid during the year amounted to 2.75 (previous year: 2.35) pence per share. The cumulative dividend paid during the year amounted to 9.1 (previous year 8.15) pence per share.

13 Company result

Under Section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own income statement. The profit after tax (after deduction of loss on foreign currency of £423,000) for the financial year of the company as approved by the Board was £4,347,000 (2009: £2,310,000).

14 (a) Earnings per ordinary share

Basic

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of £3,787,000 (2009: £3,071,000). The weighted average number of ordinary shares for the year ended 28 February 2010 and ranking for dividend was 13,993,309 (2009: 13,487,052).

	2010 **Pence per share**	2009 Pence per share
Basic earnings per share	**27.1**	22.8

Weighted average number of ordinary shares

	2010 **Number '000**	2009 Number '000
Issued ordinary shares at beginning of period	**13,734**	13,279
Effect of share options exercised	**25**	6
Effect of shares issued for purchase consideration	**234**	202
Weighted average number of ordinary shares at end of period	**13,993**	13,487

14 (a) Earnings per ordinary share *(continued)*

Diluted

The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of £3,787,000 (2009: £3,071,000). The weighted average number of ordinary shares for the year ended 28 February 2010 was 14,654,341 (2009: 13,849,132).

	2010 Pence per share	2009 Pence per share
Diluted earnings per share	**25.8**	22.2

Weighted average number of ordinary shares (diluted)

	2010 Number ‘000	2009 Number ‘000
Weighted average number of ordinary shares (basic)	**13,993**	13,487
Effect of share options in issue	**661**	356
Effect of shares to be issued for purchase consideration	**-**	6
Weighted average number of ordinary shares (diluted) at end of period	**14,654**	13,849

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 2010 is 276,000 (2009: 196,294).

14 (b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £5,645,000 (2009: £4,461,000). The number of shares used in this calculation is consistent with note 14(a) above.

	2010 Pence per share	2009 Pence per share
Basic earnings before tax per ordinary share	**40.3**	33.1
Diluted earnings before tax per ordinary share	**38.5**	32.3

Notes *(continued)*

14 (b) Earnings before tax per ordinary share *(continued)*

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

	2010 Pence per share	2009 Pence per share
Basic earnings per share	**27.1**	22.8
Impact of taxation charge	**13.2**	10.3
Adjusted basic earnings before tax per share	**40.3**	33.1
Diluted earnings per share	**25.8**	22.2
Impact of taxation charge	**12.7**	10.0
Adjusted diluted earnings before tax per share	**38.5**	32.2

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

14 (c) Adjusted earnings per share

Adjusted earnings per share are based on a adjusted profit after taxation of £3,955,000 (2009: £3,735,000). Adjusted profit after tax has been calculated by adjusting for the loss on foreign currency translation after tax effect which is £168,000 (£234,000 after tax of 28%). The number of shares used in this calculation is consistent with note 14 (a) above.

	2010 Pence per share	2009 Pence per share
Basic adjusted earnings per ordinary share	**28.3**	27.7
Diluted adjusted earnings per ordinary share	**27.0**	26.9

15 Property, plant and equipment

Group

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

	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**

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

At 28 February 2010 the net carrying amount of leased plant and machinery was £73,000 (2009: £146,000). The leased equipment secures lease obligations (see note 21). Cost of equipment was £304,000 and accumulated depreciation at 28 February 2010 was £231,000. Depreciation of £73,000 was charged during the year (2009: £61,000).

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 2009	17,402	290	55	17,747
Additions	881	20	3	904
At 28 February 2010	**18,283**	**310**	**58**	**18,651**
Depreciation				
At 1 March 2009	476	235	35	746
Charge for the year	206	35	11	252
At 28 February 2010	**682**	**270**	**46**	**998**
Net book value				
At 28 February 2010	**17,601**	**40**	**12**	**17,653**

	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**

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

No assets are held under finance leases.

First Derivatives plc

Notes *(continued)*

16 Intangible assets

Group

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

Group	Goodwill £'000	Customer lists £'000	Acquired Software £'000	Brand name £'000	Software under development £'000	Total £'000
Balance at 1 March 2008	-	-	-	-	1,025	1,025
Development costs	-	-	-	-	365	365
Additions	-	-	5	-	-	5
Acquisition through business combinations	5,442	1,724	1,089	143	-	8,398
Exchange adjustments	1,212	387	245	32	-	1,876
Balance at 28 February 2009	6,654	2,111	1,339	175	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	**6,654**	**1,989**	**1,220**	**165**	**485**	**10,513**

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

Included within development costs is £938k (2009: £365k) of capitalised employees costs for the year (see note 7). Developed software includes £1,055k (2009: £359k) of software under development at 28 February 2010.

16 Intangible assets *(continued)*

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

	2010	2009
Administration expenses	**619**	250

Company	**Developed software £'000**
Cost	
Balance at 1 March 2009	1,390
Development cost	1,194
Balance at 28 February 2010	**2,584**
Amortisation and impairment losses	
Balance at 1 March 2009	905
Amortisation for the year	24
Balance at 28 February 2010	**929**
Carrying amounts	
At 28 February 2010	**1,655**
Cost	
Balance at 1 March 2008	1,025
Development 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**

Included within development costs is £938k (2009: £365k) of capitalised employees costs for the year (see note 7). Developed software includes £804k (2009: £359k) of software under development at 28 February 2010.

17 Investment in subsidiaries and associates

The group and company has the following investments in subsidiaries:

	Country of incorporation	Class of share held	Ownership 2010	2009
Group				
Market Resource Partners LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited (formerly Lepton Pty Limited)	Australia	Ordinary	100%	-
First Derivatives Pty Limited	Australia	Ordinary	100%	-
First Derivatives (Ireland) Limited (formerly Elvant Limited)	Ireland	Ordinary	100%	-
Reference Data Factory LLC	United States	Ordinary	100%	-
First Derivatives Holdings Inc	United States	Ordinary	100%	-
First Derivatives US Inc	United States	Ordinary	100%	-

	Country of incorporation	Class of share held	Ownership 2010	2009
Company				
Market Resource Partners LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited (formerly Lepton Pty Limited)	Australia	Ordinary	100%	-
First Derivatives (Ireland) Limited (formerly Elvant Limited)	Ireland	Ordinary	100%	-
First Derivatives Holdings Inc	United States	Ordinary	100%	-
First Derivatives US Inc	United States	Ordinary	100%	-

	Company **2010** **£'000**	2009 £'000
Unlisted investments in subsidiaries at cost		
At 1 March 2009	**9,153**	-
Additions	**1,366**	8,133
Increase of contingent deferred consideration	**1,480**	-
Additional expenses from previous acquisition	**10**	-
Foreign exchange movement in contingent deferred consideration	**(357)**	1,020
At 28 February 2010	**11,652**	9,153

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

17 Investment in subsidiaries and associates *(continued)*

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

	Country of incorporation	Class of share held	Ownership 2010	2009
Group and Company				
Kx Systems Inc	United States	Ordinary	22%	5%

Group

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

Company

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

18 Other financial assets

Available for sale assets

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

	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**

On 19 October 2009 First Derivatives plc acquired a further 15% stake in Kx Systems and a further 2% on 30 November 2009. From 19 October 2009, the investment in Kx Systems is accounted for as an associate (See note 17).

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*	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Trade receivables	**5,888**	5,542	**4,404**	4,308
Receivables from subsidiaries and associates	**95**	-	**5,321**	490
Sundry receivables	**165**	17	**-**	-
Prepayments	**913**	415	**660**	337
Overseas & social security tax recoverable	**-**	360	**-**	360
Grant income receivable	**2,664**	-	**2,664**	-
	9,725	6,334	**13,049**	5,495

At 28 February 2010 trade receivables are shown net of an allowance for doubtful debts of £176,000 (2009: £382,000) arising from on-going invoice disputes and the risk of companies becoming insolvent. The impairment loss recognised in the year was £52,000 (2009: £218,000). See note 38 for discussion of credit risk.

20 Cash and cash equivalents

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Bank balances	**1,711**	1,299	**860**	850

See note 38 for discussion of interest rate risk and sensitivity analysis.

21 Interest bearing borrowings

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Current liabilities				
Bank loans	**4,510**	924	**4,510**	924
Finance leases	**64**	65	**-**	-
	4,574	989	**4,510**	924
Non-current liabilities				
Bank loans	**17,721**	12,941	**17,721**	12,941
Less: Capital arrangement fee	**(46)**	(52)	**(46)**	(52)
Finance leases	**28**	97	**-**	-
	17,703	12,986	**17,675**	12,889

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)
$3,700,000 US dollar loan (Loan A)

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	28 February 2010 Face value £000	28 February 2010 Carrying amount £000	28 February 2009 Face value £000	28 February 2009 Carrying amount £000
Facility A	GBP	1.75%+Libor	2013	8,312	8,300	7,043	7,017
Facility A	USD	1.75%+Libor	2013	6,908	6,896	6,822	6,796
Facility B	GBP	1.75%+Libor	2013	499	488		
Facility B	USD	1.75%+Libor	2013	4,078	4,067	-	-
Loan A	USD	3%+Libor	2010	2,434	2,434	-	-
Finance Lease	USD	11%	2012	92	92	162	162
Total interest-bearing borrowings				22,323	22,277	14,027	13,975

The bank loans are secured over property, plant and equipment with a carrying amount of £17,653,000 (2009: £17,001,000). All outstanding loans have interest charged at 1.75% or 3% (2009: 1.75%) above the inter-bank rate.

21 Interest bearing borrowings (*continued*)

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Minimum lease payments 2010	**Interest 2010**	**Principal 2010**	**Minimum lease payments 2009**	**Interest 2009**	**Principal 2009**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than one year	71	7	64	80	15	65
Between one and five years	29	1	28	107	10	97
	100	8	92	187	25	162

The finance leases are secured over the leased equipment

22 Contingent deferred consideration

Contingent deferred consideration liabilities are payable as follows:

	Group		**Company**	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
At 1 March 2009	**5,594**	-	**5,594**	-
Additions	**2,672**	4,574	**574**	4,574
Increase in contingent deferred consideration	**1,480**	1,020	**1,480**	1,020
Foreign exchange movement in contingent deferred consideration	**(211)**	-	**(357)**	-
Repayments	**(1,993)**	-	**(1,993)**	-
At 28 February 2010	**7,542**	5,594	**5,298**	5,594

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

Notes *(continued)*

22 Contingent deferred consideration *(continued)*

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Less than one year	**5,147**	1,175	**4,974**	1,175
Between one and five years	**2,395**	4,419	**324**	4,419
	7,542	5,594	**5,298**	5,594

The amount of contingent deferred consideration is variable depending on the future performance of the relevant subsidiary. £5,497k (2009: £3,385k) of the deferred consideration is payable in cash.

23 Trade and other payables

Current liabilities

	Group		*Company*	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Trade payables	**894**	553	**599**	425
Other payables	**2,124**	1,734	**1,710**	1,552
Accruals	**707**	224	**304**	160
Deferred income	**4,594**	1,623	**2,544**	991
Payables to subsidiaries & associates	**-**	-	**123**	-
	8,319	4,134	**5,280**	3,128

Non current liabilities

	Group		*Company*	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Deferred Income	**977**	-	**977**	-

See note 38 for discussion of currency and liquidity risks.

Notes *(continued)*

24 Current tax payable

	Group		*Company*	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Current tax payable	**1,417**	1,472	**1,345**	1,282

25 Provisions

	Group
	£'000
At 1 Mar 2009	**-**
Onerous contracts arising on acquisition of subsidiary	683
Payments	(38)
At 28 Feb 2010	**645**

On acquisition of trade and assets of Cognotec Holdings Ltd certain contracts were identified that were deemed to be onerous in nature due to the requirement to deliver services for no additional income.

26 Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010 £000	**2009 £000**	**2010 £000**	**2009 £000**	**2010 £000**	**2009 £000**
Property, plant and equipment	**-**	1	**(506)**	-	**(506)**	1
Share based payments	**438**	84	**-**	-	**438**	84
Employee benefits	**-**	24	**-**	-	**-**	24
Net fair value movement on available for sale assets	**-**	-	**(49)**	(87)	**(49)**	(87)
Intangible assets	**-**	25	**(124)**	-	**(124)**	25
Other	**80**	43	**-**	-	**80**	43
Net tax assets/(liabilities)	**518**	177	**(679)**	(87)	**(161)**	90

Movement in temporary differences during the year:

	Balance at 1 March 2008 £000	**Recognised in income £000**	**Recognised in equity £000**	**Balance at 28 Feb 2009 £000**	**Recognised in income £000**	**Recognised on acquisition £000**	**Recognised in equity £000**	**Balance at 28 Feb 2010 £000**
Property, plant and equipment	4	(3)	-	1	(507)	-	-	**(506)**
Share based payments	455	(63)	(308)	84	91	-	263	**438**
Employee benefits	24	-	-	24	(24)	-	-	**-**
Net fair value movement on available for sale assets	(87)	-	-	(87)	-	-	38	**(49)**
Intangible assets	-	33	(8)	25	(11)	(124)	(14)	**(124)**
Other	58	(15)	-	43	37	-	-	**80**
	454	(48)	(316)	90	(414)	(124)	287	**(161)**

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

26 Deferred taxation *(continued)*

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	**-**	1	**(461)**	-	**(461)**	1
Share based payments	**438**	84	**-**	-	**438**	84
Employee benefits	**-**	24	**-**	-	**-**	24
Net fair value movement on available for sale assets	**-**	-	**(49)**	(87)	**(49)**	(87)
Other	**37**	11	**-**	-	**37**	11
Net tax assets/(liabilities)	**475**	120	**(510)**	(87)	**(35)**	33

Movement in temporary differences during the year:

	Balance at 1 March 2008 £000	Recognised in profit and loss £000	Recognised in equity £000	Balance at 28 Feb 2009 £000	Recognised in profit and loss £000	Recognised in equity £000	Balance at 28 Feb 2010 £000
Property, plant and equipment	4	(3)	-	1	(462)	-	**(461)**
Share based payments	455	(63)	(308)	84	91	263	**438**
Employee benefits	24	-	-	24	(24)	-	**-**
Net fair value movement on available for sale assets	(87)	-	-	(87)	-	38	**(49)**
Other	58	(47)	-	11	26	-	**37**
	454	(113)	(308)	33	(369)	301	**(35)**

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)*

27 Share capital

	Ordinary shares	
	2010	2009
In issue at 1 March	**13,734,468**	13,279,324
Issued for cash	**56,000**	18,500
Issued as purchase consideration	**630,258**	436,644
In issue at 28 February – fully paid	**14,420,726**	13,734,468

	2010		2009	
	Number	**£'000**	Number	£'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**14,420,726**	**72**	13,734,468	69

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 56,000 share options for £47,000 together with an associated transfer from the share option reserve of £18,000, the issue of 520,702 shares as £1,270,512 purchase consideration for the associate and 109,556 shares as £300,000 purchase consideration for the subsidiaries.

28 Share premium account

	Group		*Company*	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Opening balance	**2,274**	1,278	**2,274**	1,278
Premium on shares issued	**1,632**	996	**1,632**	996
Closing balance	**3,906**	2,274	**3,906**	2,274

29 Share option reserve

	Group		*Company*	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Opening balance	**430**	719	**430**	719
Fair value of share based payments cost	**333**	183	**333**	183
Options exercised in the period	**(18)**	(122)	**(18)**	(122)
Effect of share option forfeits	**(25)**	(42)	**(25)**	(42)
Deferred tax on share based payments	**263**	(308)	**263**	(308)
Closing balance	**983**	430	**983**	430

29 Share option reserve *(continued)*

The share option reserve comprises the charge for unexercised share options granted to employees and includes share options granted in consideration for the acquisition of business combinations net of deferred tax 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.

30 Fair value reserve

	Group		*Company*	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Opening balance	**223**	223	**223**	223
Fair value movement	**(97)**	-	**(97)**	-
Transfer on acquisition of associate	**(126)**	-	**-**	-
Closing balance	**-**	223	**126**	223

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired.

31 Currency translation adjustment reserve

	Group	
	2010	2009
	£'000	£'000
Opening balance	**244**	-
Net gains on net investment in foreign subsidiary	**179**	819
Net gains on net investment in associate	**460**	-
Net gain on hedge of net investment in foreign subsidiary	**8**	(575)
Net loss on hedge of investment in associate	**(197)**	-
Closing balance	**694**	244

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the group's net investment in a foreign subsidiary.

32 Revaluation reserve

	Group	
	2010	2009
	£'000	£'000
Opening balance	**-**	-
Revaluation of net identifiable assets and liabilities arising on step acquisition	**174**	-
Closing balance	**174**	-

33 Capital and other commitments

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

34 Leasing commitments

Non cancellable operating lease rentals are payable as follows:

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Less than one year	290	308	140	140
Between one and five years	874	1,036	560	560
More than five years	1,120	1,260	1,120	1,260
	2,284	2,604	1,820	1,960

The group leases two premises under operating lease arrangements.

Group
During the year £280,000 was recognised as an expense in the income statement in respect of operating leases (2009: £217,000).

Company
During the year £140,000 was recognised as an expense in the income statement in respect of operating leases (2009: £140,000).

35 Pension contributions

The group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £213,000 (2009: £128,000). Contributions amounting to £46,000 (2009: £13,000) were payable to the schemes at the year end and are included in creditors.

36 Related party transactions

Group

The Group is charged rent monthly for the use of apartments located in London owned by Brian Conlon. The charge incurred during the financial year amounted to £52,800 (2009: £52,800). Rent deposits of £26,400 (2009: £26,400) have been paid to the Brian Conlon 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 £214,000 (2009: £154,000) expenditure with Ishtara Consulting Limited, a company in which P Kinney is a director for consulting services. The balance owed to Ishtara at 28 February 2010 is £39,000 (2009: £50,000).

During the year the group incurred £49,000 (2009: £ nil) expenditure with Glenmount Limited, a consultancy services company in which M O'Neill is a director. The balance owed to Glenmount at 28 February 2010 is £15,000 (2009: £ nil).

36 Related party transactions *(continued)*

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 (2009: £140,000) rental charge was incurred in the year. The balance owed to Oncon at 28 February is £nil (2009: £13,000).

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Associate	**360**	-	**-**	-
	360	-	**-**	-

	Receivables outstanding		Payables outstanding	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Associate	**95**	-	**-**	-
	95	-	**-**	-

Company

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Subsidiaries	**-**	-	**120**	46
Associate	**360**	-	**-**	-
	360	-	**120**	46

36 Related party transactions *(continued)*

	Receivables outstanding		Payables outstanding	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Subsidiaries	**5,226**	-	**123**	-
Associates	**95**	-	**-**	-
	5,321	-	**123**	-

During the year development costs of £198,000 (2009; Nil) were recharged from a subsidiary to the company. Interest is charged on inter-company loans at market rates.

37 Ultimate controlling party

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

38 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:

2010

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

38 Financial instruments *(continued)*

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)	(13,279)
Finance leases			(162)	(162)	(156)
Trade, accruals and other payables	-	-	(2,511)	(2,511)	(2,511)
Employee benefits	-	-	(833)	(833)	(833)
Deferred consideration	-	-	(5,594)	(5,594)	(5,594)

Company

Fair values

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

2010

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

38 Financial instruments *(continued)*

2009

	Loans and receivables £'000	**Available for sale £'000**	**Liabilities at amortised cost £'000**	**Carrying amount £'000**	**Fair value £'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)	(13,279)
Trade, accruals and other payables	-	-	(2,137)	(2,137)	(2,137)
Employee benefits	-	-	(806)	(806)	(806)
Deferred consideration	-	-	(5,594)	(5,594)	(5,594)

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**	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Trade and other receivables	**8,812**	5,919	**12,389**	5,158
Cash and cash equivalents	**1,711**	1,299	**860**	850
	10,523	7,218	**13,249**	6,008

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

38 Financial instruments *(continued)*

Credit risk

Impairment losses

The ageing of trade receivables at the reporting date was:

Group	Gross 2010 £'000	Impairment 2010 £'000	Gross 2009 £'000	Impairment 2009 £'000
Not past due	**2,697**	**-**	1,785	93
Past due 0-30 days	**2,549**	**-**	2,868	93
Past due 30-60 days	**120**	**-**	135	10
Past due 60-90 days	**331**	**-**	408	23
Past due 90-120 days	**191**	**24**	34	24
Past due 120 days +	**176**	**152**	694	139
Total	**6,064**	**176**	5,924	382

Company	Gross 2010 £'000	Impairment 2010 £'000	Gross 2009 £'000	Impairment 2009 £'000
Not past due	**1,745**	**-**	979	93
Past due 0-30 days	**2,451**	**-**	2,583	93
Past due 30-60 days	**12**	**-**	54	10
Past due 60-90 days	**121**	**-**	368	15
Past due 90-120 days	**99**	**24**	17	17
Past due 120 days +	**126**	**126**	657	122
Total	**4,554**	**150**	4,658	350

38 Financial instruments *(continued)*

28 February 2009

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

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Balance at 1 March	**382**	275	**350**	275
Impairment loss recognised	**52**	218	**12**	186
Written off	**(258)**	(111)	**(212)**	(111)
Balance at end of period	**176**	382	**150**	350

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 2010

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(22,185)	(24,421)	(3,666)	(1,207)	(2,367)	(17,181)	-
Finance leases	(92)	(92)	(32)	(32)	(28)	-	-
Trade and other payables	(3,725)	(3,725)	(3,725)	-	-	-	-
Deferred Consideration	(5,497)	(5,646)	(118)	(3,394)	(830)	(1,304)	-
Other Provision	(645)	(645)	-	-	(645)	-	-
	(32,144)	(34,529)	(7,541)	(4,633)	(3,870)	(18,485)	-

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	(2,511)	(2,511)	(2,511)	-	-	-	-
Deferred Consideration	(3,385)	(3,385)	(588)	(587)	(2,210)	-	-
	(19,871)	(21,276)	(3,778)	(1,259)	(3,528)	(12,711)	-

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 2010

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

38 Financial instruments *(continued)*

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)	-	-	-	-
Deferred Consideration	(3,385)	(3,385)	(588)	(587)	(2,210)	-	-
	(19,335)	(20,740)	(3,371)	(1,227)	(3,464)	(12,678)	-

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

Currency risk - Group

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

	28 February 2010			28 February 2009		
	CAD £000's	**Euro £'000**	**USD £'000**	CAD £000's	Euro £'000	USD £'000
Trade receivables	**425**	**27**	**1,729**	-	86	1,541
Secured bank loans	**-**	**-**	**(2,789)**	-	-	(3,668)
Trade payables	**-**	**-**	**(280)**	-	-	(160)
Gross balance sheet exposure	**425**	**27**	**(1,340)**	-	86	(2,287)

The secured bank loan above excludes bank loans designated in a net investment hedge of £10,631,000 (2009; £3,147,000).

Currency risk - Company

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

	28 February 2010			28 February 2009		
	CAD £000's	**Euro £'000**	**USD £'000**	CAD £000's	Euro £'000	USD £'000
Trade receivables	**425**	**27**	**929**	-	86	1,541
Secured bank loans	**-**	**-**	**(2,789)**	-	-	(3,668)
Trade payables	**-**	**-**	**(34)**	-	-	(32)
Gross balance sheet exposure	**425**	**27**	**(1,894)**	-	86	(2,159)

38 Financial instruments *(continued)*

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2010	2009	**2010**	2009
USD 1	1.590	1,571	1.520	1.426
EUR 1	1.140	1.217	1.120	1.126
CAD 1	1.773	-	1.600	-

Sensitivity analysis

A 10% strengthening of the pound against the above currencies at the end of the period would decrease group equity and profit or loss by approximately £78,000 (2009: £122,000). A 10% weakening of the pound against the above currencies at the end of the period would increase group equity and profit or loss by approximately £78,000 (2009: £100,000). This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% reduction in interest rates at the end of the period would increase group equity and profit and loss by approximately £124,000 (2009: £70,000). A 10% increase in interest rates at the end of the period would decrease group equity and profit or loss by approximately £104,000 (2009: £70,000). This analysis assumes that all other variables remain constant.

39 Employee benefits

	Group		***Company***	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Accrued holiday pay	**438**	293	**351**	266
Employee taxes	**1,276**	540	**1,179**	540
	1,714	833	**1,530**	806

Share based payments

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

Notes *(continued)*

39 Employee benefits *(continued)*

Group and Company (continued)

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

	Weighted average exercise price 2010	**Number of options 2010**	Weighted average exercise price 2009	Number of options 2009
Maximum options outstanding at beginning of period	**1.25**	**1,229,000**	1.54	1,485,834
Lapsed during the period	**1.69**	**(90,000)**	1.64	(238,334)
Exercised during the period	**0.86**	**(56,000)**	0.88	(18,500)
Granted during the period	**1.68**	**1,669,000**	-	-
Maximum options outstanding at end of period	**1.63**	**2,752,000**	1.53	1,229,000
Exercisable at end of period	**1.43**	**991,000**	1.25	889,333

The options outstanding at 28 February 2010 have an exercise price in the range of £0.51 to £2.735 (2009: £0.51 to £2.67) and a weighted average contractual life of 8.01 years (2009: 7.49 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:

Employees and directors

Grant of options on 3rd March 2009

Fair value of share options and assumptions	**2010**	2009
Fair value at grant date	**0.44**	-
Share price	**1.21**	-
Exercise price	**1.21**	-
Number of options	**654,000**	
Expected volatility (weighted average volatility)	**40%**	-
Option life (expected weighted average life)	**4 years**	-
Expected dividends	**0%**	-
Risk-free interest rate (based on government bonds)	**4%**	-

First Derivatives plc

Notes *(continued)*

39 Employee benefits *(continued)*

Grant of options on 21st July 2009

	2010	2009
Fair value of share options and assumptions		
Fair value at grant date	**0.66**	-
Share price	**1.785**	-
Exercise price	**1.785**	-
Number of options	**40,000**	
Expected volatility (weighted average volatility)	**40%**	-
Option life (expected weighted average life)	**4 years**	-
Expected dividends	**0%**	-
Risk-free interest rate (based on government bonds)	**4%**	-

Grant of options on 31st July 2009

Fair value of share options and assumptions	**2010**	2009
Fair value at grant date	**0.65**	-
Share price	**1.765**	-
Exercise price	**1.765**	-
Number of options	**175,000**	
Expected volatility (weighted average volatility)	**40%**	-
Option life (expected weighted average life)	**4 years**	-
Expected dividends	**0%**	-
Risk-free interest rate (based on government bonds)	**4%**	-

Business Combinations

Grant of options on 1st April 2009

Fair value of share options and assumptions	**2010**	2009
Fair value at grant date	**0.20**	-
Share price	**1.389**	-
Exercise price	**1.389**	-
Number of options	**400,000**	-
Expected volatility (weighted average volatility)	**40%**	
Option life (expected weighted average life)	**2.75 years**	-
Expected dividends	**0%**	-
Risk-free interest rate (based on government bonds)	**4%**	-

Notes *(continued)*

39 Employee benefits *(continued)*

Grant of options on 26th October 2009

Fair value of share options and assumptions	**2010**	2009
Fair value at grant date	**0.14**	-
Share price	**2.375**	-
Exercise price	**2.375**	-
Number of options	**400,000**	-
Expected volatility (weighted average volatility)	**40%**	
Option life (expected weighted average life)	**2.75 years**	-
Expected dividends	**0%**	-
Risk-free interest rate (based on government bonds)	**4%**	-

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

Employee expenses

	2010	2009
	£'000	£'000
Expense relating to:		
Share options granted in 2005/06 – equity settled	**-**	9
Share options granted in 2006/07 – equity settled	**18**	26
Share options granted in 2007/08 – equity settled	**51**	148
Share options granted in 2009/10 – equity settled	**127**	-
Total expense recognised as employee costs	**196**	183
Business combinations		
Amount relating to:		
Share options granted in 2009/10 – equity settled	**137**	-
Total amount recognised in share based payment reserve	**333**	183

40 Post balance sheet events

No post balance sheet events have occurred subsequent to year end.

41 Contingencies

Grants

A portion of grants may become repayable should the conditions of offer cease to be met.