



NI 30731

First Derivatives plc

Chairman's statement

2003/2004 has been a successful year for the company with significant development in all areas of activity. This has been reflected in improved profitability of the company with earnings before tax, depreciation and amortisation of £787,000 compared with £426,000 in the previous year. Profit before tax was £577,000 compared with £406,000 in the previous year.

Earnings per share increased by 37.5% from 2.4p to 3.3p. In light of this substantial improvement and the enhanced cash position of the company we are delighted to recommend the payment of a maiden dividend of 1.1p per share. As stated in our prospectus the Directors will pursue a dividend policy which reflects the company's profitability, subject to the funds required to finance future growth.

Capital Markets experienced an upturn in activity in the second half of the year at the same time rates hardened after four years of weakness. Recurring revenues from support contracts during the year represented 53% of revenues.

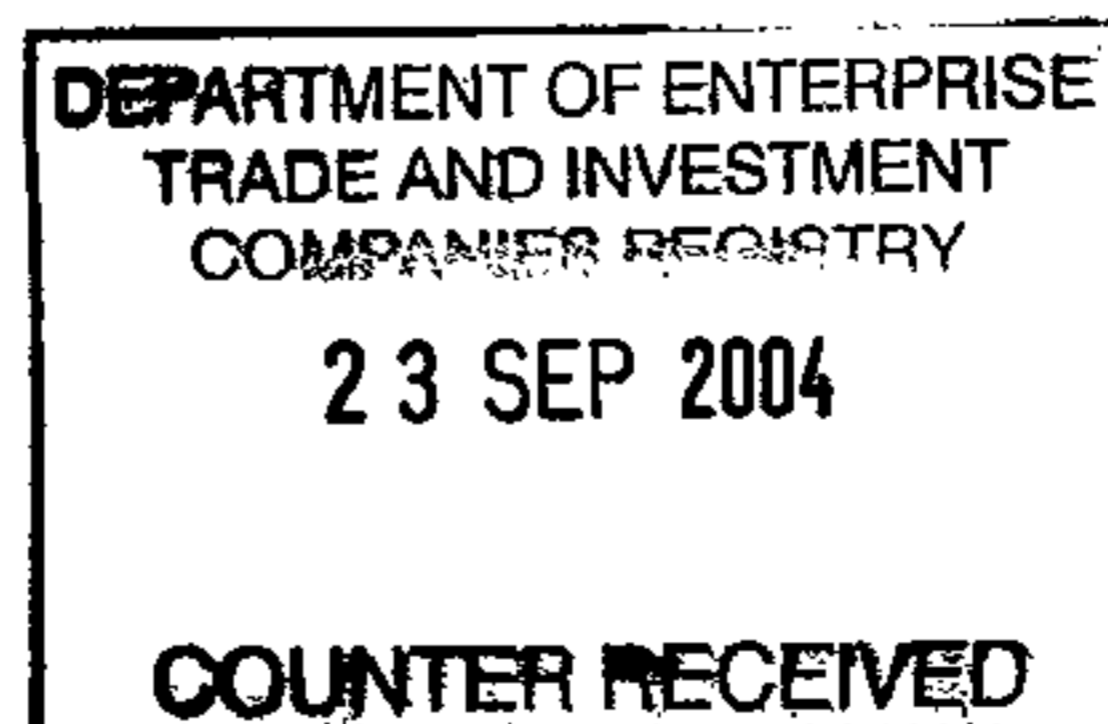
There was a further year of growth in the sale and support of Kx products. First Derivatives plc has now sold Kx database technology into 8 of the 10 largest global investment banks in the USA. This relationship has also helped to generate business for First Derivatives plc's Capital Markets activities. The sale and support of Kx products now represents a significant part of First Derivatives plc's activities. The company is in discussions with several parties seeking a similar relationship and we have recently signed agreements with TickData and IT & E.

The e-Business was established with the acquisition of the IPR of e-hub.com plc at the end of the last financial year. e-Business sales are being generated principally from a joint venture with BT. Sales have been slow but we are starting to see an increase in the level of this activity as BT starts to market the product suite. However, we do not anticipate that this activity will be profitable at least until the year ended February 2006.

During the course of the year the company purchased residential property in London to provide accommodation for staff supporting the increased level of activity. A further two properties were acquired after the year end. These properties have been funded out of the company's cash resources supported by term loans. Shareholders' funds now stand at £1.698 million compared with £1.376 million a year ago. Cash deposits at year end amounted to £848,000.

The increase in activity experienced in the second half of the financial year has continued into the early part of the current year. This increase is in all areas of the company's activity and the Board looks to the coming year with confidence.

David Anderson
Chairman



24 May 2004

First Derivatives plc

Managing Director's statement

The expected recovery in the Technology, Media and Telecommunications market has finally arrived after a number of years in the doldrums. The Deloitte 2004 Fast 500 CEO Survey Results reports increasing optimism compared to previous years as the US economy especially starts to recover and the excesses of the dotcom era recede into distant memory.

FDP operates primarily in the capital markets sector and there is anecdotal evidence that technology spend in major financial institutions is increasing following a period of severe budget cuts. Although the uncertainty surrounding the conflict in Iraq remains a cloud on the horizon the improvement in the world's equity markets has helped sentiment. However, banks are still very focussed on costs and are placing severe pressure on charge out rates and increasingly looking to outsource non-core functions. Whilst there are potential outsourcing opportunities for FDP we face severe competition from low cost centres such as India, Russia and Eastern Europe.

Review of Activities

First Derivatives is now loosely organised into 4 profit centres. Personnel can easily transfer from one profit centre to another.

Capital Markets - FDP provides highly skilled resources to the capital markets providing consulting, support and development services. We have ongoing contracts with 4 of the largest banks in Europe and have increased our chargeable days in the past year by about 50%. This and other recurring revenues accounts for 53% of our income.

Sales Partnerships - FDP continued to provide sales and marketing support for the full product suite (apart from insurance) of Kx Systems worldwide. Their products continue to be widely used by some of the world's largest financial institutions including J P Morgan, Merrill Lynch and Deutsche Bank. We have provided consulting and support services to 12 of these organisations in the past year, mainly in the USA. To support our increasing North American customer base we now have 7 people working full-time in our New York office. We will continue to seek alliances with other software vendors and have recently signed sales partner agreements with two other financial markets organisations; TickData and IT&E.

Product Development - this recently formed group is tasked with developing new product lines for sale to the capital markets. We have invested in this profit centre by hiring a US based expert in equity trading technology and increasing our headcount. The team is currently in the process of beta testing 4 new products and more are in the development roadmap. No significant revenue will accrue from this division until the next financial year.

E-business - the main focus of this division has been to consolidate relationships with our ASP product partner, British Telecom and to change the technology platform to allow for increased use. Sales have lagged expectations but the recent launch of our software under the e-Business Manager brand alongside offerings from Microsoft and Siebel (www.btbroadbandoffice.com) means that it is now being marketed to a wider audience.

First Derivatives plc

Managing Director's statement *(continued)*

Personnel

The company now employs 40 people and has staff based in London, New York and Stockholm. We will continue to source staff in Ireland due to the favourable cost differential vis-a-vis major financial centres. As our staff utilisation rates continue to grow we will be seeking to buy property in lieu of paying for hotels and rented accommodation. As at the balance sheet date we had purchased 2 properties financed by cash and term loans and in the interim period have agreed the purchase of 2 further properties in London. Most of our employees are participating in option schemes which we see as a key driver in retaining staff. Our staff turnover is relatively low which means that we are seeing increasing wage inflation as the average experience increases.

Once again I would like to pay tribute to all FDP employees who almost without exception are hard working, talented, flexible and dedicated. Our customer retention rates are evidence of this.

Financial Review

Our pre-tax profit (2004: £577,000; 2003: £406,000), EBITDA (2004: £810,000; 2003: £435,000) and turnover (2004: £2,679,000; 2003: £1,649,000) were significantly up on last year. This was largely due to increased consultant utilisation and sales commission from partner agreements. Our balance sheet is strong with a cash balance of £848,000 and equity shareholders' funds of £1,698,000. This and our confidence in our ability to generate cash going forward enables us to declare a maiden dividend of 1.1p per share.

Outlook

Our trading in the period since the financial year end indicates a continuing strength in sales. We have increased headcount to take advantage of future business opportunities and to develop product. Our outlook for the year ahead is for trading to continue in line with previous trends and of the further strengthening of our balance sheet. We now have a spread of activities with our recurring revenue stream insulating us against renewed general industry downturn and our interest in the sale of various software products giving us the benefit of considerable potential upside.

Brian Conlon
Managing Director



24 May 2004

First Derivatives plc

Directors and advisers

Directors

R D Anderson – Non-executive chairman*
B G Conlon – Managing director
M G O'Neill – Operations director
M J Chicken – Non-executive director*

Secretary

Richard Fulton

Registered Office

21 Arthur Street
Belfast
BT1 4GA

Auditors

KPMG
Chartered Accountants
Stokes House
17/25 College Square East
Belfast
BT1 6DH

Solicitors

Mills Selig
21 Arthur Street
Belfast
BT1 4GA

Bankers

Bank of Ireland
Trevor Hill
Newry
Co Down
BT34 1DN

Bank of Ireland
Corporate Headquarters
Donegall Place
Belfast
BT1 5LU

Nominated adviser and Stockbroker

Corporate Synergy PLC
12 Nicholas Lane
London
EC4N 7BN

Company registration number

NI 30731

Registrar and Transfer Office

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

* Members of the audit committee and of the remuneration committee.

First Derivatives plc

Directors' report

The directors have pleasure in submitting to the shareholders their annual report and the audited financial statements for the year ended 29 February 2004.

Activities and business review

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

A review of business is given in the chairman's and managing director's statements.

Share capital

At the forthcoming Annual General Meeting, further to the ordinary business to be dealt with, the following resolutions will be considered:

An ordinary resolution, resolution 5, will be proposed to give until the next Annual General Meeting or the date falling 15 months after the passing of the resolution, whichever is the earlier, the directors power to allot relevant securities up to an aggregate nominal amount of £20,000. In addition a further ordinary resolution 6, will be proposed to disapply the statutory pre-emption provisions of Article 99(1) of the Companies (Northern Ireland) Order 1986 in respect of any rights issues, and for cash issues up to an aggregate nominal amount of £6,159 (1,231,782 shares) being 10 per cent of the issued share capital of the company, which power will expire at the conclusion of the next annual general meeting, or the date falling 15 months after the passing of the resolution, whichever is the earlier.

Post balance sheet events

On 4 March 2004 the company exercised its option to purchase 8,058 ordinary shares in Kx Systems Inc. for US\$5.82 per share. Following the exercise of these options, the company owns 1.6% of the share capital of Kx Systems Inc.

Dividend

The directors propose the payment of a dividend of 1.1p per share.

Subject to shareholders' approval, the dividend will be paid on 16 July 2004 to shareholders whose names appear on the register at close of business on 11 June 2004.

First Derivatives plc

Directors' report (*continued*)

Directors and their interests

Directors' beneficial interests in the issued share capital of the company at 29th February 2004 and 28th February 2003 were as follows:

	29th February 2004	28 th February 2003
	Ordinary shares of 0.5 pence each	Ordinary shares of 0.5 pence each
R D Anderson	5,000	5,000
B G Conlon	9,076,600	9,999,000
M G O'Neill	1,040,000	85,000
M J Chicken	-	-

On floatation R D Anderson was granted an option to subscribe for 30,000 ordinary shares at the subscription price of 50p per share. No other director holds any options to purchase shares in the company.

R D Anderson is currently a non-executive chairman or non-executive director of several other companies. He is a non-executive director of Prestbury Holdings plc, an AIM listed company, and has 22 years experience in corporate advisory work.

M J Chicken is a director of Merchant Place Corporate Finance Limited. He is also a director of a number of other companies.

The directors did not have any interest in contracts requiring disclosure under the Companies (Northern Ireland) Order 1986, except for the matters referred to in note 23 to the financial statements.

Substantial shareholdings

At 24 May 2004 the company had received no notification of any interests in 3% or more of the ordinary share capital, other than B G Conlon and M G O'Neill's interests disclosed above.

First Derivatives plc

Directors' report (*continued*)

Going concern

The directors consider that due to the company's strong cash and net asset position, combined with its forecasts for the next twelve months it is appropriate to prepare the financial statements on the going concern basis.

Employees

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

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

Political and charitable donations

During the year the company made charitable donations of £Nil (2003: £Nil).

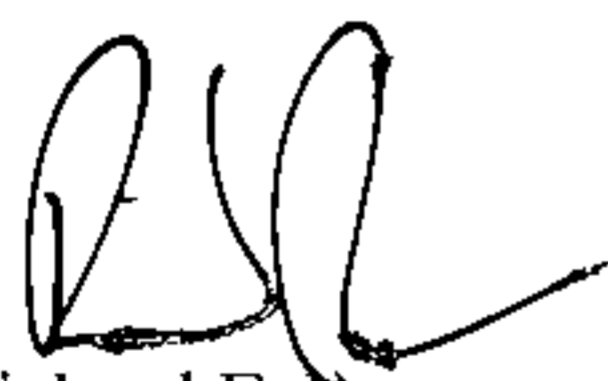
Supplier payment policy

The company does not have a standard code which deals specifically with the payment of suppliers. However, suppliers are made aware of payment terms and how any disputes are to be settled and payment is made in accordance with those terms. At 29 February 2004 the company had 29 days purchases outstanding (28 February 2003: 18 days).

Auditors

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

By order of the board



Richard Fulton
Secretary

24 May 2004

First Derivatives plc

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give, in accordance with applicable Northern Ireland law and accounting standards, a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

First Derivatives plc

Corporate governance

There is no requirement for the directors to report on compliance with the Combined Code on Corporate Governance. The board has, however, considered the revised Combined Code issued this year and in operation for reporting years beginning on or after 1 November 2003. The board fully supports the principles contained in the Combined Code and related guidance and has sought to generally comply with the provisions of this guidance, in as far as it is appropriate given the company's size and structure.

The main features of the company's corporate governance procedures are:

- The board meets on a regular basis and brings independent judgement to bear. It approves budgets, long term plans, significant contracts. There is a formal schedule of matters reserved for decision by the board in place.
- The board has two non-executive directors, both take an active role in board matters.
- The company has an audit committee and a remuneration committee. These committees consist of the non-executive directors with executive directors in attendance when necessary. They have written constitutions and terms of reference.
- The audit committee meets twice each year, prior to the publication of the interim and final results. The auditors attend audit committee meetings.
- The remuneration committee meets annually to determine the remuneration of the board. Levels of remuneration are set in order to attract and retain the directors needed to run the company without paying more than is necessary for this purpose.
- The board of directors recognises its overall responsibility for the company's systems of internal control and for monitoring their effectiveness. All activity is organised within a defined structure with formal lines of responsibility and delegation of authority. The company produces information packs on a weekly and monthly basis. These packs, together with annual budgets, enable the board to monitor operational performance and cash position each month.

First Derivatives plc

Independent auditors' report to the members of First Derivatives plc

We have audited the financial statements on pages 11 to 24.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 8, the financial statements in accordance with applicable Northern Ireland law and accounting standards. Our responsibilities, as independent auditors, are established in Northern Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 29 February 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.



KPMG

*Chartered Accountants
Registered Auditors*

24 May 2004

First Derivatives plc

Profit and loss account
Year ended 29 February 2004

	<i>Note</i>	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
Turnover - continuing operations	2	2,679	1,649
Cost of sales		(1,724)	(1,186)
Gross profit		955	463
Administrative expenses		(497)	(284)
Other income		142	236
Operating profit - continuing operations		600	415
Interest receivable		8	9
Interest payable and other similar charges	4	(31)	(18)
Profit on ordinary activities before taxation	3	577	406
Tax on profit on ordinary activities	5	(165)	(113)
Profit on ordinary activities after taxation		412	293
Retained profit brought forward		600	307
		1,012	600
Dividends	8	(135)	-
Retained profit carried forward		877	600
Earnings per share - basic	9	3.3p	2.4p
- diluted	9	3.3p	2.4p

The company has no recognised gains or losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the company's results as reported and on a historical cost basis. Accordingly no note of historical cost profits and losses has been prepared.

The turnover and operating profit amounts as stated above are derived solely from continuing operations.

The notes on pages 14 to 24 form part of these financial statements.

First Derivatives plc

Balance sheet

Year ended 29 February 2004

		At 29 February 2004		At 28 February 2003	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		720		900
Tangible assets	11		808		313
Fixed asset investment	12		74		-
			<u>1,602</u>		<u>1,213</u>
Current assets					
Debtors	13	606		741	
Cash at bank and in hand		848		555	
		<u>1,454</u>		<u>1,296</u>	
Creditors - amounts falling due within one year	14	(828)		(913)	
			<u>626</u>		<u>383</u>
Net current assets			<u>626</u>		<u>383</u>
Total assets less current liabilities			<u>2,228</u>		<u>1,596</u>
Creditors - amounts falling due after more than one year	15		(523)		(215)
Provisions for liabilities and charges	16		(7)		(5)
			<u>1,698</u>		<u>1,376</u>
Net assets			<u>1,698</u>		<u>1,376</u>
Share capital and reserves					
Called-up share capital	17		62		61
Shares to be issued	18		7		-
Share premium account	18		752		715
Profit and loss account	18		877		600
			<u>1,698</u>		<u>1,376</u>
Equity shareholders' funds	19		<u>1,698</u>		<u>1,376</u>

These financial statements were approved by the board of directors on 24 May 2004.

Brian Conlon
Director

The notes on pages 14 to 24 form part of these financial statements.



First Derivatives plc

Cash flow statement

Year ended 29 February 2004

	<i>Note</i>	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
Cash inflow from operating activities	25	1,065	694
Returns on investment and servicing of finance	26a	(23)	(9)
Taxation	26b	(269)	(170)
Capital expenditure	26c	(481)	(412)
		—	—
Cash inflow before financing		292	103
Financing	26d	1	720
		—	—
Increase in cash in the period		293	823
		=====	--

Reconciliation of net cash flow to movement in net funds/(debt)

Year ended 29 February 2004

	<i>Note</i>	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
Increase in cash in the period		293	823
Decrease in debt		37	7
		—	—
Change in net debt resulting from cash flows	27	330	830
New long term loan		(375)	(237)
		—	—
Movement in net debt in the period		(45)	593
Net debt at start of the period		322	(271)
		—	—
Net funds at end of the period	27	277	322
		=====	--

The notes on pages 14 to 24 form part of these financial statements.

First Derivatives plc

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost accounting rules.

Basis of preparing the financial statements

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

Intangible fixed assets

Intangible fixed assets such as intellectual property rights over software are capitalised where purchased on an arm's length basis. Such assets are amortised over their estimated useful lives, assumed to be 5 years.

Tangible fixed assets

Tangible fixed assets are stated at historical cost, less accumulated depreciation. Depreciation is calculated to write off the original cost less the expected residual value of fixed assets over their anticipated useful lives at the following annual rates:

Motor vehicles	-	25% straight line
Office furniture and equipment	-	25% straight line
Plant and equipment	-	25-50% straight line
Land and buildings	-	2% straight line

Government grants

Government grants are recognised in the profit and loss account so as to match them with the expenditure towards which they are intended to contribute.

Fixed asset investments

Fixed asset investments are stated at cost unless, in the opinion of the Directors, there has been an impairment, in which case an appropriate adjustment is made. For shares acquired on the exercise of an option previously granted to the company, cost includes any in the money element of the option, as calculated at the date the option was granted.

Pension plans

The company operates "Personal Pension Plans" whereby the company agrees to pay, for eligible employees, a defined contribution into the employee's own personal pension scheme. The pension charge represents contributions payable by the company for the period. The company's liability is limited to the amount of the contribution. The liability for meeting future pension payments rests solely with the employee's personal pension scheme.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

First Derivatives plc

Notes (continued)

2 Turnover

Turnover excludes value added tax and represents the fair value of services delivered to customers in the accounting period. Services are deemed to have been delivered to customers when, and to the extent that, the entity has met its obligations under its service contracts.

The directors are of the opinion that disclosure of the analysis of turnover and profit by geographical market would be prejudicial to the interests of the company.

3 Profit on ordinary activities before taxation

	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
Profit on ordinary activities before taxation has been arrived at after charging:		
Depreciation	30	20
Auditors' remuneration - audit	10	10
- tax	10	47
Hire of premises - rentals payable under operating lease	12	14
	<u> </u>	<u> </u>

4 Interest payable and other similar charges

	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
On bank loans and overdrafts	31	3
On other loans	-	4
Other	-	11
	<u> </u>	<u> </u>
	<u>31</u>	<u>18</u>

First Derivatives plc

Notes (continued)

5 Tax on profit on ordinary activities

	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
UK corporation tax for the period	170	136
Adjustments relating to earlier years	(7)	(18)
	<hr/>	<hr/>
Total current tax charge	163	118
Deferred tax (see note 16)	2	(5)
	<hr/>	<hr/>
	165	113
	<hr/> <hr/>	

The basis by which taxation is calculated is stated in Note 1.

The current tax charge for the period is lower (2003: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	577	406
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	173	122
<i>Effects of:</i>		
Expenses not deductible for tax purposes	23	9
Capital allowances for period in excess of depreciation	(3)	5
Other timing differences	1	-
Small companies relief	(24)	-
Adjustments to tax charge in respect of previous periods	(7)	(18)
	<hr/>	<hr/>
Total current tax charge	163	118
	<hr/> <hr/>	

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

First Derivatives plc

Notes (continued)

6 Staff numbers and costs

The average weekly number of persons (including the directors) employed by the company during the year is set out below. The company employed 36 people at the year end (2003: 28).

	Year ended 29 February 2004 Average No.	Year ended 28 February 2003 Average No.
Administration	2	2
Technical	32	25
	<hr/>	<hr/>
	34	27
	<hr/>	<hr/>
Their total remuneration was:	£'000	£'000
Wages and salaries	980	723
Social security costs	98	71
Other pension costs	45	26
	<hr/>	<hr/>
	1,123	820
	<hr/>	<hr/>

7 Emoluments of directors

The remuneration paid to the directors was:

	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
Aggregate emoluments (including benefits in kind)	107	99
Company pension contributions	22	20
	<hr/>	<hr/>
	129	119
	<hr/>	<hr/>

During the period there were 2 directors accruing benefits under a defined contribution pension scheme (28 February 2003: 2).

The aggregate emoluments and company pension contributions of the highest paid director amounted to £55,000 and £5,994 respectively during the year (2003: £55,000 and £4,000 respectively).

First Derivatives plc

Notes (continued)

8 Dividends

	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
Final proposed 1.1p per share	(135)	-

9 Earnings per ordinary share

Basic

The calculation of basic earnings per share is based on the profit on ordinary activities after taxation and before deduction of dividend appropriations in respect of equity shares, namely £412,000 (2003: £293,000). The weighted average number of ordinary shares for the year ended 29 February 2004 and ranking for dividend was 12,302,807 (2003: 12,120,014).

	Year ended 29 February 2004 Pence per share	Year ended 28 February 2003 Pence per share
Basic earnings per share	3.3	2.4

Diluted

The calculation of diluted earnings per share is based on the profit on ordinary activities after taxation and before deduction of dividend appropriations in respect of equity shares, namely £412,000 (2003: £293,000). The weighted average number of ordinary shares for the year ended 29 February 2004 and ranking for dividend was 12,662,866 (2003: 12,214,408).

	Year ended 29 February 2004 Pence per share	Year ended 28 February 2003 Pence per share
Diluted earnings per share	3.3	2.4

10 Intangible fixed assets

	2004 £'000
At 1 March 2003	900
Additions	-
Amortisation	(180)
At 29 February 2004	720

The intangible fixed asset relates to the software asset discussed in note 23.

First Derivatives plc

Notes (continued)

11 Tangible fixed assets

	<i>Land and buildings</i> £'000	<i>Plant and equipment</i> £'000	<i>Office furniture and equipment</i> £'000	<i>Total</i> £'000
Cost				
At 1 March 2003	292	98	25	415
Additions	499	26	-	525
	-----	-----	-----	-----
At 29 February 2004	791	124	25	940
Depreciation				
At 1 March 2003	2	78	22	102
Charged during period	13	15	2	30
	-----	-----	-----	-----
At 29 February 2004	15	93	24	132
Net book value				
At 29 February 2004	776	31	1	808
	-----	-----	-----	-----
At 1 March 2003	290	20	3	313
	=====	=====	=====	=====

The basis by which depreciation is calculated are stated in Note 1.

12 Fixed asset investments

	2004 £'000
Unlisted investments	
At 1 March 2003	-
Additions	74

At 29 February 2004	74

First Derivatives plc

Notes (continued)

13 Debtors

	29 February 2004 £'000	28 February 2003 £'000
Trade debtors	455	470
Sundry debtors	60	255
Prepayments	49	16
Amounts due from related undertaking	42	-
	<hr/>	<hr/>
	606	741
	<hr/> <hr/>	

14 Creditors - amounts falling due within one year

	29 February 2004 £'000	28 February 2003 £'000
Trade creditors	135	59
Other taxation and social security	82	24
Accruals and deferred income	89	59
Corporation tax	205	311
Other creditors	134	111
Other loans	48	18
Capital creditor due to related undertaking	-	331
Dividend proposed	135	-
	<hr/>	<hr/>
	828	913
	<hr/> <hr/>	

15 Creditors - amounts falling due after more than one year

	29 February 2004 £'000	28 February 2003 £'000
Loan	523	215
	<hr/> <hr/>	

Analysis of debt:

Debt can be analysed as falling due:

In one year or less	48	18
Between one and two years	51	19
Between two and five years	177	68
In five years or more	295	128
	<hr/>	<hr/>
	571	233

The company has two separate loans, taken out to fund the acquisition of two apartments in London. The loans are secured on these two properties. A debenture is also in place over the company's assets and undertaking (excluding uncollected capital). Interest of 2% above LIBOR is charged on the company's first loan which has an outstanding balance of £216,000. Interest of 1.75% above the Bank of Ireland's Northern Ireland base rate is charged on the company's second loan which has an outstanding balance of £355,000.

First Derivatives plc

Notes (continued)

16 Provisions for liabilities and charges

	29 February 2004 £'000	28 February 2003 £'000
Deferred taxation		
At beginning of period	5	10
Charge/(release) for the period (see note 5)	2	(5)
	<hr/>	<hr/>
At end of period	7	5
	<hr/> <hr/>	<hr/>

The basis by which taxation is calculated is stated in Note 1. There is no unprovided deferred tax.

The elements of deferred taxation are as follows:

	29 February 2004 £'000	28 February 2003 £'000
Difference between accumulated depreciation and amortisation and capital allowances	8	5
Other timing differences	(1)	-
	<hr/>	<hr/>
Deferred tax liability	7	5
	<hr/> <hr/>	<hr/>

17 Share capital

	29 February 2004		28 February 2003	
	Number	£'000	Number	£'000
Equity shares				
<i>Authorised</i>				
Ordinary shares of 0.5pence each	20,000,000	100	20,000,000	100
	<hr/> <hr/>	<hr/>	<hr/>	<hr/>
<i>Issued, allotted and fully paid</i>				
Ordinary shares of 0.5pence each	12,317,825	62	12,296,158	61
	<hr/> <hr/>	<hr/>	<hr/>	<hr/>

Options have been granted as set out below under the company's two share option schemes which are open to all directors and employees of the company. The options are subject to performance conditions as set by the company prior to the grant of the option, and are exercisable following the satisfaction of the performance criteria for a period not exceeding 10 years.

Options granted are as follows:

<i>Number of shares under option at 28 February 2003</i>				<i>Number of shares under option at</i>	<i>Exercise price</i>
	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>29 February 2004</i>	
355,000	-	(10,000)	(80,000)	265,000	0.265
386,000	-	-	(140,000)	246,000	0.510
-	375,000	-	-	375,000	0.530
270,000	-	(11,667)	(188,333)	70,000	0.400

First Derivatives plc

Notes (continued)

18 Share premium and reserves

	Shares to be issued	Share premium account £'000	Profit and loss account £'000
At beginning of year	-	715	600
Retained profit for the period		-	412
Premium on share issues		7	-
Share issue expenses		30	-
In the money element of options accrued	7	-	-
Dividend proposed	-	-	(135)
	<hr/>	<hr/>	<hr/>
At end of year	7	752	877

19 Equity shareholders' funds

	29 February 2004 £'000	28 February 2003 £'000
Profit for the financial year	412	293
Dividend proposed	(135)	-
Net proceeds on issue of share capital	8	726
Shares to be issued	7	-
Share issue expenses	30	-
	<hr/>	<hr/>
Increase in shareholders' funds	322	1,019
Opening shareholders' funds	1,376	357
	<hr/>	<hr/>
Closing shareholders' funds	1,698	1,376
	<hr/> <hr/>	<hr/> <hr/>

20 Commitments and contingencies

There were no capital commitments at either period end, with the exception of the contingent commitment to make additional payments under a software purchase agreement (note 23).

21 Leasing commitments

Annual commitments under non-cancellable operating leases are as follows:

	29 February 2004 Land and buildings £'000	28 February 2003 Land and buildings £'000
Operating leases which expire: In the second to fifth years inclusive	12	12
	<hr/> <hr/>	<hr/> <hr/>

First Derivatives plc

Notes (continued)

22 Contingent liabilities

Contingent liabilities exist in respect of grants received by the company, whereby, in the event of the company failing to meet one or more of the conditions contained in the letters of offer to the company, the company would be liable to repay grant.

23 Related party transactions

Brian Conlon is a shareholder of e-hub.com Limited. During the period the company traded with e-hub.com Limited on a normal commercial basis resulting in sales of £73,094 (2003: £228,760). The amount due by e-hub.com Limited to the company at 29 February 2004 amounted to £37,542 (2003: £Nil).

Included within capital creditors is an amount due to e-hub.com Limited of £Nil (2003: £331,000).

Purchases on a normal commercial basis from e-hub.com Limited amounted to £4,700. During the prior year the company purchased a software asset from e-hub.com Limited for a minimum consideration of £900,000. Of this total consideration £550,000 was offset against a debtor balance owed by e-hub.com Limited. Under the purchase agreement, commission payments will be paid, at a rate of 20% of future sales, above £1,000,000, of the software to e-hub.com Limited up to a maximum of £1,100,000. The amount so paid in the current year was £Nil (2003: Nil). This transaction was approved by the shareholders at an extraordinary general meeting. The amount owed to e-hub.com Limited at 29 February 2004 amounted to £16,225 (2003: £330,947).

Brian Conlon is the majority shareholder in k-hub Limited. During the period the company traded with k-hub on a normal commercial basis. The amount due from k-hub to the company at 29 February 2004 amounted to £20,933 (2003: £52,933).

The company is charged rent annually for the use of apartments owned by the managing director, located in Kensington, London. The charge incurred during the financial year amounted to £22,400 (2003: £14,500). Deposits of £26,400 have been paid to Brian Conlon in respect of these apartments.

24 Ultimate controlling party

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

25 Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
Operating profit	600	415
Depreciation on tangible fixed assets	30	20
Amortisation of intangible asset	180	-
Decrease in debtors	60	224
Increase in creditors	188	35
Issue of in the money share options	7	-
	<hr/>	<hr/>
Net cash inflow from operating activities	1,065	694
	<hr/> <hr/>	<hr/> <hr/>

First Derivatives plc

Notes (continued)

26 Analysis of cash flows for headings in the cash flow statement

	Year ended 29 February 2004 £'000	Year ended 28 February 2003 £'000
a) Returns on investment and servicing of finance		
Interest paid	(31)	(18)
Interest received	8	9
	-----	-----
Net cash inflow from returns on investment and servicing of finance	(23)	(9)
	=====	-----
b) Taxation		
Corporation tax paid	(269)	(170)
	=====	-----
c) Capital expenditure		
Purchase of tangible fixed assets	(481)	(412)
	=====	-----
d) Financing		
Repayment of long term loan	(37)	(5)
Issue of share capital	38	725
	-----	-----
	1	720
	=====	-----

27 Analysis of changes in net debt during the period

	Cash in hand £	Bank overdrafts £	Debt due within one year £	Debt due after one year £	Total £
Balance at 1 April 2002	-	(268)	(3)	-	(271)
Cash flow	555	268	7	-	830
Other non cash change	-	-	(22)	(215)	(237)
	-----	-----	-----	-----	-----
Balance at 1 April 2003	555	-	(18)	(215)	322
Cash flow	293	-	37	-	330
Other non cash change	-	-	(67)	(308)	(375)
	-----	-----	-----	-----	-----
Balance at 29 February 2004	848	-	(48)	(523)	277

First Derivatives plc

Notice of Annual General Meeting

Notice is hereby given that the Ninth Annual General Meeting of First Derivatives plc ("the company") will be held at the offices of Mills Selig, 21 Arthur Street, Belfast, BT1 6DH on Thursday, 15 July 2004 at 11.30am for the following purposes.

Ordinary business

- 1 That the directors' report, statement of accounts and independent auditor's report for the year ended 29 February 2004 be received and approved.
- 2 That a dividend of 1.1p per share be declared for the year ended 29 February 2004.
- 3 To re-elect Michael G O'Neill as a director of the company in accordance with Article 115 of the Articles of Association of the company.
- 4 To re-appoint KPMG as auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company at a remuneration to be fixed by the directors.
- 5 That in substitution for all existing and unexercised authorities, the directors of the company be and they are hereby generally and unconditionally authorised pursuant to Article 90 of the Companies (Northern Ireland) Order 1986 (the "Order") to allot relevant securities (as defined in the Article) up to an aggregate nominal amount of £20,000, such authority to expire on the earlier of the date falling 15 months after the date of passing of this resolution, and the next Annual General Meeting of the company, whichever is the later, but so that the company may, before such expiry, make an offer or agreement which could or might require relevant securities in pursuance of any such offer or agreement as if such authority has not expired.
- 6 That in substitution for all existing and unexercised authorities and subject to the passing of the immediately preceding resolution, the directors of the company be and they are hereby empowered pursuant to Article 105 of the Order to allot equity securities pursuant to the authority conferred by the preceding resolution as if Article 99(1) of the Order did not apply to any such allotment provided that the power conferred by the resolution, unless previously revoked or varied by special resolution of the company in general meeting, shall be limited:
 - (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them subject only to such exclusions or other arrangements as the directors of the company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory, and;

First Derivatives plc

Notice of Annual General Meeting

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £6,159 representing 10% of the current issued share capital of the company;

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

By order of the Board


Richard Fulton
Secretary

Registered Office:
21 Arthur Street
Belfast
BT1 4GA

24 May 2004

Notes

- 1 A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the company.
- 2 A proxy form is enclosed with this notice. Proxies must be lodged at the office of the company, Kilmorey Business Park, Kilmorey Street, Newry, BT34 2DH, not less than 48 hours before the time of the meeting.
- 3 The completion and return of a proxy will not prevent a member from attending and voting in person at the meeting if so desired.
- 4 To be entitled to attend and vote at all the annual general meetings (and for the purpose of determination by the company of the number of votes they may cast), members must be entered in the Companies Register of Members by 11 June 2004.
- 5 Copies of the executive directors service contracts of service together with the engagement letters of the non-executive directors are available the register of directors (and their families) interest in the share capital of the company and the Memorandum and Articles of Association for inspection at the registered office of the company during usual business hours, and will be available for inspection at the Annual General Meeting from 11.15 am until the conclusion of the meeting.

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