

# First Derivatives plc

## Financial statements

For the year ended 28 February 2007

Company registration number: NI 30731

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# First Derivatives plc

## Chairman's statement

2006/2007 has seen another year of growth for the company. I am pleased to report that the pre-tax profit for the year ended 28 February 2007 was £2.555 million compared with £1.486 million in the previous year, an increase of 72%.

Turnover for the year was £9.332 million up from £6.313 million and earnings before interest, tax, depreciation and amortisation was £2.960 million compared with £1.865 million in the previous year, an increase of 59%.

Earnings per share increased by 85% from 8.1p to 15.0p. The Board is recommending a final dividend per share for the year of 3.6p which together with the interim dividend of 1.4p per share paid in September 2006 totals 5.0p and is covered approximately 3 times by earnings.

There has been a further increase in our Capital Markets Activity which has continued to benefit from the relationship with KX Systems. We have added further new clients during the course of the year and as I mentioned in my interim statement we have expanded our geographical reach.

We have worked with KX Systems since 1998 and the sales and support of its database technology to the banking sector has again represented a significant part of our continuing business.

The company has so far developed 7 software packages which are in the early stages of market exploitation with revenues expected to start showing through in 2008/09. These products exploit the KX Systems software and will be marketed to our existing KX customer base during the course of 2007.

The e-business activity has again continued at a low level during the year.

During the year the number of employees rose from 66 to 89. The company is a people business and its prospects for future growth will be influenced by the quality of its management team and the expertise of its personnel. During the year the company introduced its Capital Markets Training Programme. This is a two year training programme which has been developed to ensure that the company has suitably trained and experienced personnel as it continues to grow.

The company continues to generate significant cash flow from operations and has made further acquisitions during the year of residential properties to accommodate staff supporting contracts in London and New York. At the year end the company owned 18 such properties with a written down book value of £8.080 million. These were valued at that date by Digney Boyds at £9.851 million, a surplus of £1.771 million. The revaluation has not been incorporated in the financial statements.

The company's shares have been traded on the AIM market since its flotation in March 2002. During the last financial year your board has noted a significant increase in the number of shareholders resident in the Republic of Ireland. To reflect this we are delighted to announce our intention to seek admission of the company's ordinary shares to trading on the IEX market of the Irish Stock Exchange which will further increase First Derivatives' profile amongst the financial community and increase the liquidity in the trading of our shares. This will be complimentary to AIM and will also provide a euro denominated quote for the shares. Goodbody stockbrokers is acting as IEX Adviser and Broker to First Derivatives in respect of the admission. It is anticipated that the listing will be obtained following the company's Annual General Meeting to be held on Thursday, 7 June 2007.

# First Derivatives plc

## Chairman's statement (*continued*)

Since the year end the company has signed further KX Systems contracts and has seen further increases in its Capital markets activity. Whilst it is too early to predict the outcome for the full year the company expects continued growth in the first half of the year.

David Anderson  
Chairman

9 May 2007

# First Derivatives plc

## Managing director's statement

First Derivatives plc ("FDP") continues to operate primarily in the capital markets sector and major financial institutions continue to invest heavily in technology. However the competitive landscape is proving challenging as many large banks seek to move their operations to low cost centres such as India. We are investing heavily in improving the skills of our consultants and in software development in order to provide a premium offering to our clients.

### **Review of activities**

First Derivatives now effectively operates as 3 profit centres. Personnel can easily transfer from one profit centre to another. Capital Markets and KX Systems sales contributes the vast majority of our current turnover and profitability but a number of our R&D initiatives in our product development centre are on the verge of commercial exploitation. We are currently operating at effectively 100% utilisation of staff and have plans to increase our headcount significantly in the coming year. We have significantly broadened our customer base and provided services last year to 36 different investment banks, hedge funds, Specialised Investment Vehicles and Derivative Product Companies. Whilst London and New York remain our primary centres of activities we currently have staff on assignments in London, Dublin, New York, Los Angeles, Singapore, Sydney, Munich, Frankfurt and Stockholm.

Capital Markets – FDP provides highly skilled resources to the capital markets in the areas of consulting, support and development services. We have ongoing contracts with 7 of the largest banks in the world working across a range of asset classes including credit, interest rate, FX and equity cash and derivatives markets. We also have a number of nearshore contracts with large banks which involve providing remote support services from our offices in Newry. This and other recurring revenues accounts for about 70% of our income.

KX Systems Sales – FDP continues to provide sales and marketing support for all industry sectors (excluding insurance) to KX Systems on a worldwide basis. Their products have gained significant traction in the past few years and the KX Systems website lists organisations such as JP Morgan, Merrill Lynch, Lehman Brothers, Deutsche Bank and Dresdner as users. We derive revenue from sales commission, support contracts, training and consulting. We also exercised further options to buy shares in KX Systems and now have a 3% holding in the company. We continue to build our portfolio of alliances with other non-competing software vendors and are currently working with 3 other software vendors.

Product Development – this profit centre is still in the process of developing a number of products, primarily for the use of customers of KX Systems. A number of these products are currently in an alpha testing stage and we are ramping up our sales and marketing efforts. No significant revenue will accrue from this division until financial year 2008/2009 but it has potential to add significantly to the company's profitability.

### **Personnel**

The company now employs almost 90 people. We have recruited 3 senior personnel to help us to drive strategic initiatives and make the transition to a larger organisation. We have developed and are implementing a Capital Markets Training Programme to enhance the skills and marketability of our personnel and to help differentiate us from our competition. Many of our employees are participating in options 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 experience profile of staff changes.

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.

# First Derivatives plc

## Managing director's statement (*continued*)

### **Property portfolio**

As the number of staff working on-site in the major financial centres increases we will continue to buy property in lieu of paying for hotels and rented accommodation. As at the balance sheet date we had purchased 15 properties in the UK and 3 properties in New York financed by cash and term loans. The market value of the UK portfolio has been boosted by the recent strength of the UK residential property market.

### **Financial review and key performance indicators (“KPIs”)**

In line with the company's on-going strategic development, the Board continues to monitor the most relevant KPIs (turnover, profitability and cash) as noted in the paragraph below.

Our pre-tax profit (2007: £2,555,000; 2006: £1,486,000), EBITDA (2007: £2,960,000; 2006: £1,865,000) and turnover (2007: £9,332,000; 2006: £6,313,000) were significantly up on last year. This was largely due to increased consultant utilisation and sales commission from partner agreements. Our operating margins increased to 28.4% from 25.2%. Our balance sheet is strong with a cash balance of £356,000 and equity shareholders' funds of £4,915,000. This and our confidence in our ability to generate cash going forward enables us to declare a final dividend of 3.6p per share which means that we have paid a total dividend of 5.0p per share for the full year.

### **Outlook**

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

Brian Conlon  
*Managing director*

9 May 2007

# First Derivatives plc

## Directors and advisers

<b>Directors</b>	R D Anderson – Non-executive chairman*	
	B G Conlon – Managing director	
	M G O'Neill – Operations director	
	A Toner – Non-executive director*	
<b>Secretary</b>	John F Gibbons LLB	
<b>Registered office</b>	40 Church Lane Belfast BT1 4FR	
<b>Auditors</b>	KPMG Chartered Accountants Stokes House 17/25 College Square East Belfast BT1 6DH	
<b>Solicitors</b>	Mills Selig 21 Arthur Street Belfast BT1 4GA	
<b>Bankers</b>	Bank of Ireland Trevor Hill Newry Co Down BT34 1DN	Bank of Ireland Corporate Headquarters Donegall Place Belfast BT1 5LU
<b>Nominated adviser and Stockbroker</b>	Blue Oar Securities Plc 30 Old Broad Street London EC2N 1HT	
<b>Company registration number</b>	NI 30731	
<b>Registrar and Transfer Office</b>	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 2007.

### **Results and dividend**

The company's profit after taxation attributable to the shareholders for the year to 28 February 2007 was £1,921,000 (2006: £1,018,000).

The directors propose the payment of a final dividend of 3.6p per share (2006: 3.0p) which, together with the interim dividend of 1.4p per share, totals 5.0p per share. The final dividend has not been included in creditors as it was not approved before the year end.

Dividends paid during the year comprise of a final dividend of 3.0p per share in respect of the prior year ended 28 February 2006 and an interim dividend of 1.4p per share for the year ended 28 February 2007.

Subject to shareholders' approval, the dividend will be paid on 2 July 2007 to shareholders whose names appear on the register at close of business on 8 June 2007.

### **Principal activities and review of the business**

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

### ***Principal risks and uncertainties***

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

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

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

### ***Employees***

The company's performance depends largely on its staff. The resignation of key individuals and the inability to recruit people with the right experience and skills from the local community could adversely impact the company's results. To mitigate these issues the company operates tailored training programs in addition to offering share options as a retention tool for key employees. We plan to significantly increase our headcount in the forthcoming year.

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

# First Derivatives plc

## Directors' report (*continued*)

### *Financial risk management*

The company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risk. Its policy is to finance working capital and the acquisitions of tangible fixed assets through retained earnings and through borrowings at prevailing market interest rates.

The company does not use hedge accounting. The company's exposure to the price risk of financial instruments is therefore minimal. The company's main cash flow risk, credit and liquidity risks are those associated with selling on credit. This is managed through credit control procedures. As the counter party to all other financial instruments is its bankers, it is also exposed to minimal credit and liquidity risks in respect of the instruments.

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.

### **Post balance sheet events**

Subsequent to the year end the company purchased an apartment in New York for US\$1,250,000 and two properties in London totalling £1,020,000.

### **Tangible fixed assets**

The details of tangible fixed assets are given in note 12 of the financial statements.

### **Directors and their interests**

Directors beneficial interests in the issued share capital of the company at 28 February 2007 and 28 February 2006 were as follows:

	<b>2007</b>	2006
	<b>Ordinary shares of 0.5 pence each</b>	Ordinary shares of 0.5 pence each
R D Anderson (Non-executive director)	<b>128,800</b>	69,300
B G Conlon (Executive director)	<b>9,076,600</b>	9,076,600
M G O'Neill (Executive director)	<b>1,040,000</b>	1,040,000
A Toner (Non-executive director)	<b>18,444</b>	10,000

R D Anderson is currently a non-executive director of several other companies. He is a non-executive director of Prestbury Holdings plc, an AIM listed company, and has 25 years experience in corporate advisory work.

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

The directors did not have any interest in contracts requiring disclosure under the Companies (Northern Ireland) Order 1986, except for the matters referred to in note 25 to the financial statements.

# First Derivatives plc

## Directors' report (*continued*)

### **Substantial shareholdings**

At 9 May 2007 the company had received no notification of any interests in 3% or more of the ordinary share capital, other than B G Conlon and M G O'Neill's interests disclosed above.

### **Research and development**

The company was not involved in any research and development activities during the year other than the development of certain products primarily for the use of customers of KX Systems. These costs have not been capitalised.

### **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 political and charitable donations of £Nil (2006: £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 28 February 2007 the company had 29 days purchases outstanding (28 February 2006: 65 days).

### **Disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are 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 auditors are aware of that information.

### **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

John F Gibbons  
*Secretary*

9 May 2007

# First Derivatives plc

## Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law).

The financial statements are required by law to give 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 these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies (Northern Ireland) Order 1986. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

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

# First Derivatives plc

## Corporate governance

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

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

## Independent auditors' report to the members of First Derivatives plc

We have audited the financial statements of First Derivatives plc for the year ended 28 February 2007 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Total Recognised Gains and Losses, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities on page 9, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

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

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

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

### **Basis of audit opinion**

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

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

## Independent auditors' report to the members of First Derivatives plc

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986; and
- the information given in the directors' report is consistent with the financial statements.

### **KPMG**

*Chartered Accountants  
Registered Auditors  
Stokes House  
17/25 College Square East  
Belfast*

9 May 2007

# First Derivatives plc

## Profit and loss account Year ended 28 February 2007

	<i>Note</i>	<b>2007</b>	2006
		<b>£'000</b>	Restated £'000
<b>Turnover</b> - continuing operations	2	<b>9,332</b>	6,313
Cost of sales		<b>(6,137)</b>	(4,010)
<b>Gross profit</b>		<b>3,195</b>	2,303
Administrative expenses		<b>(696)</b>	(812)
Other income		<b>154</b>	101
<b>Operating profit</b> - continuing operations		<b>2,653</b>	1,592
Interest receivable		<b>36</b>	7
Interest payable and other similar charges	5	<b>(134)</b>	(113)
<b>Profit on ordinary activities before taxation</b>	3	<b>2,555</b>	1,486
Tax on profit on ordinary activities	6	<b>(634)</b>	(468)
<b>Profit for the financial year</b>	19	<b>1,921</b>	1,018
<b>Earnings per share</b>			
<b>- basic</b>	<i>10a</i>	<b>15.0p</b>	8.1p
<b>- diluted</b>	<i>10a</i>	<b>14.0p</b>	7.9p

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historic cost equivalents. 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 17 to 32 form part of these financial statements.

# First Derivatives plc

## Balance sheet

Year ended 28 February 2007

		2007		2006 Restated	
	Note	£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	11		180		360
Tangible assets	12		8,088		3,238
Investment in associates	13		111		90
Other investments	13		210		111
			<u>8,589</u>		<u>3,799</u>
<b>Current assets</b>					
Debtors	14	2,562		2,251	
Cash at bank and in hand		356		1,061	
		<u>2,918</u>		<u>3,312</u>	
<b>Creditors</b> - amounts falling due within one year	15	(3,754)		(2,082)	
		<u>(3,754)</u>		<u>(2,082)</u>	
<b>Net current (liabilities)/assets</b>			<u>(836)</u>		<u>1,230</u>
<b>Total assets less current liabilities</b>			<u>7,753</u>		<u>5,029</u>
<b>Creditors</b> - amounts falling due after more than one year	16		(2,838)		(1,717)
<b>Provisions for liabilities and charges</b>	17		-		-
			<u>-</u>		<u>-</u>
<b>Net assets</b>			<u>4,915</u>		<u>3,312</u>
<b>Share capital and reserves</b>					
Called-up share capital	18		65		64
Shares to be issued	19		186		55
Share premium account	19		1,020		910
Profit and loss account	19		3,644		2,283
			<u>4,915</u>		<u>3,312</u>
<b>Shareholders' funds</b>	20		<u>4,915</u>		<u>3,312</u>

These financial statements were approved by the board of directors on 9 May 2007.

Brian Conlon  
Director

The notes on pages 17 to 32 form part of these financial statements.

# First Derivatives plc

## Statement of total recognised gains and losses

*Year ended 28 February 2007*

	<b>2007</b>	2006
	<b>£'000</b>	Restated £'000
Profit for the financial year	<b>1,921</b>	1,018
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial year	<b>1,921</b>	1,018
		<hr/> <hr/>
Prior year adjustment (note 4)	<b>(51)</b>	
	<hr/>	
Total gains and losses recognised since last annual report	<b>1,870</b>	
	<hr/> <hr/>	

The notes on pages 17 to 32 form part of these financial statements.

# First Derivatives plc

## Cash flow statement

Year ended 28 February 2007

	<i>Note</i>	<b>2007</b>	2006
		<b>£'000</b>	Restated £'000
<b>Cash inflow from operating activities</b>	27	<b>3,229</b>	1,606
Returns on investment and servicing of finance	28a	<b>(98)</b>	(106)
Taxation	28b	<b>(456)</b>	(232)
Capital expenditure	28c	<b>(5,097)</b>	(1,389)
Equity dividends paid		<b>(560)</b>	(181)
		<hr/>	<hr/>
<b>Cash inflow before financing</b>		<b>(2,982)</b>	(302)
Financing	28d	<b>2,277</b>	574
		<hr/>	<hr/>
<b>(Decrease)/increase in cash in the year</b>		<b>(705)</b>	272
		<hr/> <hr/>	<hr/> <hr/>

## Reconciliation of net cash flow to movement in net debt

Year ended 28 February 2007

	<i>Note</i>	<b>2007</b>	2006
		<b>£'000</b>	£'000
(Decrease)/increase in cash in the year		<b>(705)</b>	272
Decrease in debt		<b>(2,166)</b>	(447)
		<hr/>	<hr/>
Change in net debt resulting from cash flows	29	<b>(2,871)</b>	(175)
		<hr/>	<hr/>
<b>Movement in net debt in the year</b>		<b>(2,871)</b>	(175)
<b>Net debt at start of the year</b>		<b>(796)</b>	(621)
		<hr/>	<hr/>
<b>Net debt at end of the year</b>	29	<b>(3,667)</b>	(796)
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 17 to 32 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 financial statements, except as noted below.

In these financial statements the following new standards has been adopted for the first time:

- FRS 20 'Share-based payments'

The effect of adopting this standard in the current year is explained in note 4.

#### ***Basis of preparing the financial statements***

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

#### ***Share-based payments***

The share option programme allows employees to acquire shares of the company based on a non-market condition. 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 option pricing 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.

#### ***Intangible fixed assets***

Intangible fixed assets comprise intellectual property rights over software and are capitalised where purchased on an arm's length basis. Such assets are amortised over their estimated useful lives, estimated to be 5 years and are reviewed for impairment only if there is some indication that an impairment may have occurred.

#### ***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 tangible 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
Buildings	-	2% straight line

Tangible fixed assets are reviewed for impairment only if there is some indication that an impairment may have occurred.

#### ***Fixed asset investments***

Investments in associates are stated at cost unless, in the opinion of the directors, there has been an impairment, in which case an appropriate adjustment is made.

Other investments, relating to shares acquired on the exercise of options previously granted to the company in return for services include any in the money element of the option as calculated at the date the option was granted. These have been accounted for as a share based payment. The fair value of this in the money element of the option received is held as a current asset until the option has been exercised. Fixed asset investments are reviewed for impairment only if there is some indication that an impairment may have occurred. Additional information required to illustrate the impact of equity accounting for this investment is provided in the notes to the accounts.

# First Derivatives plc

Notes (*continued*)

## 1 Accounting policies (*continued*)

### ***Research and development***

All research and development expenditure is written off in the period in which it is incurred.

### ***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.

### ***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at the balance sheet rate or the contracted rate and the exchange differences are dealt with in the profit and loss account.

### ***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.

### ***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.

## 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. Credit for enterprise software licence revenue is deferred and released over the period of the licence on a straight line basis. Share options received in lieu of services are recorded in turnover at the fair value of the services provided.

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

# First Derivatives plc

Notes (continued)

## 3 Profit on ordinary activities before taxation

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Profit on ordinary activities before taxation has been arrived at after charging/(crediting):		
Depreciation	<b>127</b>	93
Amortisation	<b>180</b>	180
Auditors' remuneration - audit	<b>19</b>	18
- other services (taxation)	<b>7</b>	7
Hire of premises - rentals payable under operating lease	<b>17</b>	15
Grants received	<b>(147)</b>	(85)
	<b>=====</b>	<b>=====</b>

## 4 Prior year adjustment

The adoption of FRS 20 'Share-based payments', has given rise to a prior year adjustment in the current year. The company adopted FRS 20 'Share-based payments' effective for accounting periods beginning on or after 1 January 2006 in the current year. This standard requires that a value be attributed to share-based payments and that this be charged to the profit and loss account. The effect of this change has necessitated a prior year adjustment in the form of a charge to the profit and loss account of £50,758 in 2006.

The adjustment reduced the previously reported retained profit for the year ended 28 February 2006 by £50,758. The impact in the current year is a charge of £131,000 to the profit and loss account and a corresponding increase in the "shares to be issued" reserve.

The effect on the company balance at 28 February 2006 was as follows:

	<b>Change in accounting policy £'000</b>	<b>Total £'000</b>
<i>Capital and reserves</i>		
Profit and loss account overstated	<b>(51)</b>	<b>(51)</b>
Shares to be issued understated	<b>51</b>	<b>51</b>
	<b>-----</b>	<b>-----</b>
	<b>-</b>	<b>-</b>
	<b>=====</b>	<b>=====</b>

## 5 Interest payable and other similar charges

	<b>2007</b>	2006
	<b>£'000</b>	£'000
On bank loans	<b>134</b>	113
	<b>=====</b>	<b>=====</b>

# First Derivatives plc

Notes (continued)

## 6 Tax on profit on ordinary activities

	2007 £'000	2006 £'000
UK corporation tax for the period	719	492
Adjustments relating to earlier years	(82)	-
	<hr/>	<hr/>
<b>Total current tax charge</b>	<b>637</b>	492
<i>Deferred tax</i>		
Origination/reversal of timing differences	(11)	(24)
Adjustment in respect of previous year	8	-
	<hr/>	<hr/>
	<b>634</b>	468
	<hr/> <hr/>	<hr/> <hr/>

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

The current tax charge for the period is lower (2006: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2007 £'000	2006 Restated £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,555	1,486
	<hr/>	<hr/>
Current tax at 30% (2006: 30%)	766	446
<i>Effects of:</i>		
Expenses not deductible for tax purposes	34	44
Capital allowances for period in excess of depreciation	8	9
Other differences	88	44
Small companies relief	-	-
Relief on share options exercised	(177)	(70)
Timing of pension contributions	-	19
Adjustments relating to earlier years	(82)	-
	<hr/>	<hr/>
<b>Total current tax charge</b>	<b>637</b>	492
	<hr/> <hr/>	<hr/> <hr/>

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

# First Derivatives plc

Notes (continued)

## 7 Staff numbers and costs

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

	<b>2007</b> <b>Average No.</b>	2006 Average No.
Administration	<b>1</b>	1
Technical	<b>85</b>	57
	<hr/>	<hr/>
	<b>86</b>	58
	<hr/>	<hr/>
Their total remuneration was:	<b>£'000</b>	£'000
Wages and salaries	<b>3,510</b>	2,133
Social security costs	<b>425</b>	226
Other pension costs	<b>85</b>	70
Share based payment	<b>131</b>	51
	<hr/>	<hr/>
	<b>4,151</b>	2,480
	<hr/>	<hr/>

## 8 Emoluments of directors

The remuneration paid to the directors was:

	<b>2007</b> <b>£'000</b>	2006 £'000
Aggregate emoluments (including benefits in kind)	<b>195</b>	187
Company pension contributions	<b>21</b>	27
	<hr/>	<hr/>
	<b>216</b>	214
	<hr/>	<hr/>

During the period there were 2 directors accruing benefits under a defined contribution pension scheme (29 February 2005: 2).

The aggregate emoluments and company pension contributions of the highest paid director amounted to £80,000 and £16,056 respectively during the year (2006: £84,133 and £20,135 respectively).

# First Derivatives plc

Notes (continued)

## 9 Dividends

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Final dividend relating to the prior year	<b>381</b>	181
Interim dividend paid	<b>179</b>	-
	<hr/>	<hr/>
	<b>560</b>	181
	<hr/> <hr/>	<hr/> <hr/>

The final dividend relating to the prior year amounted to 3.0 pence per share and the interim dividend paid during the year amounted to 1.4 pence per share. A final dividend of 3.6p has been proposed. This has not been included in creditors as it was not approved before the year end.

## 10 (a) 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 £1,921,000 (2006: £1,018,000). The weighted average number of ordinary shares for the year ended 28 February 2007 and ranking for dividend was 12,771,232 (2006: 12,494,139).

	<b>2007</b>	2006
	<b>Pence per share</b>	Restated Pence per share
Basic earnings per share	<b>15.0</b>	8.1
	<hr/> <hr/>	<hr/> <hr/>

### *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 £1,921,000 (2006: £1,018,000). The weighted average number of ordinary shares for the year ended 28 February 2007 and ranking for dividend was 13,719,224 (2006: 12,875,893). Weighted average number of shares has been increased by 843,331 to reflect the shares under option disclosed in note 18 and adjusted for the related FRS 20, share based payment charge.

	<b>2007</b>	2006
	<b>Pence per share</b>	Restated Pence per share
Diluted earnings per share	<b>14.0</b>	7.9
	<hr/> <hr/>	<hr/> <hr/>

# First Derivatives plc

Notes (continued)

## 10 (b) Adjusted earnings per ordinary share

Adjusted earnings per share are based on profit before taxation of £2,555,000 (2006: £1,486,000). The number of shares used in this calculation is consistent with note 9(a) above.

	<b>2007</b>	2006
	<b>Pence per share</b>	Pence per share
Basic adjusted earnings per ordinary share	<b>20.0</b>	11.9
Diluted adjusted earnings per ordinary share	<b>18.6</b>	11.5
	<u>          </u>	<u>          </u>

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

	<b>2007</b>	2006
	<b>Pence per share</b>	Pence per share
Basic earnings per share	<b>15.0</b>	8.1
Impact of taxation charge	<b>5.0</b>	3.8
	<u>          </u>	<u>          </u>
Adjusted basic earnings per share	<b>20.0</b>	11.9
	<u>          </u>	<u>          </u>
Diluted earnings per share	<b>14.0</b>	7.9
Impact of taxation charge	<b>4.6</b>	3.6
	<u>          </u>	<u>          </u>
Adjusted diluted earnings per share	<b>18.6</b>	11.5
	<u>          </u>	<u>          </u>

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

## 11 Intangible fixed assets

	<b>2007</b>
	<b>£'000</b>
At 1 March 2006	<b>360</b>
Additions	-
Amortisation	<b>(180)</b>
	<u>          </u>
<b>At 28 February 2007</b>	<b>180</b>
	<u>          </u>

The intangible fixed asset relates to a software asset used in the company's trading activities. The cost of this investment was £900,000 and accumulated amortisation is £720,000 (2006: £540,000).

# First Derivatives plc

Notes (continued)

## 12 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
<b>Cost</b>				
At 1 March 2006	3,301	206	25	3,532
Additions	4,964	13	-	4,977
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 28 February 2007</b>	<b>8,265</b>	<b>219</b>	<b>25</b>	<b>8,509</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 March 2006	100	170	24	294
Charged during period	85	42	-	127
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 28 February 2007</b>	<b>185</b>	<b>212</b>	<b>24</b>	<b>421</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
<b>At 28 February 2007</b>	<b>8,080</b>	<b>7</b>	<b>1</b>	<b>8,088</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 March 2006	3,201	36	1	3,238
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

## 13 Other investments

	<sup>1</sup> Investment in associates	<sup>2</sup> Other investments	<b>2007</b> £'000
<b>Unlisted investments</b>			
At 1 March 2006	90	111	201
Additions	21	99	120
	<hr/>	<hr/>	<hr/>
<b>At 28 February 2007</b>	<b>111</b>	<b>210</b>	<b>321</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<sup>1</sup>Investment in associates

The investment in associates relates to the following interest:

<i>Name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class and percentage of shares held</i>
Carrickbridge Developments Limited	Northern Ireland	Property investment and development	45% ordinary shares

Carrickbridge Developments Limited was incorporated on 24 February 2006 and its registered office is 21 Arthur Street, Belfast, BT1 4GA. The additional information required to illustrate the impact of equity accounting for this investment is provided below:

# First Derivatives plc

Notes (continued)

## 13 Other investments (continued)

	2007			2006		
	Company Results £'000	Share of Associate £'000	Proforma Results £'000	Company Results £'000	Share of Associate £'000	Proforma Results £'000
Turnover	9,332	315	9,647	6,313	90	7,403
Operating profit	2,653	191	2,844	1,592	68	1,660
Net interest payable and similar charges	(98)	(26)	(124)	(106)	(5)	(111)
Profit on ordinary activities before taxation	2,555	165	2,720	1,486	63	1,549
Taxation	(634)	-	(634)	(4680)	-	(634)
	<u>1,921</u>	<u>165</u>	<u>2,086</u>	<u>1,018</u>	<u>63</u>	<u>1,081</u>
Profit for the financial year	<u>1,921</u>	<u>165</u>	<u>2,086</u>	<u>1,018</u>	<u>63</u>	<u>1,081</u>
Fixed assets	8,478*	720	9,198	3,709*	495	4,204
Current assets	2,918	-	2,918	3,312	112	3,424
Creditors: Amounts falling due within one year	(3,754)	(465)	(4,219)	(2,082)	(454)	(2,536)
Creditors: Amounts falling due after more than one year	(2,838)	-	(2,838)	(1,717)	-	(1,717)
	<u>4,804*</u>	<u>255</u>	<u>5,059</u>	<u>3,222*</u>	<u>153</u>	<u>3,375</u>
Net assets	<u>4,804*</u>	<u>255</u>	<u>5,059</u>	<u>3,222*</u>	<u>153</u>	<u>3,375</u>

\* The fixed asset amount included in the company results for 2007 is net of investment in associate amounting to £111k (2006: £90k).

### <sup>2</sup>Other investments

The other investments relate to the company's investment in KX Systems Inc., a company resident in the United States. This investment, which has arisen through equity settled transactions, was valued at the date of the issue of the option, on the basis of financial information available at that time.

## 14 Debtors

	2007 £'000	2006 £'000
Trade debtors	2,475	1,872
Sundry debtors	24	319
Deferred tax asset (see Note 17)	24	21
Prepayments	39	39
	<u>2,562</u>	<u>2,251</u>
	<u>2,562</u>	<u>2,251</u>

# First Derivatives plc

Notes (continued)

## 15 Creditors - amounts falling due within one year

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Bank loans (note 16)	<b>1,185</b>	140
Trade creditors	<b>157</b>	272
Corporation tax	<b>739</b>	551
Other taxation and social security	<b>295</b>	272
Other creditors	<b>698</b>	313
Accruals and deferred income	<b>680</b>	534
	<hr/>	<hr/>
	<b>3,754</b>	2,082
	<hr/> <hr/>	<hr/> <hr/>

## 16 Creditors - amounts falling due after more than one year

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Loans	<b>2,904</b>	1,717
Less: Capital arrangement fee	<b>(66)</b>	-
	<hr/>	<hr/>
	<b>2,838</b>	1,717
	<hr/> <hr/>	<hr/> <hr/>
<b><i>Analysis of debt:</i></b>		
Debt can be analysed as falling due:		
In one year or less	<b>1,185</b>	140
Between one and two years	<b>275</b>	151
Between two and five years	<b>947</b>	524
In five years or more	<b>1,682</b>	1,042
	<hr/>	<hr/>
	<b>4,089</b>	1,857
	<hr/> <hr/>	<hr/> <hr/>

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

- £2,400,000 ten year term loan
- £1,274,000 ten year term loan
- US\$1,835,190 two month loan facility

All loans have interest charged at 1.5% above the bank base rate at the time the loan facility was set up.

The US\$1,835,190 loan facility is temporary. At 28 February 2007, the company was negotiating a US\$4,000,000 loan facility for property in London and New York. This facility was secured subsequent to the year end. This loan will be repayable in three years at an interest rate of 1.5% above the banks basic rate.

All of the loans above are secured at a fixed rate against the properties purchased in New York and London.

# First Derivatives plc

Notes (continued)

## 17 Deferred taxation

	<b>2007</b> <b>£'000</b>	2006 £'000
<i>Deferred taxation</i>		
Asset/(liability) at beginning of period	<b>21</b>	(3)
Release for the period (see note 6)	<b>3</b>	24
	<hr/>	<hr/>
Asset at end of period	<b>24</b>	21
	<hr/> <hr/>	<hr/> <hr/>

All debtors in the current and prior year are due within one year.

The elements of deferred taxation are as follows:

	<b>2007</b> <b>£'000</b>	2006 £'000
Difference between accumulated depreciation and amortisation and capital allowances	<b>8</b>	1
Other timing differences	<b>16</b>	20
	<hr/>	<hr/>
Deferred tax asset	<b>24</b>	21
	<hr/> <hr/>	<hr/> <hr/>

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

# First Derivatives plc

Notes (continued)

## 18 Share capital

	Number	2007 £'000	Number	2006 £'000
<i>Equity shares</i>				
<i>Authorised</i>				
Ordinary shares of 0.5p each	<b>20,000,000</b>	<b>100</b>	20,000,000	100
<i>Issued, allotted and fully paid</i>				
Ordinary shares of 0.5p each	<b>12,944,458</b>	<b>65</b>	<b>12,714,858</b>	<b>64</b>

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 the completion of one, two and three years of service as set by the company prior to the grant of the option. As the options vest at annual intervals over a three year period, they are deemed to consist of three separate options for valuation purposes. Vested options are exercisable following the satisfaction of the service criteria for a period not exceeding 10 years from the date of grant.

Options granted are as follows:

<i>Number of shares under option at 28 February 2006</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>Number of shares under option at 28 February 2007</i>	<i>Exercise price</i>	<i>Contracted expiry life of options</i>
85,000	-	85,000	-	-	26.5 pence	27 Nov 2012
137,000	-	39,000	-	98,000	51.0 pence	20 Dec 2012
242,967	-	51,600	7,000	184,367	53.5 pence	19 Dec 2013
10,000	-	10,000	-	-	40.0 pence	19 Dec 2011
272,000	-	30,000	23,000	219,000	62.0 pence	17 Dec 2014
427,000	-	14,000	21,000	392,000	102.0 pence	29 Dec 2015
-	573,000	-	-	573,000	161.0 pence	5 Dec 2016

229,600 share options were exercised during the year, giving rise to an increase in share capital of £1,148 and an increase in share premium of £109,740.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a Black Scholes model. The key assumptions built into the model for options granted in the current and previous financial year were expected volatility of 40% based on historical volatility and expected life of the option of 3.5 to 4.5 years based on historical information which takes into account the effects of expected early exercise. Expected dividends are estimated using historical dividend yield. The risk free rate of interest has been assessed at 4%. This resulted in a current year charge of £131,000 and a charge of £51,000 relating to the prior year.

# First Derivatives plc

Notes (continued)

## 19 Share premium and reserves

	Shares to be issued Restated £'000	Share premium account £'000	Profit and loss account Restated £'000
At beginning of year as previously stated	4	910	2,334
Prior year adjustment	51	-	(51)
	<hr/>	<hr/>	<hr/>
At beginning of year – restated	55	910	2,283
Profit for the financial year	-	-	1,921
Premium on shares issued	-	110	-
Dividend paid	-	-	(560)
Fair value of share based payments	131	-	-
	<hr/>	<hr/>	<hr/>
<b>At end of year</b>	<b>186</b>	<b>1,020</b>	<b>3,644</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 20 Shareholders' funds

	2007 £'000	2006 Restated £'000
Profit for the financial year	1,921	1,018
Dividend	(560)	(181)
Net proceeds on issue of share capital	111	127
Fair value of share based payments	131	51
	<hr/>	<hr/>
<b>Increase in shareholders' funds</b>	<b>1,603</b>	<b>1,015</b>
Opening shareholders' funds	3,312	2,297
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>4,915</b>	<b>3,312</b>
	<hr/> <hr/>	<hr/> <hr/>

## 21 Commitments and contingencies

There are capital commitments at the period end in relation to an apartment purchased in New York for US\$1,250,000 and two properties in London for £1,020,000 which were completed post year end.

# First Derivatives plc

Notes (continued)

## 22 Leasing commitments

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

	<b>2007</b>	2006
	<b>Land and</b>	Land and
	<b>buildings</b>	buildings
	<b>£'000</b>	£'000
Operating leases which expire:		
In the next 12 months	-	15
In the second to fifth years	-	-
	<hr/>	<hr/>
	-	15
	<hr/> <hr/>	<hr/> <hr/>

## 23 Pension contributions

The company makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £85,000 (2006: £70,000). Contributions amounting to £Nil (2006: £10,000) were payable to the scheme and are included in creditors.

## 24 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 the grant.

## 25 Related party transactions

The company is charged rent annually for the use of apartments owned by the managing director, located in London. The charge incurred during the financial year amounted to £52,800 (2006: £52,800). Rent deposits of £26,400 have been paid to Brian Conlon in respect of these apartments.

## 26 Ultimate controlling party

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

# First Derivatives plc

Notes (continued)

## 27 Reconciliation of operating profit to net cash inflow from operating activities

	2007	2006
	£'000	Restated £'000
Operating profit	2,653	1,592
Depreciation on tangible fixed assets	127	93
Amortisation of intangible asset	180	180
Increase in debtors	(301)	(1,184)
Increase in creditors	439	874
Share based payment charge	131	51
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>3,229</b>	<b>1,606</b>
	<hr/> <hr/>	<hr/> <hr/>

## 28 Analysis of cash flows for headings in the cash flow statement

	2007	2006
	£'000	Restated £'000
<b>a) Returns on investment and servicing of finance</b>		
Interest paid	(134)	(113)
Interest received	36	7
	<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance	(98)	(106)
	<hr/> <hr/>	<hr/> <hr/>
<b>b) Taxation</b>		
Corporation tax paid	(456)	(232)
	<hr/> <hr/>	<hr/> <hr/>
<b>c) Capital expenditure</b>		
Purchase of tangible fixed assets	(4,977)	(1,299)
Purchase of other investments	(120)	(90)
	<hr/>	<hr/>
	<b>(5,097)</b>	<b>(1,389)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>d) Financing</b>		
Repayment of long term loan	(159)	(103)
Issue of share capital	111	127
Receipt of new long term loan	2,325	550
	<hr/>	<hr/>
	<b>2,277</b>	<b>574</b>
	<hr/> <hr/>	<hr/> <hr/>

# First Derivatives plc

Notes *(continued)*

## 29 Analysis of changes in net debt during the year

	<b>Cash in hand</b>	<b>Bank overdrafts</b>	<b>Debt due within one year</b>	<b>Debt due after one year</b>	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2005	789	-	(121)	(1,289)	(621)
Cash flow	(278)	-	103	-	(175)
Cash flow from new long term loan	550	-	(122)	(428)	-
Other non cash change	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 March 2006	1,061	-	(140)	(1,717)	(796)
Cash flow	(3,030)	-	159	-	(2,871)
Cash flow from new long term loan	2,325	-	(1,204)	(1,121)	-
Other non cash change	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 28 February 2007	356	-	(1,185)	(2,838)	(3,667)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# First Derivatives plc

## Financial calendar

Annual General Meeting	7 June 2007
Payment of final dividend for 2006/07	2 July 2007
Interim results	September/October 2007
Payment of interim dividend for 2007/08	October 2007

# First Derivatives plc

## Notice of Annual General Meeting

Notice is hereby given that the Twelfth 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, 7 June 2007 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 28 February 2007 be received and approved.
- 2 That a dividend of 3.6p per share be declared for the year ended 28 February 2007.
- 3 To re-elect Michael 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 Annual General Meeting at which accounts are laid before the company at a remuneration to be fixed by the directors.
- 5 That in substitution for all existing and unexercised authorities, the directors of the company be and they are hereby generally and unconditionally authorised pursuant to Article 90 of the Companies (Northern Ireland) Order 1986 (the “Order”) to allot relevant securities (as defined in the Article) up to an aggregate nominal value of £20,000, such authority to expire on the earlier of the date falling 15 months after the date of passing of this resolution, and the next Annual General Meeting of the company, whichever is the later, but so that the company may, before such expiry, make an offer or agreement as if such authority has not expired.
- 6 That in substitution for all existing and unexercised authorities and subject to the passing of the immediately preceding resolution, the directors of the company be and they are hereby empowered pursuant to Article 105 of the Order to allot equity securities pursuant to the authority conferred by the preceding resolution as if Article 99(1) of the Order did not apply to any such allotment provided that the power conferred by the resolution, unless previously revoked or varied by special resolution of the company in general meeting, shall be limited:
  - (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the directors of the company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory, and;

# 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 £6,472 representing 10% of the current issued share capital of the company;

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

By order of the Board

Registered Office:  
21 Arthur Street  
Belfast  
BT1 4GA

John F Gibbons  
Secretary

9 May 2007

### 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 Company Register of Members by 11 May 2007.
- 5 Copies of the executive directors service contracts of service together with the engagement letters of the non-executive directors, the register of directors (and their families) interest in the share capital of the company and the Memorandum and Articles of Association are available for inspection at the registered office of the company during usual business hours, and will be available for inspection at the Annual General Meeting from 11.15 am until the conclusion of the meeting.

# First Derivatives plc

## Proxy Form

### First Derivatives plc

#### For use at the Annual General Meeting convened for 7 June 2007

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

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

or .....  
as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on 7 June 2007 and at any adjournment thereof.

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

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

Resolutions	For	Against
1		
2		
3		
4		
5		
6		

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

Signature ..... Date .....

#### Notes:

- 1 To be valid this form of proxy (together with the power of attorney or other authority, if any, under which it is signed, or a notorially certified copy of such power of authority) must be lodged at the offices of the company, Kilmorey Business Park, Kilmorey Street, Newry, BT34 2DH, not less than 48 hours before the time of the meeting.
- 2 A form of proxy executed by a Corporation must be either under seal or under the hand of an officer or attorney duly authorised.
- 3 In the case of joint holdings the signature of the first-named on the Register of Members will be accepted to the exclusion of the votes of the other joint holders.
- 4 If this form is signed and returned without indication as to how the proxy is to vote, he will exercise his discretion both as to how he votes and whether or not he abstains from voting.
- 5 Completing and returning this form of proxy will not prevent a member from attending in person and voting should he wish.
- 6 Any amendment to this form of proxy must be initialled.
- 7 A proxy need not be a member.
- 8 A proxy is only entitled to vote on a poll.