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|---|---|
| **Company** | First Derivatives PLC |
| **TIDM** | FDP |
| **Headline** | Interim Results - Replacement |
| **Released** | 17:27 04-Oct-07 |

**First Derivatives plc**
**(AIM:FDP.L, IEX:GYQ.I)**

**Amendment to announcement of Interim results for the six months ended 31 August 2007 released today**

**In the Cash Flow statement the New Borrowings were incorrectly shown as being £500,000 in the 6 months ended 31 August 2007, however the sum of £500,000 of New Borrowings should have been stated as £500,000 for the 6 months ended 31 August 2006. In addition, in the notes to the interim results, paragraph 2, the Interim Dividend was incorrectly stated to be of 2.0p, it should be 2.3p. The amended announcement is set out in full below and replaces the announcement released at 7.01 a.m. today, RNS number 1148F**

4 October 2007

# First Derivatives plc

## Interim results for the six months ended 31 August 2007

The principal activities of First Derivatives plc ("FDP" or the "Company") are the provision of a range of support services to the investment banking market and the derivatives technology industry and the provision of its own range of niche banking applications.

### Financial Highlights

- Turnover £ 5.641 m (2006: £4.178 m) +35%
- EBITDA £2.116 m (2006: £1.239 m) +71%
- Pre-tax profit £1.849 m (2006: £1.111 m) +66 %
- Earnings per share 10.2p (2006: 5.9p) +73 %
- Interim dividend 2.3p per share (2006: 1.4p) +64%

### Business Highlights

- Further increase in Capital Market and Kx activity
- First sale of FDP software product
- Number of employees now exceeds 100
- Admission to the IEX market of the Irish Stock Exchange
- Improved performance expected to continue during the second half

### David Anderson, Chairman of FDP commented

"We are extremely pleased to report further progress in the first half of the year and the Company expects to be able to report further progress for the full year."

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**First Derivatives plc**
**Interim results for the six months ended 31 August 2007**

## CHAIRMAN'S STATEMENT

I am pleased to report further progress for the Company in the six months to 31 August. Turnover and profits increased as anticipated in our last trading statement on 23 August.

The Company announces an increased interim pre-tax profit of £1.849 million compared with £1.111 million in the corresponding period of the previous year. Revenues were £5.641 million (2006: £4.178 million) and earnings per share increased by 73% to 10.2p (2006: 5.9p). The 2006 figures have been adjusted to reflect the impact of IFRS which has been adopted with effect from 1 March 2007.

The Board announces the payment of an interim dividend of 2.3p per share (2006: 1.4p per share). This will be paid on 18 October 2007 to those shareholders on the register on 12 October 2007. The shares will be marked ex-dividend on 10 October 2007.

In our recent trading statement we referred to increased capital markets activities. We are continuing to experience strong levels of demand for our consultants and are achieving high utilisation levels. Our recruitment drive is continuing, supplemented by our evolving Capital Markets Training Programme and we now have in excess of 100 staff.

During the period under review our partners had some significant wins. There have been further sales of Kx products to such high profile customers as NYSE/Euronext, HypoVereinsbank (HVB) and the Financial Services Authority. Discussions are currently taking place with Kx on the existing partnership agreement in response to changes in the technology market.

We continue to develop our own range of niche software products and the Board is pleased to announce that FDP has just completed our first sale. Although for a relatively small amount the sale is on an annual licence basis.

The balance sheet reflects an increase of £3,250,000 in borrowings in the six months to 31 August which have financed the purchase of a further 3 properties in Manhattan and 2 in central London. We are repaying our borrowings aggressively and our loan to value ratio for our property portfolio is less than 60%.

The Company looks forward to reporting further progress for the full year.

## Income statement (unaudited)
## For the period ended 31 August 2007

| | 6 months ended 31 August 2007 £'000 | 6 months ended 31 August 2006 £'000 (restated) |
|---|---|---|
| Revenue | 5,641 | 4,178 |
| Cost of sales | (3,159) | (2,761) |
| **Gross profit/(loss)** | 2,482 | 1,417 |
| Administrative expenses | (496) | (313) |
| Other income | 23 | 38 |
| **Results from operating activities** | 2,009 | 1,142 |
| Financial income | 1 | 14 |
| Financial expenses | (149) | (65) |
| **Net financing costs** | (148) | (51) |
| Share of (loss)/profit of equity accounted associates | (12) | 20 |
| **Profit before tax** | 1,849 | 1,111 |
| Income tax expense | (496) | (358) |
| **Profit for the period** | 1,353 | 753 |

| | Pence | Pence |
|---|---|---|
| **Earnings per Share** | | |
| Basic | 10.4 | 5.9 |

## Statement of recognised income and expense (unaudited)
## For the period ended 31 August 2007

| | 6 months ended 31 August 2007 £'000 | 6 months ended 31 August 2006 £'000 (restated) |
|---|---|---|
| Profit/(loss) for the period | 1,353 | 753 |
| **Total recognised income and expense for the period** | 1,353 | 753 |

## Reconciliation of movement in capital and reserves

| | Share capital £000 | Share premium £000 | Shares to be issued £000 | Retained earnings £000 | Total equity £000 |
|---|---|---|---|---|---|
| **Balance at 1 March 2006 (restated)** | **64** | **910** | **55** | **2,235** | **3,264** |
| Total recognised income and expense | - | - | - | 753 | **753** |
| Own shares issued | - | 60 | - | - | **60** |
| Share based payments | - | - | 65 | - | **65** |
| Dividends to equity holders | - | - | - | (381) | **(381)** |
| Deferred tax on share options | - | - | - | 5 | **5** |
| **Balance at 31 August 2006** | **64** | **970** | **120** | **2,612** | **3,766** |
| | | | | | |
| **Balance at 1 March 2007** | **65** | **1,020** | **186** | **4,206** | **5,477** |
| Total recognised income and expense | - | - | - | 1,353 | **1,353** |
| Own shares issued | - | 86 | - | - | **86** |
| Share based payments | - | - | 121 | - | **121** |
| Dividends to equity holders | - | - | - | (468) | **(468)** |
| Deferred tax on share options | - | - | - | 5 | **5** |
| **Balance at 31 August 2007** | **65** | **1,106** | **307** | **5,096** | **6,574** |

## Balance Sheet (unaudited)
## As at 31 August 2007

| | As at 31 August 2007 £'000 | As at 31 August 2006 £'000 (restated) |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 140 | 270 |
| Property, plant and equipment | 11,327 | 4,585 |
| Other investments | 209 | 209 |
| Investments accounted for using the equity method | 243 | 41 |
| Deferred tax asset | 567 | 163 |
| | 12,486 | 5,268 |
| **Current assets** | | |
| Trade and other receivables | 3,798 | 2,790 |
| Cash and cash equivalents | 1,077 | 860 |
| | 4,875 | 3,650 |
| **Current liabilities** | | |
| Interest bearing borrowings | (2,415) | (140) |
| Trade and other payables | (1,491) | (1,711) |
| Current tax payable | (1,260) | (752) |
| Employee benefits | (711) | (447) |
| | (5,877) | (3,050) |
| **Net current (liabilities)/assets** | (1,002) | 600 |
| **Total assets less current liabilities** | 11,484 | 5,868 |
| **Non-current liabilities** | | |
| Interest bearing borrowings | (4,910) | (2,102) |
| Provisions | - | - |
| **Net assets** | 6,574 | 3,766 |
| **Equity** | | |
| Issued capital | 65 | 64 |
| Share premium account | 1,106 | 970 |
| Shares to be issued | 307 | 120 |
| Retained earnings | 5,096 | 2,612 |
| **Total equity** | 6,574 | 3,766 |

## Cash Flow Statement (unaudited)
## For the period ended 31 August 2007

| | 6 months ended 31 August 2007 £'000 | 6 months ended 31 August 2006 £'000 (restated) |
|---|---|---|
| **Cashflows from operating activities** | | |
| Cash receipts from customers | 6,813 | 4,727 |
| Cash paid to suppliers and employees | (4,470) | (3,430) |
| Cash generated from operations | 2,343 | 1,297 |
| Interest paid | (333) | (162) |
| **Net cash from operating activities** | 2,010 | 1,135 |
| | | |
| **Cashflows from investing activities** | | |
| Interest received | 1 | 25 |
| Acquisition of property, plant and equipment | (484) | (1,412) |
| Acquisition of other investments | - | (76) |
| Development expenditure | (50) | - |
| **Net cash from investing activities** | (533) | (1,463) |
| | | |
| **Cash flow from financing activities** | | |
| Repayment of borrowings | (372) | - |
| New borrowings | - | 500 |
| Issue of share capital | 87 | 14 |
| Dividends paid | (468) | (381) |
| **Net cash from financing activities** | (753) | 133 |
| | | |
| Net increase in cash and cash equivalents | 724 | (195) |
| Cash and cash equivalents at 1 March | 353 | 1,055 |
| Cash and cash equivalents at 31 August | 1,077 | 860 |

# Notes to the Interim Results

First Derivatives plc ("FDP", or the "Company") is a company domiciled in Northern Ireland. The interim financial statements of the Company for the six months ended 31 August 2007 comprise the Company and its interest in associates.

The interim financial statements were authorised for issuance on 2 October 2007.

**1. Significant accounting policies**

**(a) Statement of compliance**

The interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) for interim financial statements. These are the Company's first IFRS interim financial statements for part of the period covered by the first IFRS annual financial statements. IFRS 1, First-time adoption of International Financial Reporting Standards has been applied. The interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance and cash flows of the Company is provided in note 4. This note includes reconciliations of equity and profit for comparative periods reported under UK GAAP (previous GAAP) to those reported for those periods under IFRSs.

**(b) Basis of preparation**

The results for the six months ended 31st August 2007 are unaudited.

The financial statements contained in this report do not constitute statutory accounts within the meaning of Article 248 of the Companies (Northern Ireland) Order 1986. The results for the period ended 28th February 2007 were prepared under UK GAAP and reported on by the auditors and received an unqualified audit report. Full accounts for the period ended 28th February 2007 have been delivered to the Registrar of Companies.

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

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

The preparation of interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The directors of the Company have decided that, as permitted under the Companies (Northern Ireland) Order 1986, the next annual consolidated financial statements of the company, for the year ending 28 February 2008 will be prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU ("adopted IFRSs").

This interim financial information has been prepared on the basis of the recognition and measurement requirements of adopted IFRSs as at 2 October 2007 that are effective (or available for early adoption) at 28 February 2008, the Company's first annual reporting date at which it has decided to use adopted IFRSs. Based on these adopted IFRSs, the directors have applied the accounting policies as set out below which they expect to apply when the first annual IFRS financial statements are prepared for the year ending 28 February 2008.

However, the adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 28 February 2008 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 28 February 2008.

The preparation of the interim financial statements in accordance with IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at 1 March 2006 for the purposes of the transition to IFRSs, as required by IFRS 1. The impact of the transition from previous GAAP to IFRSs is explained in note 4 below.

**(c) Associates**

Associates are those entities for which the Company has significant influence, but not control, over the financial and operating policies. The interim individual financial statements of the Company include the Company's share of the total recognised gains and losses of associates on an equity accounted basis, as the Company does not have any subsidiaries and does not prepare consolidated accounts. The Company's share of the total recognised gains and losses of associates on an equity accounted basis is included from the date that significant influence commences until the date that significant influence ceases. When the Company's share of losses exceeds its interest in an associate, the Company's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an associate.

Unrealised gains arising from transactions with associates are eliminated to the extent of the Company's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(d) Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction or at a contracted rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to GBP at the foreign exchange rate ruling at that date or the contracted rate. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to GBP at foreign exchange rates ruling at the dates the fair value was determined.

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

*(i) Owned assets*

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy k). Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

*(ii) Leased assets*

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

*(iii) Subsequent costs*

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

*(iv) Depreciation*
Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

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

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

**(f) Investment property**
Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

The fair values are estimated by the Directors and are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**(g) Intangible assets**

*(i) Research and development*
Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development.

The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy k).

*(ii) Other intangible assets*
Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy k).

*(iii) Subsequent expenditure*
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

*(iv) Amortisation*
Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets estimated to be 5 years.

### (h) Investments in equity securities

Investments in unquoted equity instruments held by the Company are classified as being available-for-sale, and relate to shares acquired on the exercise of options previously granted to the Company in return for services. As the fair value of these assets cannot be measured reliably, they are measured at cost, subject to impairment testing.

### (i) Trade and other receivables

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

### (j) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### (k) Impairment

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset is recorded at a revalued amount in which case it is treated as a revaluation decrease.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Goodwill and indefinite-lived intangible assets were tested for impairment at 1 March 2006, the date of transition to IFRSs, even though no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

*(i) Calculation of recoverable amount*

The recoverable amount of the Company's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*(ii) Reversals of impairment*

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(l) Earnings per share**

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

**(m) Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

**(n) Employee benefits**

*(i) Defined contribution plans*

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

*(ii) Share-based payment transactions*

The share option programme allows Company employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an adjusted Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

*(iii) Short term benefits*

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(o) Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

**(p) Trade and other payables**
Trade and other payables are stated cost.

**(q) Revenue**
*(i) Services rendered*
Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

*(ii) Government grants*
An unconditional government grant is recognised in the income statement as other operating income when the grant becomes receivable. Any other government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Grants that compensate the Company for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Company for the cost of an asset are recognised in profit or loss as other operating income on a systematic basis over the useful life of the asset.

**(r) Expenses**
*(i) Operating lease payments*
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

*(ii) Finance lease payments*
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

*(iii) Net financing costs*
Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, dividends on preference shares classified as liabilities, interest receivable on funds invested, dividend income, and foreign exchange gains and losses.

Interest income is recognised in profit or loss as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

**(s) Income tax**
Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

**2. Dividends**

An Interim Dividend of 2.3p per share is proposed for the year ending 28 February 2008. This will be paid to shareholders on 18 October to shareholders on the register on 12 October 2007. Shares will be Ex-Dividend on 10 October 2007.

**3. Earnings per Share**

The earnings per share for the six months ended 31 August 2007 has been calculated on the basis of the profit after taxation of £1.353m.  Earnings per share of 10.4 pence has been calculated based on 13,018,429 shares outstanding.

**4. Explanation of transition to IFRSs**

As stated in note 1(a), these are the Company's interim financial statements for part of the period covered by the first IFRS annual financial statements prepared in accordance with IFRSs.

The basis of the accounting policies referred to in note 1 have been applied in preparing the interim financial statements for the six months ended 31 August 2007, the comparative information for the six months ended 31 August 2006 and the preparation of an opening IFRS balance sheet at 1 March 2006 (the Company's date of transition).

In preparing its opening IFRS balance sheet and comparative information for the six months ended 31 August 2006, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP.

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

## Reconciliation of equity

| | Previous GAAP | Effect of transition to IFRSs | IFRSs | Previous GAAP | Effect of transition to IFRSs | IFRSs |
|---|---|---|---|---|---|---|
| | | 1 March 2006 | | | 31 August 2006 | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Assets** | | | | | | |
| Intangible assets | 360 | - | 360 | 270 | - | 270 |
| Property, plant and equipment | 3,238 | 23 | 3,261 | 4,551 | 34 | 4,585 |
| Other investments | 111 | - | 111 | 209 | - | 209 |
| Investment accounted for using the equity method | 90 | (90) | - | 111 | (70) | 41 |
| Deferred tax assets | - | 131 | 131 | - | 163 | 163 |
| **Total non-current assets** | 3,799 | 64 | 3,863 | 5,141 | 127 | 5,268 |
| Trade and other receivables | 2,251 | - | 2,251 | 2,790 | - | 2,790 |
| Cash and cash equivalents | 1,061 | - | 1,061 | 860 | - | 860 |
| **Total current assets** | 3,312 | - | 3,312 | 3,650 | - | 3,650 |
| **Total assets** | 7,111 | 64 | 7,175 | 8,791 | 127 | 8,918 |
| **Liabilities** | | | | | | |
| Interest-bearing loans and borrowings | 140 | - | 140 | 140 | - | 140 |
| Trade and other payables | 1,078 | - | 1,078 | 1,711 | - | 1,711 |
| Corporation tax payable | 551 | - | 551 | 752 | - | 752 |
| Employee benefits | 313 | 112 | 425 | 307 | 140 | 447 |
| Provisions | - | - | - | - | - | - |
| **Total current liabilities** | 2,082 | 112 | 2,194 | 2,910 | 140 | 3,050 |
| Interest-bearing loans and borrowings | 1,717 | - | 1,717 | 2,102 | - | 2,102 |
| **Total non-current liabilities** | 1,717 | - | 1,717 | 2,102 | - | 2,102 |
| **Total liabilities** | 3,799 | 112 | 3,911 | 5,012 | 140 | 5,152 |
| **Net assets** | 3,312 | (48) | 3,264 | 3,779 | (13) | 3,766 |

| | Previous GAAP | Effect of transition to IFRSs | IFRSs | Previous GAAP | Effect of transition to IFRSs | IFRSs |
|---|---|---|---|---|---|---|
| | | As at 1 March 2006 | | | As at 31 August 2006 | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Equity** | | | | | | |
| Issued capital | 64 | - | 64 | 64 | - | 64 |
| Shares to be issued | 4 | 51 | 55 | 4 | 116 | 120 |
| Share premium account | 910 | - | 910 | 970 | - | 970 |
| Retained earnings | 2,334 | (99) | 2,235 | 2,741 | (129) | 2,612 |
| **Total equity** | 3,312 | (48) | 3,264 | 3,779 | (13) | 3,766 |

(a) Under previous GAAP, the investment in associate was not equity accounted in the individual financial statements of FDP, as the Company has no subsidiaries and consolidated financial statements were not prepared. Under IFRSs this investment in associate is equity accounted in the individual financial statements of the Company.

The effect is to decrease the investment in associate by £90k at 1 March 2006, £70k at 31 August 2006 and to increase the investment in associate by £143k at 31 August 2007.

(b) Under IFRS all leases of land and buildings have been reassessed, with leasehold land classified as held under operating leases where material and where a reliable split of land and buildings is available. In addition, the Company has reassessed the residual value of buildings at the relevant balance sheet date. The effect is to increase property, plant and equipment by £23k at 1 March 2006, £34k at 31 August 2006 and £91k at 31 August 2007.

(c) The Company's holiday year runs concurrent with its financial year, and at the half year employees can carry forward any unused holiday into the second half of the year, hence an accrual is required under IAS 19. Up to 5 days of holiday leave not taken by the end of February can be carried forward into the new financial year. The effect is to increase the employee benefits creditor by £112k at 1 March 2006, £140k at 31 August 2006 and £225k at 31 August 2007.

(d) The Company has adopted IAS 38: Intangible Assets from 1 March 2006. This has had no impact on the balance sheet at 1 March 2006 and 31 August 2006. As at 31 August 2007, £50k has been capitalised as development assets, comprising the cost of software development.

(e) The Company applied FRS 20: Share Based Payments in its financial statements for the year ended 28 February 2007, however no adjustment in respect of FRS 20 had been made in the interim results for 31 August 2006. As IAS 2: Share Based Payments is consistent with FRS 20, the Company has adjusted its results as set out above to reflect share based payments in accordance with IAS 2. The effect is to decrease 'retained earnings' and increase 'shares to be issued' reserve by £51k at 1 March 2006, £116k at 31 August 2006 and £302k at 31 August 2007.

(f) The Company has applied IAS 12: Income taxes from 1 March 2006, resulting in the recognition of a deferred tax asset arising from the future tax deduction expected on the exercise of share options. This has increased the Company's deferred tax asset by £100k at 1 March 2006, £124k at 31 August 2006 and £504k at 31 August 2007. In addition, a deferred tax asset on the holiday pay accrual established under IAS 19 has been recorded, resulting in an increase in the deferred tax asset of £31k at 1 March 2006, £39k at 31 August 2006 and £63k at 31 August 2007.

| | | Previous GAAP | Effect of transition to IFRSs | IFRSs |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| | *Note* | For the six months ended 31 August 2006 | | |
| Revenue | | 4,178 | - | 4,178 |
| Cost of sales | | (2,679) | (82) | (2,761) |
| **Gross profit** | | 1,499 | (82) | 1,417 |
| Administrative expenses | | (313) | - | (313) |
| Other operating expenses | | 38 | - | 38 |
| **Operating profit before financing costs** | | 1,224 | (82) | 1,142 |
| Financial income | | 14 | - | 14 |
| Financial expenses | | (65) | - | (65) |
| **Net financing costs** | | (51) | - | (51) |
| Share of profit of associates | | - | 20 | 20 |
| **Profit before tax** | | 1,173 | (62) | 1,111 |
| Income tax expense | | (385) | 27 | (358) |
| **Profit for the period** | | 788 | 35 | 753 |
| Basic earnings per share (£) | | 5.9p | - | 5.9p |

The profit for the period ended 31 August 2006 is impacted by the adjustments described in the reconciliation of equity above. The share based payment charge reduced profit by £65k, the share of profit of associate increased profit by £20k, the reduction of depreciation on property increased profit by £11k, the increase in holiday leave accrual reduced profit by £28k and the increase in deferred tax asset on share based payments and holiday pay accrual has increased profit for the period by £27k.

## Explanation of material adjustments to the cash flow statement

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

END