FIRST DERIVATIVES PLC

Annual Report & Accounts 2012

www.firstderivatives.com

First Derivatives is a leading provider of products and consulting services to the capital markets industry

First Derivatives plc
DATA | TRADING | RISK

Contents Page

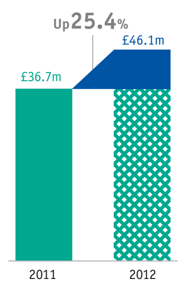
Financial highlights

Performance indicators

2012 Performance

In 2012 First Derivatives delivered record performance in revenue profit, earnings per share and operating cashflow.

£46.1 million
revenue
Up 25.4% from 2011



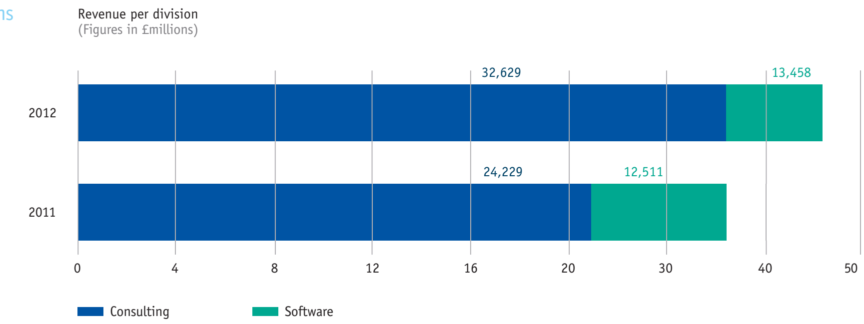
£8.0 million
operating profit
Up 21% on 2011

£6.9 million
profit before tax
Up 7% on 201

£8.2 million
operating cashflow
Up 52% from 2011

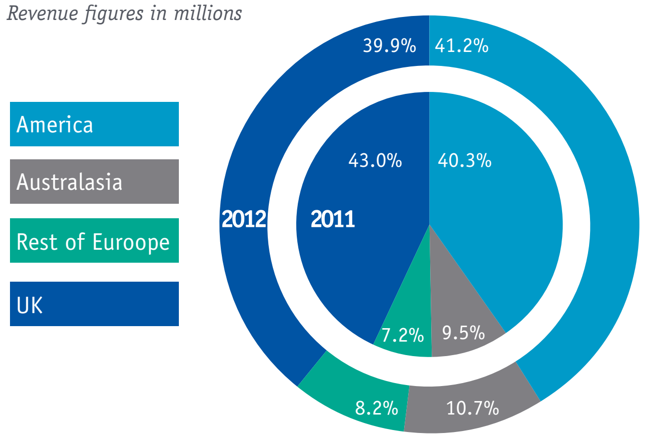
36.0p
eps
Up 8% on 2011

FD's revenue from both divisions is expected to continue to increase.



Geographical Locations

Revenue figures in millions



Chairman's statement

I am pleased to report another year of continued growth in profitability for the group, the sixteenth year of continued progression. This achievement is all the more satisfying given the market backdrop where we are seeing market trends that are significantly altering the economics of the financial services industry. In response to these market opportunities and building upon prior years, we have continued to implement the Board's strategy of continued investment into the group's technology, infrastructure and operations in order to create a platform for continued success and future growth. Our ability to generate continued growth in this challenging market, while implementing our investment growth strategy, demonstrates the strength of the organisation.

Financials
Revenues for the year ended 29 February 2012 increased by 25.4% to £46.087 million from £36.740 million in the previous year. Normalised pre-tax profits (after adjusting for currency translation and associate) increased by 25.0% to £7.315 million compared to £5.852 million in 2011 reported pre-tax profits increased by 7.0% to £6.947 million (2011: £6.495 million). Normalised basic earnings fully diluted earnings per share increased by 40.2% to 34.2p per share (2011: 24.4p).

Dividend
The group continues to generate strong operating cash flow and this, along with our retained cash at the year end, allows the Board to recommend a final dividend of 8.15p per share which together with the interim dividend of 3.0p per share paid on 8 December 2011, totals 11.15p and is covered approximately three times by earnings. This will be paid on 6 July 2012 to those shareholders on the register on 8 June 2012. The shares will be marked ex-dividend on 6 June 2012.

Software
Software sales at £13.458million (2011: £12.511 million) were up 7.6% on the previous year. While this revenue stream increased it does not reflect the progress made in revenue generated from the Delta Suite. Transactional and recurring revenues were up 102.2% on the previous year showing the significant progress achieved. This was partly offset by a reduction of 54.1% in one off license fee income and a reduction of 68.9% in technology income stream (Auto Deal+) obtained as part of the acquisition of "Cognotec" in 2010.
The technical challenges are extensive in the capital markets particularly when dealing with complex instruments on a global scale. This complexity, in combination with continually increasing data volumes and the subsequent IT processing requirements, create many challenges for the industry. Our products are all developed on the common Delta technology platform which is specifically engineered to meet the complex calculations and large volume of data issues that exist in the capital markets sector. We also have made a significant investment in establishing the physical infrastructure necessary to operate the software in the 'cloud' or on a Software as a Service model ("SaaS") to meet the growing trend and desire of our clients to operate this model. This allows clients to seek economies of scale by outsourcing elements of their infrastructure, while removing the need for internal expertise in the support of the software. The investment in expanding this capability enables many of our products to be sold under annual license or transactional revenue based pricing models. Both models allow us to secure a continued and visible stream of software revenue.

Sales success has been achieved across all our key products in the year with contract wins for our complex event processing ("CEP") engine (Delta Stream), algorithmic trading engine (Delta Algo), data management engine (Delta Data Factory) and FX trading platform (Delta Flow). As our customer base has expanded, our opportunity to cross sell to our consulting and software clients has been enhanced. At the year-end we concluded the sale of our CEP, Algorithmic engine and FX platform to one customer and are in further discussions with a number of other existing customers for the provision of other products within our suite.

We have a healthy pipeline of prospects within our specific domain and are actively looking for partners to help bring the products to new markets and new industries. This continuing investment in our platform, increasing the channels to market and the successful deployment of our solutions, allied with our flexible licensing and service model, gives us

confidence in our ability to deliver continued growth in software revenues.

Consulting

Consulting revenues increased 34.7% to £32.629 million from £24.229 million in the previous year. It has been another year of continued growth across the division, both in our client base, expansion of the number of assignments undertaken with new and existing customers and our penetration into the global market place. The key to this continued growth continues to be the quality of our people, our commitment to training and the quality and the flexibility of our service.

Selling services to the market continued to be a challenge this year with ongoing regulatory changes, continued globalisation challenges, increasing complexity, fast moving technology innovation and margin pressures affecting our customer base. To meet the challenges facing our customers, we have continued to invest in our service offerings, launching three major initiatives in the period, in addition to the continual reinvestment and refinement of our existing portfolio. We undertook a new legal services initiative aimed at providing resources to banks in areas such as non-core asset disposal, regulatory compliance and securitisation, where personnel with a combination of IT, finance and legal skills are in short supply. Secondly, we have launched a strategic vendor service practice focused on the delivery of global, large scale implementation and support services for leading third party trading technology platforms. Finally we have formed a dedicated data management team, bringing together a group of highly experienced and respected professionals from the data management industry. Market reaction has proven positive with a number of engagements already underway and we expect that these new initiatives combined with continued development of existing services will have the company well positioned in the changing market.

We undertake complex assignments for our clients and our inherent knowledge of their systems leads to repeat business from upgrades and ongoing development. This repeat recurring business model is a key focus for us. We are able to achieve this by our ability to ensure that our services are integrated into our customers' strategy and operations assisting them to streamline their services and products. We do this while ensuring we provide the relevant market or domain expertise along with a competitive cost operating model to ensure that we maximize the recurring revenue stream.

Accommodation

No further acquisition of employee residential accommodation has been made. Disposal of four individual properties was made in the year with a resulting profit on sale of £528k. At year end three properties were listed for sale with selling agents and have been classified as such in the accounts. We will continue to dispose of properties when suitable profitable opportunities arise. The remaining properties held by the group have a carrying value of £15.524 million and at the year-end were independently valued by external valuers at £18.915 million on an open market basis.

Outlook

This year has seen continued strong growth across the Group's activities with total revenues up over 25%. As the economic recovery has been taking a fragile hold we have continued to make a substantial investment in the development of all the group's activities. The goal of this investment has been to ensure that we build a robust organisation with a strong asset base and service offering to ensure future growth. We expect the market in coming years will continue to be challenging as the full effects of budget constraints, regulation and globalisation continue to impinge our customers. With the improvements made to the Delta Suite and its revenue stream and the positioning and improvements to our service offerings, we feel that the group is well positioned to continue to grow. We continue to have a strong pipeline of prospects and have made a strong start to the current year and expect to be able to report further progress in the year to 28 February 2013.

I would like to thank Brian Conlon and his team for making it another successful year for the group.

David Anderson
Chairman

Chief Executive's statement

I am pleased to report that First Derivatives has had another successful year, despite continuing uncertainty in the financial markets resulting largely from the European sovereign debt crisis. We have continued to expand and consider that we are well positioned to continue to grow our operations and customer base.

Review of activities

First Derivatives sells software products to the capital markets and provides a range of associated consulting services. Our customer base continues to grow and this year we provided services to 91different investment banks, brokers, exchanges and hedge funds. We continue to expand our global reach with assignments underway in countries such as Chile, Russia, Hungary, Turkey and South Africa as well as in major financial centres such as New York, London, Toronto, Chicago, Singapore, Hong Kong, Tokyo and Sydney.

The broad but yet focused nature of our product and consulting offerings and our geographical spread is key to our continued organic growth. Our target industry segment is extensive and gives us a vast potential market to penetrate and our success has been built on treating our customers as partners to build strong recurring revenue streams both in consulting and software. In consulting we target assignments that are vital to the customers' infrastructure that will be in existence for years. We sell software on a subscription model or on a Software as a Service basis.

Software

We continue to invest heavily in improving our Delta technology platform and applications. We have made significant scientific progress in areas such as messaging and in-memory capacity. Our Delta technology platform is designed to work with large volumes of data analytics in the cloud on any desktop or handheld device. Allied with our hosting and data centre expertise this means that we are well placed to take advantage of the wider trends in the technology market - Cloud computing, "Big Data" and mobile devices.

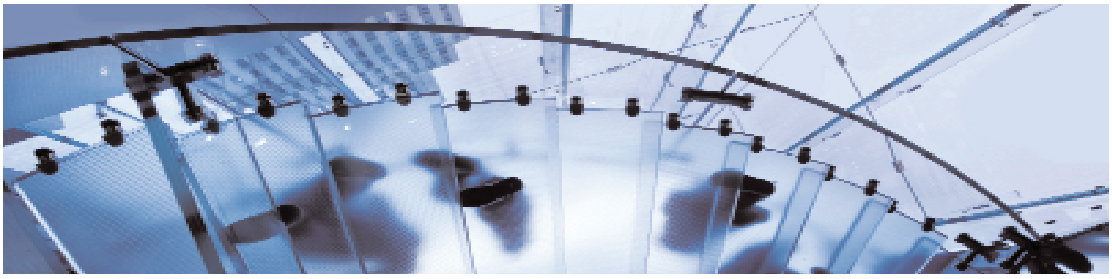
We continue to add new features to our existing flagship products and have successful reference implementations. Delta Stream for example is now in use at several large financial institutions including ANZ and Singapore Exchange and Delta Algo is firmly embedded in one of the largest investment banks in the world. We are very excited about the prospects for Delta Data Factory which has been successfully deployed by Thomson Reuters. The sales pipeline is very healthy and we are cautiously optimistic for the year ahead.

We have successfully migrated RealStream - an acquired legacy technology – to our architecture and relaunched this as Delta Flow. We believe that this product has the potential to be a disruptive technology in the FX trading arena. It is a hosted technology and we have mobile (iPhone, iPad and Android) and desktop versions. This view has been further reinforced during recent preliminary demos with a number of leading players in the market and our order book for this product is very encouraging. Indeed we have recently signed up one of the biggest banks in Asia and one of the biggest brokers in Russia.

Although our software revenue has only grown by a small amount in total relative to 2011 the mix has changed considerably. As expected there has been a tapering off of revenue from a legacy technology Auto Deal+, with recurring transactional revenue now accounting for 44% of our software revenue (2011: 23%). We will continue to endeavour to sell our software on an annual recurring or transactional model.

Our common technology platform makes it easier to develop new products and bring them quickly to market. In addition, the problems at which we excel – analysing large volumes of data in millisecond periods of time – are issues which are common to many industry sectors. The success of our technology in the capital markets industry should make it easier to sell in other areas. We have had some success in this respect and I am pleased to report that we have secured our first customers of Delta in the telecoms and utilities markets. We have launched a new prototype of a bandwidth exchange (in partnership with BT and Nokia at the recent TM Forum) and are launching an alpha version of a carbon credits trading platform at the Rio+ Earth Summit in June this year. This follows the success of an initial prototype at the recent Clinton Global Initiative in New York. This gives further validation as to the flexibility of our technology and gives us confidence that the market for our software is extensive.

We have further cemented our relationship with Kx Systems by recently signing an OEM and hosting agreement which gives us increased access to the kdb+ database for all products in a hosted



or installed basis. We have been working with Kx Systems for 14 years and they had another profitable year last year. As a 20% shareholder we will continue to benefit from their success and continued investment in making their technology the world's leading time series database. Their products are used by some of the world's largest financial institutions and Kx Systems lists organisations such as JP Morgan, Goldman Sachs, Zurich Financial Group, Morgan Stanley, Fidelity Investments and Total Gas & Power.

Consulting

First Derivatives provides highly skilled resources to the capital markets in the areas of consulting, support and development services. We have ongoing contracts with many of the leading global banks, supporting their activities across a range of asset classes including credit, interest rate, foreign exchange, equity cash and derivatives markets. The Company has been working in this area for sixteen years and we have seen a trend in the last year for us to work on increasingly large projects. The major trends in the industry at the moment are around outsourcing and trying to implement various regulatory initiatives introduced throughout the world as a response to the global crisis in 2008. We have launched three major initiatives to respond to these trends:–

• A legal stream offering services around the disposal of non-core assets by banks and the impact of regulations and compliance

• A managed services for outsourced third party product support and

• The creation of a dedicated data management team.

The market has responded positively to these initiatives and we have been able to draw upon the strength of our brand to win new customers in these areas. We continue to derive significant recurring revenue in this division from the long-term nature of the projects we undertake and these three new initiatives will also generate long-term work.

Our consultants continue to work closely with our development team by providing market intelligence and competitor analysis. They can also assist the product team with business analyst work and testing. The fungible nature of our resource pool gives us significant operational efficiencies.

Management and Personnel

The Company now employs almost 700 people and our success in retaining staff and senior management means that the experience profile of our consultants continues to improve. We continue to enhance our Capital Markets Training Programme and have now included legal stream modules which gives employees the opportunity to qualify for the New York Bar. Once again I would like to pay tribute to all First Derivatives employees who are hard working, talented, flexible and dedicated. Our customer retention rates are evidence of this.

Financial Review

The group has reported revenues and profits significantly higher than last year. Post-tax profit for the year was £5.946 million (2011: £5.112 million) on turnover of £46.087 million (2010: £36.740 million). Our balance sheet is strong with equity attributable to shareholders up to £32.236 million (2011: £24.888 million), an increase of 29.5%. This, and our confidence in the Group's ability to generate cash, enables the Board to recommend a final dividend of 8.15p per share (2011: 7.25p) which means that we will have paid a total dividend of 11.15p (2011: 10.15p) per share for the full year.

Outlook

Based on the health of our current sales pipeline we anticipate reporting further growth in the year to 28 February 2013. As well as organic growth the Board will continue to pursue acquisition opportunities where we see a strategic fit and have access to the necessary sources of finance. On a macro level we are confident that we have positioned ourselves to benefit from global trends in technology and consulting and that with our recurring revenue model and continued reinvestment in the business we will deliver further significant benefits in the years ahead.

Brian Conlon
Chief Executive Officer

Directors and advisors

Directors
R D Anderson –
Non-executive chairman*+

B G Conlon –
Chief Executive Officer

R G Ferguson –
Chief Financial Officer

A Toner -
Chief Operating Officer

K Cunningham –
Executive director

M G O'Neill –
Non-executive director*

P Brazel –
Non-executive director*+

Secretary
Richard Fulton LLB

Registered Office
3 Canal Quay
Newry
Co Down
BT35 6BP

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

Solicitors
Mills Selig
21 Arthur Street
Belfast
BT1 4GA

Bankers
Bank of Ireland
Corporate Headquarters
Donegall Place
Belfast
BT1 5LU

Nominated Advisor/EMI Advisor and Joint Brokers
Charles Stanley Securities
Ballsbridge Park
Ballsbridge
Dublin 4

Goodbody Corporate Finance
131 Finsbury Pavement
London
EC2A 1NT

Company registration number
NI 30731

Registrar and Transfer Office
Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

** Members of the audit committee*
+ Members of the remuneration committee

Directors' report

The directors have pleasure in submitting to the shareholders their annual report and the audited financial statements of the group and company for the year ended 29 February 2012.

Results and dividend

The group's profit after taxation attributable to the shareholders for the year to 29 February 2012 was £5,946k (2011: £5,112k).

The directors propose the payment of a final dividend of 8.15 pence per share (previous year: 7.25 pence which, together with the interim dividend of 3.00 pence per share (2011: 2.90 pence), totals 11.15 pence (2011: 10.15 pence) per share. The final dividend has not been included in payables as it was not approved before the year end.

Dividends paid during the year comprised of a final dividend of 7.25 pence per share for the year ended 28 February 2011 and an interim dividend of 3.0 pence per share for the year ended 29 February 2012.

Principal activities and review of the business

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

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

Reviews of the business and likely future developments are set out below and in the Chairman's and Chief Executive's statements on pages 2 to 5.

Investments

In recent periods a number of investments have been made to establish subsidiary entities or strategic associate holdings.

First Derivatives will continue to try to identify acquisitions or investments to expand its range of services and offerings available to its various clients. The focus of these acquisitions or investment remain to be that the new services or offerings interlink and complement each other, which enables the group to be managed on an unified basis.

Principal risks and uncertainties

The group operates in a changing economic and technological environment.

The key business risks affecting the group are set out below and in the Chairman's statement on page 2 and 3 and Chief Executive's statement on page 4 and 5. 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 group.

Personnel

As a software and services provider, the group is a people based business and its growth depends largely on growing staff numbers and training staff to meet the diverse requirements of our customer base. The group continues to refine its recruitment process to ensure a constant intake of suitable new staff and the internal training programme for each company is constantly evolving. Staff retention remains a key focus with initiatives such as mentoring programmes being employed, in addition to incentives schemes which include share options that are geared towards rewarding and motivating staff.

Market risk

The group operates in a competitive and often cyclical market environment. We address these risks by focussing sales campaigns on generating assignments with long-term visibility, continuing to increase the human capital of our consultants and diversifying our software and services portfolio offerings.

Technological changes

Technology in the software industry can change rapidly. It is important that our products remain up to date and that our development plans are flexible. We make a significant ongoing investment in research and development to allow us to identify and adapt to any technological changes that do occur, thereby ensuring that our products continue to meet the demands of our customers.

Directors' report (continued)

Financial risk management

The group's financial risk management objective is broadly to seek to make neither a profit nor loss from exposure to currency or interest rate risk. The policy is to finance working capital and the acquisitions of property, plant and equipment through retained earnings and through borrowings at prevailing market interest rates.

The group does not use derivatives to manage its financial risk investment. The group's main cash flow, credit and liquidity risks are those associated with selling on credit. This is managed through credit control procedures. The group is also exposed to the impact of fluctuations in exchange rates as it generates income and incurs expenses in currencies other than Sterling (GBP). The group has exposure to the US dollar (USD), Euro (EUR) and Canadian Dollar (CAD). In addition, the group has exposure as a result of mortgage financing apartment purchases, trade receivables and activities carried on by subsidiary undertakings. The group's financial position is structured to take advantage of a natural foreign currency hedge using excess cash generated from operations to repay the associated capital and interest on US dollar borrowings. In addition, by funding the acquisitions of Market Resource Partners LLC (MRP), Reference Data Factory Inc (RDF) and the investment in Kx Systems in US dollars, the group can achieve a net investment hedge against a significant portion of its translation exposure of the net assets of its foreign operations.

Key relationships with partners and customers

First Derivatives maintains successful relationships with Kx Systems, a key partner, and several key customers. Its relationship with Kx Systems is governed by a partnership agreement for the marketing of the kdb+ database to end customers whilst the use of this database within the First Derivatives product suite is governed by a perpetual OEM agreement. A small number of key customers are important to the success of the group, our continued expansion will reduce this reliance.

Other information

The other information required to be disclosed in respect of the review of the group's business as required under Section 417 of the Companies Act 2006 is given in the Chairman's statement on pages 2 and 3 and the Chief Executive's statement under the heading 'Financial Review' on page 5.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit. Further information is set out in note 39.

Property, plant and equipment

The details of property, plant and equipment are given in note 16 of the financial statements. During the year the group disposed of 4 properties with a net book value of £2,253k. The properties were sold at a total profit of £528k.

Directors and secretary

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

R D Anderson
B G Conlon
R G Ferguson
A Toner
K Cunningham
M G O'Neill
P Kinney (resigned 11 March 2011)
P Brazel
Richard Fulton (Company Secretary)

Directors and their interests

The interests held in shares of the company by the directors who held office at the end of the financial year, all of which are beneficial holdings, were as follows:

	Ordinary shares of £0.005 each 2012 number	Ordinary shares of £0.005 each 2011 number
R D Anderson	**140,000**	140,000
B G Conlon	**7,853,953**	7,748,953
R G Ferguson	**117,647**	117,647
A Toner	**10,000**	10,000
K Cunningham	**341,710**	168,108
M G O'Neill	**640,000**	740,000
P Brazel	**-**	-

The directors interests in the contracts with the company is disclosed in note 37.

Details of share options granted to directors of the company are disclosed at note 12.

Substantial shareholdings

At 24 May 2012, the group had received no notification of any interests in 3% or more of the ordinary share capital, other than those disclosed by B G Conlon (47.2%), Standard life Investments Limited (9.3%), M G O'Neill (3.85%) and Janet Lustgarten (3.1%).

Research and development

The group's policy is to invest in product innovation and engage in research and development activities geared toward the development of products primarily for the use of the financial services industry. During the year costs of £4,819k (2011: £3,475k) were capitalised in respect of activities which were deemed to be development activities in accordance with the group's accounting policies. Research and development costs of £1,360k (2011: £989k) were expensed during the year.

Employees

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

The group is committed to keeping employees as fully informed as possible, on matters which affect them as employees. The group's policy on employees remains to adopt a very open management style, keeping employees informed of all matters affecting them as employees including key financial and economic factors affecting the group's performance. This is achieved through meetings and informal consultation at all levels.

Market value of land and buildings

The directors consider that the market value of land and buildings is significantly higher than its carrying value. The estimated market value is £18.9 million based on independent valuations performed in the prior year by external market valuers on an open market basis (see note 16 to the financial statements).

Political and charitable donations

The group and company made charitable donations of £41k (2011:Nil) during the period. The group and company made no political donations during the year (2011:Nil).

Supplier payment policy

The group does not have a standard code which deals specifically with the payment of suppliers. However, suppliers are made aware of payment terms and how any disputes are to be settled and payment is made in accordance with those terms. At 29 February 2012 the group had 20 days purchases outstanding (28 February 2011: 20 days).

Disclosure of information to auditors

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

Auditors

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

By order of the board

Richard Fulton
Secretary

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare consolidated and company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the company financial statements on the same basis.

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

• select suitable accounting policies and then apply them consistently;

• make judgments and estimates that are reasonable and prudent;

• state whether they have been prepared in accordance with IFRSs as adopted by the EU; and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

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

Corporate governance

As an AIM-quoted company, the group is not required to produce a corporate governance report that satisfies all the requirements of the UK Corporate Governance Code 2010. However, certain corporate governance procedures have been put in place which reflects the group's size and structure.

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

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

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

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

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

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

• The board of directors recognises its overall responsibility for the group's system of internal control and for monitoring its effectiveness. All activity is organised within a defined structure with formal lines of responsibility and delegation of authority. The group produces information packs on a weekly and monthly basis. These packs, together with annual budgets, enable the board to monitor operational performance and cash position each month and allocate the group's resources.

• Share options have been granted to certain non-executive directors (see note 12).

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

We have audited the financial statements of First Derivatives plc for the year ended 29 February 2012 which comprise the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated and company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 29 February 2012 and of the group's profit for the year then ended;

- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;

- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or

- the company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

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

25 May 2012

Consolidated statement of comprehensive income

Year ended 29 February 2012

The notes on pages 21 to 73 form part of these financial statements.

	Note	2012 £'000	2011 £'000
Continuing operations			
Revenue	5	**46,087**	36,740
Cost of sales		**(30,172)**	(23,423)
Gross profit		**15,915**	13,317
Other operating income	6	**1,414**	1,974
Administrative expenses	7	**(9,368)**	(8,723)
Results from operating activities		**7,961**	6,568
Finance income	9	**2**	7
Finance expense	9	**(648)**	(723)
Loss on foreign currency translation	9	**(455)**	(198)
Net financing expense		**(1,101)**	(914)
Share of profit of associate using the equity method, net of tax	18	**458**	841
Share of loss on dilution in associate using the equity method	18	**(371)**	-
Profit before income tax		**6,947**	6,495
Tax expense	11	**(1,001)**	(1,383)
Profit for the year		**5,946**	5,112
Other comprehensive income			
Deferred tax on share options outstanding	24	**(309)**	1,030
Net exchange gains/(losses) on net investment in foreign subsidiaries and associate	27	**214**	(1,091)
Net (loss)/gain on hedge of net investment in foreign subsidiaries and associate	27	**(121)**	594
Other comprehensive income for the period, net of tax		**(216)**	533
Total comprehensive income for the period attributable to equity holders' of the company		**5,730**	5,645
Earnings per share		**Pence**	Pence
Basic	15a	**36.0**	33.2
Diluted	15a	**32.8**	29.0

All profits are attributable to the owners of the part and relate to continuing activities.

Consolidated balance sheet

Year ended 29 February 2012

The notes on pages 21 to 73 form part of these financial statements.

	Note	2012 £'000	2011 £'000
Assets			
Property, plant and equipment	16	**14,738**	18,292
Intangible assets and goodwill	17	**30,053**	26,732
Investment in associate	18	**7,059**	7,447
Trade and other receivables	19	**437**	-
Deferred tax asset	29	**1,750**	1,860
Non current assets		**54,037**	54,331
Trade and other receivables	19	**13,767**	12,563
Cash and cash equivalents	20	**1,318**	3,501
Assets held for sale	21	**1,598**	-
Current assets		**16,683**	16,064
Total assets		**70,720**	70,395
Equity			
Share capital	22	**83**	80
Share premium	23	**10,502**	7,846
Share option reserve	24	**2,673**	2,384
Revaluation reserve	26	**167**	174
Currency translation adjustment reserve	27	**290**	197
Retained earnings		**18,521**	14,207
Equity attributable to shareholders		**32,236**	24,888
Liabilities			
Loans and borrowings	28	**18,598**	21,544
Deferred tax liabilities	29	**2,224**	1,319
Contingent deferred consideration	30	**-**	1,993
Provisions	33	**-**	344
Trade and other payables	31	**2,901**	2,034
Non-current liabilities		**23,723**	27,234
Loans and borrowings	28	**3,603**	1,124
Trade and other payables	31	**7,456**	7,955
Current tax payable	32	**702**	1,176
Employee benefits	40	**2,110**	2,401
Contingent deferred consideration	30	**890**	5,617
Current liabilities		**14,761**	18,273
Total liabilities		**38,484**	45,507
Total equity and liabilities		**70,720**	70,395

These financial statements were approved by the board of directors on 25 May 2012.

David Anderson
Chairman

Brian Conlon
Chief Executive Officer

Graham Ferguson
Chief Financial Officer

Registered company number: NI 30731

Company balance sheet

Year ended 29 February 2012

The notes on pages 21 to 73 form part of these financial statements.

	Note	2012 £'000	2011 £'000
Assets			
Property, plant and equipment	16	**13,849**	17,725
Intangible assets	17	**5,933**	3,183
Investment in subsidiaries	18	**14,549**	14,217
Investment in associate	18	**7,196**	7,196
Trade and other receivables	19	**2,198**	1,919
Deferred tax asset	29	**1,084**	1,468
Non current assets		**44,809**	45,708
Trade and other receivables	19	**14,787**	14,219
Cash and cash equivalents	20	**962**	2,956
Assets held for sale	21	**1,598**	-
Current assets		**17,347**	17,175
Total assets		**62,156**	62,883
Equity			
Share capital	22	**83**	80
Share premium	23	**10,502**	7,846
Share option reserve	24	**2,673**	2,384
Fair value reserve	25	**131**	126
Retained earnings		**16,266**	13,406
Equity attributable to shareholders		**29,655**	23,842
Liabilities			
Loans and borrowings	28	**17,147**	21,544
Deferred tax liabilities	29	**1,539**	914
Trade and other payables	31	**1,820**	1,570
Non-current liabilities		**20,506**	24,028
Loans and borrowings	28	**3,447**	1,098
Trade and other payables	31	**5,590**	5,037
Current tax payable	32	**798**	1,489
Employee benefits	40	**1,901**	2,121
Contingent deferred consideration	30	**259**	5,268
Current liabilities		**11,995**	15,013
Total liabilities		**32,501**	39,041
Total equity and liabilities		**62,156**	62,883

These financial statements were approved by the board of directors on 25 May 2012.

David Anderson	Brian Conlon	Graham Ferguson
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

Registered company number: NI 30731

Consolidated statement of changes in equity

Year ended 28 February 2011

The notes on pages 21 to 73 form part of these financial statements.

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Revaluation reserve £000	Currency translation adjustment £000	Retained earnings £000	**Total equity £000**
Balance at 1 March 2010	72	3,906	983	-	174	694	10,481	**16,310**
Total comprehensive income for the year								
Profit for the year	-	-	-	-	-	-	5,112	**5,112**
Other comprehensive income								
Deferred tax on share options outstanding	-	-	1,030	-	-	-	-	**1,030**
Net exchange gains on net investment in foreign subsidiaries and associate	-	-	-	-	-	(1,091)	-	**(1,091)**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-		-	-	594	-	**594**
Total other comprehensive income	-	-	1,030	-	-	(497)	-	**533**
Total comprehensive income for the year	-	-	1,030	-	-	(497)	5,112	**5,645**
Transactions with owners, recorded directly in equity								
Exercise of share options	2	445	(118)	-	-	-	-	**329**
Issue of shares as purchase consideration	-	251	-	-	-	-	-	**251**
Other issue of shares	6	3,244	-	-	-	-	-	**3,250**
Share based payment charge	-	-	538	-	-	-	-	**538**
Transfer on forfeit of share options	-	-	(49)	-	-	-	49	**-**
Dividends to equity holders	-	-	-	-	-	-	(1,435)	**(1,435)**
Total contributions by and distributions to owners	8	3,940	371	-	-	-	(1,386)	**2,933**
Balance at 28 February 2011	**80**	**7,846**	**2,384**	**-**	**174**	**197**	**14,207**	**24,888**

Consolidated statement of changes in equity

Year ended 29 February 2012

The notes on pages 21 to 73 form part of these financial statements.

	Share capital £000	Share premium £000	Share option reserve £000	Revaluation reserve £000	Currency translation adjustment £000	Retained earnings £000	**Total equity £000**
Balance at 1 March 2011	**80**	**7,846**	**2,384**	**174**	**197**	**14,207**	**24,888**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	5,946	**5,946**
Other comprehensive income							
Deferred tax on share options outstanding	-	-	(309)	-	-	-	**(309)**
Change in effective rate of deferred tax	-	-	-	5	-	(5)	
Net exchange gains on net investment in foreign subsidiaries and associate	-	-	-	-	214	-	**214**
Net exchange loss on hedge of net investment in foreign subsidiaries and associate	-	-	-	-	(121)	-	**(121)**
Transfer on dilution of investment in associate	-	-	-	(12)	-	12	-
Total other comprehensive income	-	-	(309)	(7)	93	7	**(216)**
Total comprehensive income for the year	-	-	(309)	(7)	93	5,953	**5,730**
Transactions with owners, recorded directly in equity							
Exercise of share options	1	442	(83)	-	-		**360**
Issue of shares as purchase consideration	2	2,214	-	-	-	-	**2,216**
Share based payment charge	-	-	725	-	-	-	**725**
Transfer on forfeit of share options	-	-	(44)	-	-	44	**-**
Dividends to equity holders	-	-	-	-	-	(1,683)	**(1,683)**
Total contributions by and distributions to owners	3	2,656	598	-	-	(1,639)	**1,618**
Balance at 29 February 2012	83	10,502	2,673	167	290	18,521	**32,236**

Company statement of changes in equity

Year ended 28 February 2011

The notes on pages 21 to 73 form part of these financial statements.

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	**Total equity £000**
Balance at 1 March 2010	**72**	**3,906**	**983**	**126**	**10,328**	**15,415**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	4,464	**4,464**
Other comprehensive income						
Net change in fair value of available for sale asset						
Deferred tax on share options outstanding	-	-	1,030	-	-	**1,030**
Total other comprehensive income	-	-	1,030	-	-	**1,030**
Total comprehensive income for the year	-	-	1,030	-	4,464	**5,494**
Transactions with owners, recorded directly in equity						
Exercise of share options	2	445	(118)	-	-	**329**
Issue of shares as purchase consideration	-	251	-	-	-	**251**
Other issue of shares	6	3,244	-	-	-	**3,250**
Share based payment charge	-	-	538	-	-	**538**
Transfer on forfeit of share options	-	-	(49)	-	49	**-**
Dividends to equity holders	-	-	-	-	(1,435)	**(1,435)**
Total contributions by and distributions to owners	8	3,940	371	-	(1,386)	**2,933**
Balance at 28 February 2011	**80**	**7,846**	**2,384**	**126**	**13,406**	**23,842**

Company statement of changes in equity

Year ended 29 February 2012

The notes on pages 21 to 73 form part of these financial statements.

	Share capital £000	Share premium £000	Share option reserve £000	Fair value reserve £000	Retained earnings £000	**Total equity £000**
Balance at 1 March 2011	**80**	**7,846**	**2,384**	**126**	**13,406**	**23,842**
Total comprehensive income for the year						
Profit for the year	-	-	-	-	4,504	**4,504**
Other comprehensive income						
Change in effective rate of deferred tax	-	-	-	5	(5)	**-**
Deferred tax on share options outstanding	-	-	(309)	-	-	**(309)**
Total other comprehensive income	-	-	(309)	5	(5)	**(309)**
Total comprehensive income for the year	-	-	(309)	5	4,499	**4,195**
Transactions with owners, recorded directly in equity						
Exercise of share options	1	442	(83)	-	-	**360**
Issue of shares as purchase consideration	2	2,214	-	-	-	**2,216**
Share based payment charge	-	-	725	-	-	**725**
Transfer on forfeit of share options	-	-	(44)	-	44	**-**
Dividends to equity holders	-	-	-	-	(1,683)	**(1,683)**
Total contributions by and distributions to owners	3	2,656	598	-	(1,639)	**1,618**
Balance at 29 February 2012	**83**	**10,502**	**2,673**	**131**	**16,266**	**29,655**

Consolidated cash flow statement

Year ended 29 February 2012

The notes on pages 21 to 73 form part of these financial statements.

	2012 £'000	2011 £'000
Cashflows from operating activities		
Profit for the year	**5,946**	5,112
Adjustments for:		
Net finance costs	**1,101**	914
Share of profit of associate	**(458)**	(841)
Share of loss on dilution in associate	**371**	-
Provision release	**(266)**	-
Depreciation	**592**	475
Amortisation of intangible assets	**1,821**	1,532
Gain on sale of property, plant & equipment	**(528)**	-
Equity settled share-based payment transactions	**486**	340
Tax expense	**1,001**	1,383
	10,066	8,915
Changes in:		
Trade and other receivables	**(1,331)**	(2,711)
Trade and other payables	**196**	880
Onerous provisions	**(78)**	(301)
Taxes paid	**(699)**	(1,422)
Net cash from operating activities	**8,154**	5,361
Cash flows from investing activities		
Interest received	**2**	7
Acquisition of subsidiaries, net of cash acquired	**-**	(585)
Acquisition of property, plant and equipment	**(866)**	(842)
Disposal of property, plant and equipment	**2,705**	-
Acquisition of intangible assets	**(4,636)**	(3,477)
Dividend received from associate	**570**	654
Payment of deferred consideration	**(3,316)**	(1,795)
Net cash used in investing activities	**(5,541)**	(6,038)
Cash flows from financing activities		
Proceeds from issue of share capital	**360**	3,579
Receipt of new long term loan	**1,553**	19,878
Repayment of borrowings	**(3,602)**	(19,426)
Payment of finance lease liabilities	**(26)**	(66)
Interest paid	**(767)**	(537)
Dividends paid	**(1,683)**	(1,435)
Net cash from financing activities	**(4,165)**	1,993
Net (decrease)/increase in cash and cash equivalents	**(1,552)**	1,316
Cash and cash equivalents at 1 March 2011	**3,501**	1,711
Effects of exchange rate changes on cash held	**(631)**	474
Cash and cash equivalents at 29 February 2012	**1,318**	3,501

Company cash flow statement

Year ended 29 February 2012

The notes on pages 21 to 73 form part of these financial statements.

	2012 £'000	2011 £'000
Cashflows from operating activities		
Profit before tax	**4,504**	4,464
Adjustments for:		
Finance income	**-**	(6)
Finance expense and foreign exchange loss	**1,279**	241
Depreciation	**293**	267
Amortisation of intangible assets	**277**	110
Dividend from associate	**(570)**	(654)
Equity settled share-based payment transactions	**392**	340
Profit on disposal	**(528)**	-
Tax expense	**918**	1,631
	6,565	6,393
Changes in:		
Trade and other receivables	**(1,442)**	(3,089)
Trade and other payables	**1,420**	756
Taxes paid	**(830)**	(1,053)
Net cash from operating activities	**5,713**	3,007
Cash flows from investing activities		
Interest received	**-**	6
Acquisition of subsidiaries, net of cash acquired	**-**	(585)
Acquisition of property, plant and equipment	**(268)**	(339)
Disposal of property, plant and equipment	**2,705**	-
Acquisition of intangible assets	**(2,844)**	(1,638)
Dividend received from associate	**570**	654
Payment of deferred consideration	**(3,100)**	(1,550)
Net cash used in investing activities	**(2,937)**	(3,452)
Cash flows from financing activities		
Proceeds from issue of share capital	**360**	3,579
Receipt of new long term loan	**1,553**	19,878
Repayment of borrowings	**(3,602)**	(19,426)
Interest paid	**(767)**	(529)
Dividends paid	**(1,683)**	(1,435)
Net cash from financing activities	**(4,139)**	2,067
Net (decrease)/increase in cash and cash equivalents	**(1,363)**	1,622
Cash and cash equivalents at 1 March 2011	**2,956**	860
Effects of exchange rate changes on cash held	**(631)**	474
Cash and cash equivalents at 29 February 2012	**962**	2,956

Notes

(forming part of the consolidated financial statements)

1 Significant accounting policies

First Derivatives plc ("FDP" or the "company") is a company incorporated and domiciled in Northern Ireland. The address of the company's registered office is 3 Canal Quay, Newry, BT35 6BP. The company is primarily involved in the provision of a range of software and consulting services to the investment bank market, the derivatives technology industry and the provision of technology sales services to the IT sector.

The financial statements were authorised by the Board of Directors for issuance on 25 May 2012.

(a) Basis of preparation

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

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

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

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

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 7 to 9. The financial position of the group, its cash flows, liquidity position and borrowing facilities are described in the Chief Executive's Review on pages 4 and 5 and below. In addition, note 2 to the financial statements includes the group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk, liquidity risk and market risk.

The group meets its day to day working capital requirements through generated cash flows and loan facilities most of which are due for renewal in 2016. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its facilities.

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

Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed and revised on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes

(continued)

1 Significant accounting policies (continued)

Information about critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements are as follows:

• It is noted that management have assessed that all residences owned by the group are held for use within the business (except those classified as held for sale) and as such are classified as property, plant and equipment, rather than investment property

• Management have estimated the amount of deferred consideration payable on the acquisitions of subsidiaries which is based on forecast results and certain other criteria as required by the terms of the sale and purchase agreements. Management have made prudent estimates of deferred consideration payable based on the relevant share purchase agreement.

• Management have estimated the fair value of intangibles (including goodwill) acquired on acquisitions based on the projected profitability expected to be generated. The useful economic lives of the intangibles are assessed as being critical and are based on management's estimate of the life over which revenue can be generated and taking cognisance of the useful economic lives of similar competitor products. Where an intangible asset has been created by the group, the value has been derived by establishing the current cost associated with generating this asset based on direct costs and reasonable allocations of indirect costs.

• Useful economic lives of internally generated intangibles are assessed as being critical and are based on management's estimate of the life over which revenue can be generated and taking cognisance of the useful economic lives of similar competitor products.

• Goodwill on acquisitions is not amortised but is tested for impairment on an annual basis. Management have assessed goodwill for impairment based on the projected profitability of the individual cash generating unit to which the goodwill relates. No impairments have been identified. Other intangibles are tested for impairment if an indicator of impairment is identified.

Management have assessed that there are no other estimates or judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements.

New standards and interpretations not adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 March 2011 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements except for IFRS 9 Financial Instruments, which becomes mandatory for the group's and company's 2016 financial statements and could change the classification and measurement of financial assets. The group does not plan to adopt this standard early and the extent of this impact has not yet been determined. The standard and interpretations not adopted are outlined below:

• Amendments to IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (mandatory for the year commencing on or after 1 July 2011).

• Amendments to IFRS 7 Disclosures – Transfers of Financial Assets (mandatory for the year commencing on or after 1 July 2011).

• Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets (mandatory for the year commencing on or after 1 January 2012).

• Amendments to IFRS 9 Financial Instruments (mandatory for the year commencing on or after 1 January 2015).

Notes

(continued)

1 Significant accounting policies (continued)

• IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in other Entities and IFRS 13 Fair Value Measurement (mandatory for the year commencing on or after 1 January 2013).

• IAS 27 Separate Financial Statements (2011) which supercedes IAS 27 (2008) and IAS 28 Investments in Associates and Joint Ventures (2011) which supercedes IAS 28 (2008) (mandatory for the year commencing on or after 1 January 2013).

• Amendments to IAS 19 Employee Benefits (mandatory for the year commencing on or after 1 January 2012).

• Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (mandatory for the year commencing on or after 1 January 2012).

(b) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

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

Investments in associates (equity accounted investees)

Associates are those entities in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any subsequent accumulated impairment losses and fair value of intangibles (these amounts are not recognised separately in the consolidated financial statements but included in the group's net investment in the associate (note 18)). The consolidated financial statements include the group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the group, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has incurred legal or has constructive obligations or has made payments on behalf of an investee.

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

Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Notes
(continued)

1 Significant accounting policies (continued)

(c) Foreign currency
i) Foreign currency transactions
Transactions in foreign currencies are translated to the respective functional currency of the group entities at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Monetary liabilities designated as a hedge of net investments are treated as set out in note 1(c)(ii) below.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at exchange rate ruling at the date the fair value was determined. Foreign exchange differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, which is recognised in other comprehensive income.

Gains or losses arising on the retranslation of foreign currency contingent deferred consideration estimated as payable at the year end on acquisitions prior to 1 March 2011 are accounted as an adjustment to goodwill. On acquisitions on or after 1 March 2011 the gain or loss is accounted for in profit or loss.

ii) Foreign operations
The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated to the group's presentational currency, GBP, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at the foreign exchange rates ruling at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the currency translation adjustment reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Certain exchange differences arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and presented in the currency translation adjustment reserve in equity.

Foreign currency differences arising on the retranslation of foreign currency loans designated as a hedge of net investments in a foreign operation are recognised in other comprehensive income to the extent the hedge, when designated in a hedge relationship which has been formally documented and performed in line with IAS 39:(Recognition and Measurement), is effective and are presented within other comprehensive income in the currency translation adjustment reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the associated cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss on disposal.

(d) Property, plant and equipment
(i) Owned assets
Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and accumulated impairment losses (see accounting policy on impairment, note 1(h) below). Cost includes expenditure that is directly attributable to the acquisition of the asset.

Notes

(continued)

1 Significant accounting policies (continued)

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.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

(ii) Leased assets
Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the group's statement of financial position.

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

(iv) Depreciation
Depreciation is calculated to write down the costs of parts of items to their residual values and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the group will obtain ownership by the end of the lease term. 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

Items of property, plant and equipment are depreciated from the date that the asset is completed and ready for use.

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

(e) Non-current assets held for resale
Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets or components of a disposal group, are remeasured in accordance with the group's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying value and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

Notes

(continued)

1 Significant accounting policies (continued)

(f) Intangible assets and goodwill

i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is recognised in intangible assets. Goodwill represents the difference between the fair value of consideration transferred and the net recognised amount of the identifiable assets acquired and the liabilities assumed. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee. Goodwill arising on subsidiaries and associates is not amortised.

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

ii) Research and development

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

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the group intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised in respect of software assets includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. 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 impairment note 1(h)).

Tax credits for research and development are recognised at their fair value based on amounts recoverable from the tax authorities in current and future years. A credit is recognised in the income statement against the related expense or recognised in the period in which the expenditure is amortised where the related expenditure is capitalised.

iii) Other intangible assets

Intangible assets other than goodwill that are acquired by the group are stated at cost less accumulated amortisation (see (v) below) and impairment losses (see accounting policy on impairment note 1(h)). The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return of all other assets that are part of creating the related cash flows. The fair value of other intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

iv) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

v) Amortisation

Except for goodwill, intangible assets are amortised based on the cost of an asset less its residual value. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that the asset is available for use as follows:

Notes

(continued)

1 Significant accounting policies (continued)

Customer lists	-	12.5% straight line
Acquired software	-	12.5% straight line
Brands	-	12.5% straight line
Developed software	-	12.5% straight line

Amortisation methods, useful lives and residual values reviewed at each reporting dates and adjusted if appropriate.

(f) Trade and other receivables
Trade and other receivables are stated at amortised cost less impairment losses (see accounting policy impairment note 1(h).

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

(h) Impairment
(i) Non-derivative financial assets
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the group on terms that the group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(ii) Loans and receivables
The group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

(iii) Non-financial assets
The carrying amounts of the group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For goodwill and assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

Notes

(continued)

1 Significant accounting policies (continued)

(iii) Non-financial assets (continued)
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be individually tested are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGU's to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination, is allocated to the legal entity or business that has been acquired in a business combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

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

(j) Loans and borrowings
Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and 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.

(k) Employee benefits
(i) Defined contribution plans
The group operates a defined contribution (pension) plan for employees. A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Share-based payment transactions
The share option programme allows group employees to acquire shares of the group. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an adjusted Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term and adjusted for recent volatility changes) expected term of the instruments (based on historical

Notes

(continued)

1 Significant accounting policies (continued)

experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest. On the lapse of share options on the vesting date the amount recognised in shares to be issued is transferred to retained earnings. On the exercise of share options, the amount recorded in shares to be issued is transferred to the share premium reserve.

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

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

(l) Provisions
A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, that can be estimated reliably 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. The unwinding of the discount is recognised as finance cost.

(m) Trade and other payables
Trade and other payables are stated at the discounted present value of the estimated outflows of funds. Where the maturity is six months or less they are not discounted and are shown at cost.

(n) Revenue
(i) Product and Services rendered
Revenue from product and services rendered is measured at the fair value of the consideration received or receivable and 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. The group does not have contracts involving a combination of products and services and negotiates prices separately for each component. Revenue in respect of each product or service is as follows:

• Revenue from perpetual software licensing is recognised upon delivery to the customer where there are no significant vendor obligations remaining following delivery, the client has accepted the software and the collection of the resulting receivable is considered probable.

• Revenue from annual licensing is recognised over the period to which the contract relates.

• Revenue from consulting services is recognised in the month the service is performed, upon acceptance by the customer and the collection of the resulting receivable is considered probable.

• In respect of customisation of software, revenue is recognised upon acceptance by the customer and the collection of the resulting receivable is considered probable.

• Revenue from data management hosting, other hosting and transactional activities are recognised over the period to which the contract relates or the transaction occurs which gives rise to the receivable. In instances where a non-refundable fee is paid by the customer, the fair value of any significant obligations are deferred and recognised over the life of the contract and the remaining balance is recognised following delivery and the resulting receivable is considered probable.

Notes

(continued)

1 Significant accounting policies (continued)

(ii) Commissions
When the group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission earned by the group. Revenue is recognised upon acceptance by the customer of the sale.

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

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

(ii) Finance lease payments
Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance expense 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) Determining whether an arrangement contains a lease
At inception of an arrangement, the group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the group's incremental borrowing rate.

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

Financing expenses comprises interest payable on borrowings calculated using the effective interest rate method, and foreign exchange gains and losses.

Notes

(continued)

1 Significant accounting policies (continued)

(q) Taxation

Tax expense on the profit or loss for the period presented comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable 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, those arising from the initial recognition of assets or liabilities acquired in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that it is probable they will 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 reporting date.

In determining the amount of current and deferred tax the group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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 reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Classification of financial instruments issues by the group

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

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

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

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

Notes

(continued)

1 Significant accounting policies (continued)

(s) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. The nominal value of shares issued is recognised as share capital. The value of the consideration received in excess of the nominal value is recognised as share premium.

(t) Segmental reporting
An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. The operating results are regularly reviewed by the board and comprise one segment; however the information provided records revenue split between the various consulting and software activities.

2 Financial risk management

Overview
The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

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

Risk management framework
The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board is responsible for monitoring the group's risk management policies, which are established to identify and analyse the risks faced by the group, to set appropriate risk limits and to monitor adherence to those policies.

Credit risk
Credit risk is the risk of financial loss to the group if a counterparty fails to meet its contractual obligation and principally arises from the group's receivables from customers through selling on credit. This is managed through credit control procedures. Regular contact is made with customers when debts are overdue with follow up procedures carried out as required. Concentration of credit risk is disclosed in note 39 to the financial statements

Liquidity risk
Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group generates positive operating cash flows, and is able to meet its liabilities as they fall due. In addition the group has lines of credit identified in note 28 to the financial statements.

Notes

(continued)

2 Financial risk management (continued)

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group currently does not use derivative financial instruments to hedge its exposure to currency or interest rate risk. All loans are currently variable rate in nature, with the terms being at prevailing market interest rates.

The level of trading and borrowings in foreign currency produces a natural hedge of a large proportion of the group's exposures to foreign currency movements on trading and investments. Certain borrowings in foreign currencies are designated as net investment hedges of foreign operations.

Capital management
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business (capital is defined as share capital, share premium, retained earnings and shares to be issued). The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The group is not subject to external requirements in respect of its capital, with the exception of the need to comply with the level of ordinary shares available for trading on the Alternative Investment Market and Enterprise Securities Market, with which the group has complied in the current year. Additional shares in the group are made available to staff by the use of share option schemes as disclosed in the notes to the financial statements and as purchase consideration in business combinations.

The Board seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

3 Acquisitions of subsidiaries and associates

There were no acquisitions completed in 2012.

2011 acquisitions

On 6 August 2010 the company obtained control of LakeFront Data Ventures Inc by acquiring all of the ordinary shares of the company. Acquiring LakeFront Data Ventures Inc enabled the group to establish a presence in Canada and expand its overall offering to its client base. In the 7 months to 28 February 2011 the subsidiary contributed revenue of £241k and net profit of £24k to the consolidated net profit for the year. If the acquisition had occurred on 1 March 2010, management estimates that revenue for the group would have been £37,153k and net profit would have been an estimated £5,153k. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 March 2010.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Notes

(continued)

3 Acquisitions of subsidiaries and associates (continued)

Effect of aquisitions

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

	Pre-acquisition carrying amounts £000	Fair value adjustments £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Intangible assets	-	419	419
Trade and other receivables	16	-	16
Deferred tax liability	-	(119)	(119)
Net identifiable assets and liabilities	16	300	316
Goodwill on acquisition			520
			836
Consideration paid, satisfied as follows:			
Cash			585
Shares issued (82,602 shares)			251
			836
Cash consideration paid			585
Cash (acquired)			-
Net cash outflow			585

The trade and other receivables comprised gross contractual amounts of £16k of which no amounts were expected to be uncollectable at the acquisition date.

Shares issued
The number of ordinary shares issued (82,602 shares) was derived based on the average price of shares on the 20 days prior to 30 July 2010 (303.5 pence per share). The fair value of the ordinary shares issued based on the listed share price on the 6 August 2010, the effective date of control (312.5 pence per share) was not materially different. The impact would be to increase goodwill by £7k.

Goodwill has arisen on the acquisition and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the combination and the ability to leverage off client relationships and knowhow. The group has carried out an impairment review of goodwill as at 28 February 2011 and 29 February 2012 has not identified any impairment (see note 17).

Notes

(continued)

3 Acquisitions of subsidiaries and associates (continued)

Acquisition related costs
The group incurred acquisition-related costs of £68k related to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the group's consolidated statement of comprehensive income.

4 Operating segments

Business segments
The group's board of directors reviews internal management reports on a monthly basis. The reports provided to the board of directors focus on group performance. The information provided to the board does not report performance on a segmented income statement basis, however, contained within the group management accounts is a split of revenue, detailing the various consulting and software sales revenue figures throughout the group. This level of information is consistent with the directors' view of the nature of the group's business. Staff work in both areas of the business with substantial investment being made by the group in developing highly technical training which is provided to all staff to allow them to cover both software and consulting skills. Costs and assets are therefore not segmented nor presented on a segmental basis to the board of directors.

The group has disclosed below certain information on its revenue by geographical location. Details regarding total revenues are presented in note 5.

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

- Consulting activities which includes services to capital markets; and
- Software activities which includes the sale of intellectual property and related services.

Revenue by division

	Consulting		Software		Total	
	2012	2011	**2012**	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Total Segment Revenue	**32,629**	24,229	**13,458**	12,511	**46,087**	36,740

Geographical location analysis

	UK		Rest of Europe		America		Australasia		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue from external customers	**18,387**	15,811	**3,795**	2,627	**18,969**	14,812	**4,936**	3,490	**46,087**	**36,740**
Non Current Assets	**20,873**	22,376	**8,655**	5,930	**22,727**	24,333	**1,782**	1,692	**54,037**	**54,331**

Revenue generated and non-current assets located in Northern Ireland, the group's country of domicile are not material and as such, have not been separately disclosed for either the current or prior year.

Major customers
The group has a key customer who individually generated more than 10% of group revenue in 2012. Revenue from this customer represents approximately £14,882k of the group's total revenue. The revenue from this customer has been derived from 28 different independent decision making business units across seven global locations with no other unit accounting for more than 2.0%. In the prior year the same key customer accounted for more than 10% of group revenue. Revenues from this customer accounted for approximately £12,518k of the group's total revenue.

Notes

(continued)

5 Revenue

	2012 £'000	2011 £'000
Sale of goods	**7,216**	5,584
Rendering of services	**38,472**	30,287
Commissions	**399**	869
	46,087	36,740

6 Other operating income

	2012 £'000	2011 £'000
Government grants	**1,411**	1,890
Other income	**3**	84
	1,414	1,974

During the year, employment grant income of £2,424k (2011: £646k) was claimed from Invest Northern Ireland.

7 Administrative expenses

	2012 £'000	2011 £'000
Rent, rates and insurance	**1,259**	939
Telephone	**360**	327
Accountancy, audit and legal expenses	**623**	378
Advertising and marketing	**418**	263
Depreciation and amortisation	**2,413**	2,007
Payroll costs	**3,669**	3,315
Listing expenses	**131**	175
Bad debts (recovered)/written off	**(60)**	381
Profit on disposal of property, plant and equipment	**(528)**	-
Other	**1,083**	938
	9,368	8,723

Notes

(continued)

8 Personnel expenses and numbers

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

	2012 Average no.	2011 Average no.
Administration	65	58
Technical	544	397
	609	455

The aggregate payroll costs of these persons were as follows:

	2012 £'000	2011 £'000
Wages and salaries	24,699	19,159
Share based payments (see note 41)	669	340
Social security costs	2,459	1,386
Other pension costs	650	308
Less capitalised costs in research and development	(4,622)	(3,475)
	23,855	17,718

Disclosed as:

	2012 £'000	2011 £'000
Cost of sales	20,186	14,401
Administrative expenses	3,669	3,317
	23,855	17,718

9 Finance income and expense

	2012 £'000	2011 £'000
Interest income on bank deposits	2	7
Finance income	2	7
Loss on foreign currency translation of monetary assets	(455)	(198)
Interest expense on bank loans	(620)	(649)
Other interest	(28)	(74)
Finance expense	(648)	(723)
Net finance expense recognised in profit or loss	(1,101)	(914)

Exchange gains and losses on net investments in foreign subsidiaries and associates and related effective hedges are recognised in the foreign currency translation reserve.

Notes

(continued)

10 Statutory and other information

	2012 £'000	2011 £'000
Depreciation on property, plant and equipment:		
Owned assets	**592**	402
Assets held under finance lease	**-**	73
(Reversal of)/provision for impairment of trade receivables	**(60)**	381
Amortisation of intangibles	**1,821**	1,532
Rents payable in respect of operating leases	**513**	348
Research and development costs expensed	**1,360**	989
Auditor's remuneration:		
KPMG Ireland	**52**	55
Audit of these financial statements		
Audit of the subsidiary undertakings included in the consolidation	**15**	13
Other services:		
Amounts receivable by the auditor (KPMG Ireland) in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**11**	12
All other services	**-**	16
Other services relating to taxation	**130**	51
Services relating to corporate finance transactions	**-**	2

Amounts receivable by the company's auditor in relation to 2011/2012 activities are £208k.

11 Tax expense

	2012 £'000	2011 £'000
Income tax recognised in the income statement		
Current tax expense		
Current year	**757**	1,350
Adjustment for prior periods	**(365)**	6
	392	1,356
Deferred tax expense		
Origination and reversal of temporary differences	**542**	176
Adjustment for prior periods	**159**	(121)
Change in tax rates	**(92)**	(28)
	609	27
Total tax expense in income statement	**1,001**	1,383

Notes

(continued)

11 Tax expense (continued)

	2012 £'000	2011 £'000
Reconciliation of effective tax rate		
Profit excluding income tax	**6,947**	6,495
Income tax using the company's domestic tax rate (26.2%) (2011: 28%)	**1,818**	1,819
Tax exempt income	**(148)**	(54)
Expenses not deductible for tax purposes	**34**	60
Over provision in prior year	**(206)**	(28)
Other differences	**4**	20
Profit of associate	**(23)**	(236)
Foreign tax rate differences	**(422)**	(203)
Reduction in tax rates	**(92)**	(28)
Unrelieved overseas taxes	**36**	33
	1,001	1,383

Following the 2012 budget statement, the main rate of UK corporation tax was reduced from 26% directly to 24% with effect from the 1 April 2012 and to 23% from 1 April 2013. Thereafter the main rate of UK corporation tax will continue to reduce by 1% per annum to 22% by 2014. It is expected that this gradual fall in the main corporation tax rate will result in a reduction of the groups future current tax charge.

12 Remuneration of directors

The remuneration paid to the directors was:

	2012 £'000	2011 £'000
Aggregate emoluments (including benefits in kind)	**823**	454
Company pension contributions	**49**	42
Fees for provision of services	**-**	285
Share option payment charge	**225**	88
	1,097	869

During the period there were 4 directors accruing benefits under a defined contribution pension scheme (28 February 2011: 4).

The aggregate emoluments and company pension contributions of the highest paid director (excluding fees paid for provision of services) amounted to £329k and £15k respectively during the year (2011: £125k and £21k respectively).

Notes

(continued)

12 Remuneration of directors (continued)

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

Directors emoluments

	Salary and fees £'000	Benefits (1) £'000	Share based payment £'000	Bonus £'000	**2012 Total excluding pension £'000**	2011 Total excluding pension £'000	**2012 Pension £'000**	2011 Pension £'000
R D Anderson	42	-	5	-	**47**	35	**-**	-
B G Conlon	150	-	-	60	**210**	125	**21**	21
R G Ferguson	150	-	119	60	**329**	120	**15**	12
A Toner	120	-	100	27	**247**	80	**12**	8
K Cunnigham	126	9	-	-	**135**	135	**1**	1
M G O'Neill	50	-	-	-	**50**	59	**-**	-
P Brazel	29	-	1	-	**30**	-	**-**	-
Total	667	9	225	147	**1,048**	554	**49**	42

1 Benefits include health and life assurance.

Paul Kinney (resigned 11 March 2011) provided services to the company in the prior year amounting to £273k. No services were provided in the current year while he was a director.

Directors interests

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

	Number of options				
	At start of year	**Granted during the year**	**At end of year**	**Exercise price £**	**Exercise period**
Adrian Toner	-	175,000	**175,000**	4.80	2014-2021
	175,000	-	**175,000**	4.15	2014-2020
	60,000	-	**60,000**	1.79	2011-2019
David Anderson	-	50,000	**50,000**	4.80	2014-2021
	10,000	-	**10,000**	1.79	2013-2019
Graham Ferguson	175,000	-	**175,000**	4.15	2014-2020
	175,000	-	**175,000**	1.77	2013-2019
Pat Brazel	-	25,000	**25,000**	4.80	2014-2021

The average share price during the year was £4.93 (2011: £3.53) and the closing price at year end was £4.75 (2011: £4.24).

Notes

(continued)

13 Dividends

	2012 £'000	2011 £'000
Final dividend relating to the prior year	**1,187**	976
Interim dividend paid	**496**	459
	1,683	1,435

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

The final dividend relating to the prior year amounted to 7.25 (previous year: 6.75) pence per share and the interim dividend paid during the year amounted to 3.00 (previous year: 2.90) pence per share. The cumulative dividend paid during the year amounted to 10.25 (previous year: 9.65) pence per share.

After the respective reporting dates, the following dividends were proposed by the directors. The dividends have not been provided for and there are no income tax consequences.

	2012 £'000	2011 £'000
8.15 pence per ordinary share (2011: 7.25 pence)	**1,370**	1,185

14 Company result

Under Section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own income statement. The profit after tax (after subtraction of foreign currency loss of £631k (2011: gain of £474k)) for the financial year of the company as approved by the Board was £4,504k (2011: £4,464k).

15(a) Earnings per ordinary share

Basic

The calculation of basic earnings per share at 29 February 2012 was based on the profit attributable to ordinary shareholders of £5,946k (2011: £5,112k), and a weighted average number of ordinary shares ranking for dividend of 16,510k (2011: 15,415k).

	2012 Pence per share	2011 Pence per share
Basic earnings per share	**36.0**	33.2

Notes

(continued)

15(a) Earnings per ordinary share (continued)

Weighted average number of ordinary shares

	2012 Number '000	2011 Number '000
Issued ordinary shares at beginning of period	**15,924**	14,421
Effect of share options exercised	**170**	132
Effect of shares issued as purchase consideration	**416**	46
Effect of shares issued for cash	**-**	816
Weighted average number of ordinary shares at end of period	**16,510**	15,415

Diluted

The calculation of diluted earnings per share at 29 February 2012 was based on the profit attributable to ordinary shareholders of £5,946k (2011: £5,112k) and a weighted average number of ordinary shares after adjustment for the effects of all dilutive potential ordinary shares of 18,128k (2011: 17,606k).

	2012 Pence per share	2011 Pence per share
Diluted earnings per share	**32.8**	29.0

Weighted average number of ordinary shares (diluted)

	2012 Number '000	2011 Number '000
Weighted average number of ordinary shares (basic)	**16,510**	15,415
Effect of dilutive share options in issue	**1,618**	2,191
Weighted average number of ordinary shares (diluted) at end of period	**18,128**	17,606

The average market value of the group's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period the options were outstanding.

At 29 February 2012, 600k options (2011: 315k) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

Notes

(continued)

15(b) Earnings before tax per ordinary share

Earnings before tax per share are based on profit before taxation of £6,947k (2011: £6,495k). The number of shares used in this calculation is consistent with note 15(a) above.

	2012 Pence per share	2011 Pence per share
Basic earnings before tax per ordinary share	**42.1**	42.1
Diluted earnings before tax per ordinary share	**38.3**	36.9

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

	2012 Pence per share	2011 Pence per share
Basic earnings per share	**36.0**	33.2
Impact of taxation charge	**6.1**	8.9
Adjusted basic earnings before tax per share	**42.1**	42.1
Diluted earnings per share	**32.8**	29.0
Impact of taxation charge	**5.5**	7.9
Adjusted diluted earnings before tax per share	**38.3**	36.9

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

15(c) Normalised earnings after tax per ordinary share

Normalised earnings after tax per share are based on profit after taxation of £6,195k (2011: £4,415k). The adjusted profit after tax has been calculated by adjusting for the Group's share of loss on dilution of investment in associate £371k (2011: nil), share of profit of associate £458k (2011: £841k) and loss on foreign currency translation after tax effect £336k (2011: £143k). The number of shares used in this calculation is consistent with note 15(a) above.

	2012 Pence per share	2011 Pence per share
Basic earnings after tax per ordinary share	**37.5**	28.6
Diluted earnings after tax per ordinary share	**34.2**	24.4

Notes

(continued)

16 Property, plant and equipment

Group

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2011	18,592	1,143	127	19,862
Additions	320	545	1	866
Disposals	(2,352)	-	-	(2,352)
Reclassification to assets held for sale	(1,734)	-	-	(1,734)
Exchange adjustments	29	-	-	29
At 29 February 2012	**14,855**	**1,688**	**128**	**16,671**
Depreciation				
At 1 March 2011	922	587	61	1,570
Charge for the year	242	326	24	592
Disposals	(99)	-	-	(99)
Reclassification to assets held for sale	(136)	-	-	(136)
Exchange adjustments	-	6	-	6
At 29 February 2012	**929**	**919**	**85**	**1,933**
Net book value At 29 February 2012	**13,926**	**769**	**43**	**14,738**

	Land and buildings £'000	Plant and equipment £'000	Office furniture £'000	Total £'000
Cost				
At 1 March 2010	18,296	696	72	19,064
Additions	297	489	56	842
Exchange adjustments	(1)	(42)	(1)	(44)
At 28 February 2011	**18,592**	**1,143**	**127**	**19,862**
Depreciation				
At 1 March 2010	696	385	45	1,126
Charge for the year	227	232	16	475
Exchange adjustments	(1)	(30)	-	(31)
At 28 February 2011	**922**	**587**	**61**	**1,570**
Net book value At 1 March 2010	**17,600**	**311**	**27**	**17,938**
At 28 February 2011	**17,670**	**556**	**66**	**18,292**

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

Land and buildings in the group of £15,524k (including £1,598k held as available for sale) have been independently valued by qualified external valuers at £18,915k on an open market basis.

Details of security provided for borrowing in respect of property, plant and equipment are disclosed in note 28

Notes

(continued)

16 Property, plant and equipment (continued)

Company

	Land and buildings £'000	Plant and equipment £'000	Office furniture and equipment £'000	Total £'000
Cost				
At 1 March 2011	18,567	356	67	18,990
Additions	179	88	1	268
Disposals	(2,352)	-	-	(2,352)
Reclassification to assets held for sale	(1,734)	-		(1,734)
At 29 February 2012	**14,660**	**444**	**68**	**15,172**
Depreciation				
At 1 March 2011	908	305	52	1,265
Charge for the year	237	48	8	293
Disposals	(99)	-	-	(99)
Reclassification to assets held for sale	(136)	-		(136)
At 29 February 2012	**910**	**353**	**60**	**1,323**
Net book value				
At 29 February 2012	**13,750**	**91**	**8**	**13,849**

	Land and buildings £'000	Plant and equipment £'000	Office furniture and eequipment £'000	Total £'000
Cost				
At 1 March 2010	18,283	310	58	18,651
Additions	284	46	9	339
At 28 February 2011	**18,567**	**356**	**67**	**18,990**
Depreciation				
At 1 March 2010	682	270	46	998
Charge for the year	226	35	6	267
At 28 February 2011	**908**	**305**	**52**	**1,265**
Net book value				
At 1 March 2010	**17,601**	**40**	**12**	**17,653**
At 28 February 2011	**17,659**	**51**	**15**	**17,725**

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

No assets are held under finance leases.

Details of security in respect of property, plant and equipment are disclosed in note 28.

Notes

(continued)

17 Intangible assets and goodwill

Group

	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2011	13,941	2,327	7,252	302	6,168	29,990
Development costs	-	-	-	-	4,819	4,819
Additions	-	-	1,340	-	-	1,340
Adjustment to deferred consideration	(1,354)	-	-	-	-	(1,354)
Exchange adjustments	303	35	53	2	(36)	357
Balance at 29 February 2012	12,890	2,362	8,645	304	10,951	35,152
Amortisation and impairment losses						
Balance at 1 March 2011	-	617	1,424	65	1,152	3,258
Exchange adjustment	-	14	6	4	(4)	20
Amortisation for the year	-	293	1,003	38	487	1,821
Balance at 29 February 2012	-	924	2,433	107	1,635	5,099
Carrying amounts						
At 29 February 2012	**12,890**	**1,438**	**6,212**	**197**	**9,316**	**30,053**

Notes

(continued)

17 Intangible assets and goodwill (continued)

	Goodwill	Customer lists	Acquired Software	Brand name	Internally developed software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
Balance at 1 March 2010	11,427	2,039	7,590	300	2,701	24,057
Development costs	-	-	-	-	3,475	3,475
Additions	-	-	2	-	-	2
Adjustment to deferred consideration	2,302	-	-	-	-	2,302
Acquisition through business combinations	690	401	-	18	-	1,109
Exchange adjustments	(478)	(113)	(340)	(16)	(8)	(955)
Balance at 28 February 2011	13,941	2,327	7,252	302	6,168	29,990
Amortisation and impairment losses						
Balance at 1 March 2010	-	372	447	30	930	1,779
Exchange adjustment	-	(30)	(21)	(2)	-	(53)
Amortisation for the year	-	275	998	37	222	1,532
Balance at 28 February 2011	-	617	1,424	65	1,152	3,258
Carrying amounts						
At 1 March 2010	**11,427**	**1,667**	**7,143**	**270**	**1,771**	**22,278**
At 28 February 2011	**13,941**	**1,710**	**5,828**	**237**	**5,016**	**26,732**

The basis by which amortisation is calculated is stated in note 1. Amortisation is recognised in administration expenses.

Included within development costs is £4,622k (2011: £3,475k) of capitalised employees costs, including £183k of capitalised share option costs (2011: £nil) together with £197k of capitalised consultancy costs (2011:£nil) for the year. Developed software includes £4,414k (2011: £2,913k) of software under development at 29 February 2012 not yet commissioned.

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

	2012	2011
	£000	£000
Administration expenses	**1,821**	1,532

During the year, the group conducted a review of the useful economic life of the intangible assets of First Derivatives (Ireland) Limited. Certain intangible assets, which management previously assessed as having a useful economic life of five years are now reassessed as having an eight year life. The effect of these changes on amortisation charge is recognised in administration expense, in both the current and future years. Amortisation has decreased by £103k in the current year, followed by a decrease of £70k per annum over years 2 to 4 and this will reverse in years 5 to 8.

Notes

(continued)

17 Intangible assets and goodwill (continued)

Impairment testing of goodwill

The group tests goodwill annually for impairment on 28/29 February, or more frequently if there are indications that goodwill might be impaired. For the purposes of impairment testing, goodwill is allocated to divisions which represent the lowest level within the group at which goodwill is monitored, which is not higher than the statutory entity level summary. A statutory entity level summary of the goodwill is presented below:

	2012 £'000	2011 £'000
Subsidiaries		
Market Resource Partners LLC	**9,602**	9,329
Reference Data Factory LLC	**1,100**	2,527
Lepton Pty Limited	**1,493**	1,386
First Derivatives (Ireland) Limited	**166**	170
LakeFront Data Ventures Inc.	**529**	529
	12,890	13,941
Associate		
Kx Systems Inc. (included in note 18)	**4,008**	3,933

The recoverable amount of each cash generating unit (CGU) has been determined based on a value-in-use (VIU) calculation using cash flows derived from financial projections over a fifteen year period, with cash flows thereafter calculated using a terminal value methodology. A growth rate of 2% (2011: 2%) is assumed. The pre-tax discount rates applied to cash flow projections of the CGUs was 15% (2011: 15%).

Projected cash flows are most sensitive to assumptions regarding future profitability and working capital investment. The values applied to these key assumptions are derived from a combination of external and internal factors, based on past experience together with management's future expectations about business performance.

Discount rates reflect the current market assessment of the risk specific to each CGU. The discount rate was estimated based on past experience and industry average weighted average cost of capital adjusted to reflect the market assessment of risks specific to each CGU for which the cash flow projections have not been adjusted.

There was no impairment charge for the year ended 29 February 2012 (2011: Nil). For the purposes of performing sensitivity analysis, a change in the assumption to increase the discount rate by 0.5% or, separately, to reduce the terminal growth by 0.5% would not result in any indication of impairment.

No reasonable change in assumption would indicate any impairment.

Notes

(continued)

17 Intangible assets and goodwill (continued)

Company	**Internally developed software £'000**
Cost	
Balance at 1 March 2011	4,222
Development cost	3,027
Balance at 29 February 2012	**7,249**
Amortisation and impairment losses	
Balance at 1 March 2011	1,039
Amortisation for the year	277
Balance at 29 February 2012	**1,316**
Carrying amounts	
At 29 February 2012	**5,933**
Cost	
Balance at 1 March 2010	2,584
Development cost	1,638
Balance at 28 February 2011	4,222
Amortisation and impairment losses	
Balance at 1 March 2010	929
Amortisation for the year	110
Balance at 28 February 2011	1,039
Carrying amounts	
At 1 March 2010	**1,655**
At 28 February 2011	**3,183**

Included within development costs is £3,027k (2011: £1,638k) of capitalised employees costs including £183k of capitalised share option costs (2011:£Nil) for the year. Developed software includes £2,784k (2011: £2,442k) of software under development at 29 February 2012 not yet commissioned.

Notes

(continued)

18 Investment in subsidiaries and associate

The group and company have the following investments in subsidiaries:

	Country of incorporation	share held	Class of Ownership 2012	2011
Group				
Market Resource Partners LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited	Australia	Ordinary	100%	100%
First Derivatives Pty Limited	Australia	Ordinary	100%	100%
First Derivatives (Ireland) Limited	Ireland	Ordinary	100%	100%
Reference Data Factory LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Inc	United States	Ordinary	100%	100%
First Derivatives US Inc	United States	Ordinary	100%	100%
First Derivatives No.1 Inc	United States	Ordinary	100%	100%
LakeFront Data Ventures Inc	Canada	Ordinary	100%	100%
Market Resource Partners Limited	N. Ireland	Ordinary	100%	100%

	Country of incorporation	share held	Class of Ownership 2012	2011
Company				
Market Resource Partners LLC	United States	Ordinary	100%	100%
First Derivatives Holdings Pty Limited	Australia	Ordinary	100%	100%
First Derivatives (Ireland) Limited	Ireland	Ordinary	100%	100%
First Derivatives Holdings Inc	United States	Ordinary	100%	100%
First Derivatives No.1 Inc	United States	Ordinary	100%	100%
LakeFront Data Ventures Inc	Canada	Ordinary	100%	100%
Market Resource Partners Limited	N. Ireland	Ordinary	100%	100%

First Derivatives Holdings Pty Limited holds 100% of the ordinary shares of First Derivatives Pty Limited. First Derivatives Holdings Inc. holds 100% of the ordinary shares of Reference Data Factory LLc and First Derivatives US Inc. Market Resource Partners NI Limited was incorporated on 7th July 2010.

Company

	2012 £'000	2011 £'000
Unlisted investments in subsidiaries at cost		
At 1 March 2011	**14,217**	11,652
Additions	**-**	836
Increase of contingent deferred consideration	**133**	1,981
Additional expenses from previous acquisitions	**-**	11
Foreign exchange movement in contingent deferred consideration	**199**	(263)
At 29 February 2012	**14,549**	14,217

Notes

(continued)

17 Investment in subsidiaries and associate (continued)

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

Associate
The group's share of profit in associates for the year was £458k (2011: £841k). The associate is not publically listed and consequently does not have a published share price. During the year, the group received dividends of £570k (2011: £654k) from its associate. Summary financial information for the year to 29 February 2012 for the associate for total assets, total liabilities, revenue and net profit was £11,345k (2011: £10,404k), £5,748k (2011: £6,083k), £9,586k (2011: £11,375k) and £3,329k (2011: £5,776k) respectively.

The group has the following investment in an associate:

	Country of incorporation	Class of share held	Ownership 2012	2011
Group and Company				
Kx Systems Inc	United States	Ordinary	20.4%	21.9%

Group	**£'000**
At 1 March 2011	7,447
Dividends received	(570)
Share of associate profit	458
Share of loss on dilution in associate using the equity method	(371)
Exchange adjustment	95
At 29 February 2012	**7,059**

The directors are of the view that the fair value of the investment in Kx Systems is substantially in excess of its carrying value. The loss on dilution arises on the exercise of share options in Kx Systems at an exercise price less than the carrying value per share at which the group acquired its investment.

	£'000
At 1 March 2010	7,710
Dividend received	(654)
Share of associate profit	841
Exchange adjustment	(450)
At 28 February 2011	**7,447**

Company	**£'000**
At 28 February 2011 and 29 February 2012	**7,196**

Goodwill arising on the associate was tested for impairment, see note 17.

Notes

(continued)

19 Trade and other receivables

Non current assets

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Receivables from subsidiaries	**-**	-	**2,198**	1,919
Grant income receiveable	**437**	-	-	-
	437	-	**2,198**	1,919

The repayment terms of the receiveable has been agreed as falling due after more than one year.

Current assets

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade receivables	**9,299**	8,021	**4,871**	4,698
Receivables from associates	**64**	454	**64**	454
Receivables from subsidiaries	**-**	-	**7,832**	5,995
Sundry receivables	**2,379**	942	**180**	1
Prepayments	**1,159**	718	**753**	643
Grant income receivable	**866**	2,428	**1,087**	2,428
	13,767	12,563	**14,787**	14,219

At 29 February 2012 group and company trade receivables are shown net of an allowance for doubtful debts of £379k and £230k respectively (2011: group £440k; company £350k) arising from on-going invoice disputes and the risk of companies defaulting. The impairment loss reversal in the year was £60k (2011: charge £381k) for group and £120k (2011: charge £211k) for the company. The group's and company's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 39.

20 Cash and cash equivalents

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank balances	**1,318**	3,501	**962**	2,956

See note 39 for discussion of interest rate risk and sensitivity analysis.

Notes

(continued)

21 Assets held for resale

Three properties are presented as held for sale following the commitment of management to a plan to dispose of the properties. Efforts to sell the properties have commenced and are expected to be concluded by August 2012.

No impairment loss has been recognised as management expect to dispose of the properties at a profit.

		Group		Company
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Property, plant and Equipment	**1,598**	-	**1,598**	-

22 Share capital

		Ordinary shares
	2012	2011
On issue at 1 March	**15,923,953**	14,420,726
Issued for cash	**-**	1,150,000
Exercise of share options	**258,168**	270,625
Issued in business combination	**-**	82,602
Issued as payment of deferred consideration	**450,915**	-
On issue at 29 February – fully paid	**16,633,036**	15,923,953

	2012	**2012**	2011	2011
	Number	**£'000**	Number	£'000
Equity shares				
Issued, allotted and fully paid				
Ordinary shares of £0.005 each	**16,633,036**	**83**	15,923,953	80

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Shares increased in the year due to the exercise of 258,168 share options (2011: 270,625) for consideration of £360k (2011: £329k) together with an associated transfer from the share option reserve of £83k (2011: £118k), the issue of 450,915 shares (2011: 82,602) at £2,216k (2011: £251k) purchase consideration for outstanding deferred consideration on subsidiaries.

Notes

(continued)

23 Share premium account

	Group 2012 £'000	2011 £'000	Company 2012 £'000	2011 £'000
Opening balance	**7,846**	3,906	**7,846**	3,906
Premium on shares issued	**2,656**	3,940	**2,656**	3,940
Closing balance	**10,502**	7,846	**10,502**	7,846

24 Share option reserve

	Group 2012 £'000	2011 £'000	Company 2012 £'000	2011 £'000
Opening balance	**2,384**	983	**2,384**	983
Fair value of share based payments cost (note 41)	**725**	538	**725**	538
Options exercised in the period	**(83)**	(118)	**(83)**	(118)
Effect of share option forfeits	**(44)**	(49)	**(44)**	(49)
Deferred tax on share based payments	**(309)**	1,030	**(309)**	1,030
Closing balance	**2,673**	2,384	**2,673**	2,384

The share option reserve comprises the charge for unexercised share options granted to employees and includes share options granted in consideration for the acquisition of business combinations net of deferred tax assets relating to the tax deduction receivable when the options are exercised.

25 Fair Value reserve

	Group 2012 £'000	2011 £'000
Opening balance		
Effect of corporation tax rate reduction on deferred tax asset	**126**	126
	5	-
Closing balance	**131**	126

The fair value reserve includes the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired. The amount is retained in the company as the original investment was included at fair value in the carrying value of the associate when significant influence was obtained.

Notes

(continued)

26 Revaluation reserve

	Group 2012 £'000	2011 £'000
Opening balance	**174**	174
Transfer to retained earnings on loss of interest in associate	**(12)**	-
Effect of corporation tax rate reduction on deferred tax asset	**5**	-
Closing balance	**167**	174

For the purposes of the group, the revaluation of the available for sale asset prior to its reclassification as an associate, has been transferred to the revaluation reserve.

27 Currency translation adjustment reserve

	Group 2012 £'000	2011 £'000
Opening balance	**197**	694
Net gain/(loss) on net investment in foreign subsidiaries	**119**	(641)
Net gain/(loss) on net investment in associate	**95**	(450)
Net (loss)/gain on hedge of net investment in foreign subsidiaries	**(63)**	351
Net (loss)/gain on hedge of investment in associate	**(58)**	243
Closing balance	**290**	197

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations and intercompany loans that are determined to form part of the net investment, as well as from the translation of liabilities that hedge the group's net investment in a foreign subsidiary.

28 Loans and borrowings

	Group 2012 £'000	2011 £'000	Company 2012 £'000	2011 £'000
Current liabilities				
Secured bank loans	**3,447**	1,098	**3,447**	1,098
Finance leases	**156**	26	**-**	-
	3,603	1,124	**3,447**	1,098
Non-current liabilities				
Secured bank loans	**17,178**	21,585	**17,178**	21,585
Less: Capital arrangement fee	**(31)**	(41)	**(31)**	(41)
Finance leases	**1,451**	-		-
	18,598	21,544	**17,147**	21,544

Notes

(continued)

28 Loans and borrowings (continued)

Terms and debt repayment schedule

The group had the following loan facilities with Bank of Ireland at the end of the year:

£11,000,000 multi currency loan (Facility A)
£8,000,000 multi currency loan (Facility B)
$3,700,000 US dollar loan (Loan A)
£2,500,000 sterling overdraft (Facility D)

The terms and conditions of outstanding loans were as follows:

	Currency	Nominal interest rate	Year of maturity	28 February 2012 Face value	28 February 2012 Carrying amount	28 February 2011 Face value	28 February 2011 Carrying amount
				£000	**£000**	£000	£000
Facility A	USD	2.25%+LIBOR*	2016	**9,652**	**9,621**	10,976	10,935
Facility B	GBP	2.25%+LIBOR*	2016	**8,542**	**8,542**	7,909	7,909
Facility C	GBP	3.00%+ LIBOR*	2013	**-**	**-**	1,500	1,500
Facility D	GBP	2.00%+LIBOR	2013	**1,553**	**1,553**	-	-
Loan A	USD	3%+ LIBOR	2016	**878**	**878**	2,298	2,298
Finance Lease	USD	11%	2012	**-**	**-**	26	26
Finance Lease	EUR	4.375%	2015	**1,607**	**1,607**	-	-
Total interest-bearing borrowings				**22,232**	**22,201**	22,709	22,668

* In respect of these loans, the nominal interest rate varies as the group meets financial targets and these have been assessed as being closely linked to the underlying contract with a minimum rate available of 1.50%+LIBOR.

The bank loans are secured over property, plant and equipment including assets held for sale with a carrying amount of £15,524k (2011: £17,725k). All outstanding loans have interest charged at 2.00%, 2.25% or 3.00% (2011: 2.25% or 3%) above LIBOR.

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group

	Future minimum lease payments 2012	Interest 2012	Principal 2012	Future minimum lease payments 2011	Interest 2011	Principal 2011
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Less than one year	**224**	**68**	**156**	28	2	26
Between one and five years	**1,531**	**80**	**1,451**	-	-	-
	1,755	**148**	**1,607**	28	2	26

The finance leases are secured over the leased equipment.

Notes

(continued)

29 Deferred taxation

Group

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Property, plant and equipment	**-**	4	**(1,633)**	(885)	**(1,633)**	(881)
Share based payments	**1,048**	1,427	**-**	-	**1,048**	1,427
Trading Losses	**302**	228	**-**	-	**302**	228
Net fair value movement on available for sale assets	**-**	-	**(42)**	(47)	**(42)**	(47)
Intangible assets	**-**	-	**(549)**	(387)	**(549)**	(387)
Other	**400**	201	**-**	-	**400**	201
Net tax assets/(liabilities)	**1,750**	1,860	**(2,224)**	(1,319)	**(474)**	541

Movement in temporary differences during the year:

	Balance at 1 March 2010 £000	Recognised in income £000	Recognised on acquisition £000	Recognised in equity £000	Share options exercised £000	Balance at 28 Feb 2011 £000	Recognised in income £000	Recognised in equity £000	Share options xercised £000	Balance at 29 Feb 2012 £000
Property, plant and equipment	(506)	(375)	-	-	-	(881)	(752)	-	-	**(1,633)**
Share based payments	438	140	-	1,030	(181)	1,427	32	(309)	(102)	**1,048**
Trading losses	-	228	-	-	-	228	74	-	-	**302**
Net fair value movement on available for sale assets	(49)	-	-	2	-	(47)	-	5	-	**(42)**
Intangible assets	(124)	(141)	(119)	(3)	-	(387)	(162)	-	-	**(549)**
Other	80	121	-	-	-	201	199	-	-	**400**
	(161)	(27)	(119)	1,029	(181)	541	(609)	(304)	(102)	**(474)**

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

Notes

(continued)

29 Deferred taxation (continued)

Company

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Property, plant and equipment	**-**	-	**(1,497)**	(867)	**(1,497)**	(867)
Share based payments	**1,048**	1,427	**-**	-	**1,048**	1,427
Net fair value movement on available for sale assets	**-**	-	**(42)**	(47)	**(42)**	(47)
Other	**36**	41	**-**	-	**36**	41
Net tax assets/(liabilities)	**1,084**	1,468	**(1,539)**	(914)	**(455)**	554

Movement in temporary differences during the year:

	Balance at 1 March 2010 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 28 Feb 2011 £000	Recognised in profit and loss £000	Recognised in equity £000	Share options exercised £000	Balance at 28 Feb 2012 £000
Property, plant and equipment	(461)	(406)	-	-	(867)	(630)	-	-	**(1,497)**
Share based payments	438	140	1,030	(181)	1,427	32	(309)	(102)	**1,048**
Employee benefits	-	-	-	-	-	-	-	-	-
Net fair value movement on available for sale assets	(49)	-	2	-	(47)	-	5	-	**(42)**
Other	37	4	-	-	41	(5)	-	-	**36**
	(35)	(262)	1,032	(181)	554	(603)	(304)	(102)	**(455)**

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

Notes

(continued)

30 Contingent deferred consideration

Contingent deferred consideration liabilities are payable as follows:

		Group		Company
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
At 1 March	**7,610**	7,542	**5,268**	5,298
(Decrease)/Increase in contingent deferred consideration	**(1,354)**	2,302	**133**	1,981
Foreign exchange movement in contingent deferred consideration	**222**	(241)	**199**	(263)
Settled in year – cash	**(3,316)**	(1,795)	**(3,100)**	(1,550)
Settled in year – share issue	**(2,216)**	-	**(2,216)**	-
Settled in year – share option charge	**(56)**	(198)	**(25)**	(198)
At 29 February	**890**	7,610	**259**	5,268

The payment of contingent deferred consideration was paid in cash together with a share option charge in respect of share options issued as part of purchase consideration. The (decrease)/increase in contingent deferred consideration arises from a reassessment of contingent deferred consideration in line with (decreased)/increased performance of the subsidiary as per the terms of the relevant sale and purchase agreement. As at 29 February 2012 the maximum total amount payable under the terms of the sale and purchase agreements is £4,772k (2011: £9,557k) and the minimum total amount payable is £335k (2011: £5,268k).

		Group		Company
	2012	2011	**2012**	2011
	£'000	£'000	**£'000**	£'000
Less than one year	**890**	5,617	**259**	5,268
Between one and five years	**-**	1,993	**-**	-
	890	7,610	**259**	5,268

The amount of contingent deferred consideration is variable depending on the future performance of the relevant subsidiary. £859k (2011: £5,381k) of the group contingent deferred consideration is payable in cash, £Nil (2011: £2,068k) payable in a variable number of shares and £31k (2011: £161k) unamortised share option charge.

Notes

(continued)

31 Trade and other payables

Current liabilities

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade payables	**1,265**	1,195	**707**	667
Other payables	**1,801**	2,210	**1,405**	1,766
Accruals	**692**	662	**535**	598
Deferred income including government grants	**3,698**	3,888	**1,978**	1,771
Payables to subsidiaries	**-**	-	**965**	235
	7,456	7,955	**5,590**	5,037

Non current liabilities

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Deferred income in respect of government grants	**2,901**	2,034	**1,820**	1,570

The group and company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 39.

The group has claimed three government grants to date as follows:
• Grant amounting to £5,122k, conditional on recruitment of additional staff. The grant is recognised as deferred income as additional staff are recruited and is being amortised over the period of the grant.
• Grant amounting to £468k, conditional on the provision of staff training. It is recognised as other income as training is provided.
• Grant amounting to £1,744k, conditional upon research and development expenditure. This is recognised as deferred income as expenditure is incurred and is being amortised over the useful life of the generated intangible.

32 Current tax payable

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Current tax payable	**702**	1,176	**798**	1,489

Notes

(continued)

33 Provisions

	Group £'000
At 1 March 2011	**344**
Payments	**(78)**
Release to income statement	**(266)**
At 29 February 2012	**-**
At 1 March 2010	645
Payments	(301)
At 28 February 2011	344

On the acquisition of the trade and assets of Cognotec Holdings Ltd in the 2010 certain contracts were identified that were deemed to be onerous in nature due to the requirement to deliver services for no additional income. This related to a prepayment made by a third party prior to the group's purchase of the trade and assets of the business. The contracted service to be delivered for this payment had not been delivered at the time of the acquisition. The group had an obligation to refund the prepayment (payments made of £379k) and has renegotiated the remaining balance (£266k). No further amounts are due.

34 Capital and other commitments

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

35 Leasing commitments

Non-cancellable operating lease rentals are payable as follows:

		Group		Company
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Less than one year	**572**	412	**140**	140
Between one and five years	**1,466**	1,130	**560**	560
More than five years	**1,121**	980	**840**	980
	3,159	2,522	**1,540**	1,680

The group leases four premises under operating lease arrangements.

Group
During the year £513k was recognised as an expense in the income statement in respect of operating leases (2011: £348k).

Company
During the year £140k was recognised as an expense in the income statement in respect of operating leases (2011: £140k).

36 Pension contributions

The group makes contributions to the personal pension schemes of certain employees. The pension charge for the year amounted to £650k (2011: £308k). Contributions amounting to £101k (2011: £84k) were payable to the schemes at the year end and are included in creditors.

Notes

(continued)

37 Related party transactions

Group

Key management personnel compensation
The remuneration of the directors and rights to subscribe for shares as set out in note 12 is deemed to be the remuneration of key management personnel.

Key management personnel and director transactions
The Group is charged rent monthly for the use of apartments located in London owned by Brian Conlon. The charge incurred during the financial year amounted to £53k (2011: £53k). Rent deposits of £26k (2011: £26k) have been paid to the Brian Conlon in respect of these apartments.

During the year the group incurred £40k (2011: £50k) expenditure with Glenmount Limited, a consultancy services company in which M O'Neill is a director. The balance owed to Glenmount at 29 February 2012 is £6k (2011: £10k).

During the year, until the date of his resignation, the group incurred £nil (2011: £273k) expenditure with Ishtara Consulting Limited, a company in which P Kinney is a director for consulting services. The balance owed to Ishtara at 29 February 2012 is £nil (2011: £40k).

A 15 year lease was entered into for the rental of office space for the head office in Newry. The lessor is Oncon Properties, a partnership owned by B Conlon and M O'Neill. £140k (2011: £140k) rental charge was incurred in the year. The balance owed to Oncon at 29 February 2012 is £nil (2011: £99k).

Other related party transactions

	Commission earned		Administrative expenses incurred from	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Associate	**458**	869	**121**	303
	458	869	**121**	303

	Receivables outstanding		Payables outstanding	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Associate	**106**	616	**-**	-
	106	616	**-**	-

Company

Other related party transactions

	Revenue		Administrative expenses incurred from	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Subsidiaries	**1,783**	485	**4,317**	2,892
Associate	**458**	869	**121**	303
	2,241	1,354	**4,438**	3,195

Notes

(continued)

37 Party related transactions (continued)

	Receivables outstanding		Payables outstanding	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Subsidiaries	**10,030**	7,914	**965**	235
Associates	**106**	616	**-**	-
	10,136	8,530	**965**	235

The above associate receivables balances outstanding for group and company includes a trade receivable balance of £64k (2011: £454k) and a prepayment of £42k (2011: £162k).

All outstanding trade receivable balances with the associate are on an arms length basis and are due to be settled in cash within six months of the reporting date. The balances are not secured. The group has a perpetual OEM agreement for the kbd+ software. In addition, the group has a sales partner agreement to regulate circumstances where it may assist the associate on the sale of its products.

During the year development costs of £328k (2011: £677k) were recharged from a subsidiary to the company.

Interest is charged on inter-company loans at market rates.

38 Ultimate controlling party

There is no one party who is the ultimate controlling party of the group and company.

39 Financial instruments

Fair values

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

2012

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	13,045	-	13,045	13,045
Cash and cash equivalents	1,318	-	1,318	1,318
Secured bank loans	-	(20,625)	(20,594)	(20,594)
Finance leases	-	(1,607)	(1,607)	(1,607)
Trade, accruals and other payables	-	(3,758)	(3,758)	(3,758)
Employee benefits	-	(2,110)	(2,110)	(2,110)
Contingent deferred consideration	-	(859)	(859)	(859)

Notes

(continued)

39 Financial instruments (continued)

2011

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	11,845	-	11,845	11,845
Cash and cash equivalents	3,501	-	3,501	3,501
Secured bank loans	-	(22,683)	(22,642)	(22,642)
Finance leases	-	(26)	(26)	(26)
Trade, accruals and other payables	-	(4,067)	(4,067)	(4,067)
Employee benefits	-	(2,401)	(2,401)	(2,401)
Contingent deferred consideration	-	(7,610)	(7,610)	(7,610)
Provisions	-	(344)	(344)	(344)

Company

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

2012

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	16,232	-	16,232	16,232
Cash and cash equivalents	962	-	962	962
Secured bank loans	-	(20,625)	(20,594)	(20,594)
Trade, accruals and other payables	-	(3,612)	(3,612)	(3,612)
Employee benefits	-	(1,901)	(1,901)	(1,901)
Contingent deferred consideration	-	(259)	(259)	(259)

2011

	Loans and receivables £'000	Liabilities at amortised cost £'000	Carrying amount £'000	Fair value £'000
Trade and other receivables	15,495	-	15,495	15,495
Cash and cash equivalents	2,956	-	2,956	2,956
Secured bank loans	-	(22,683)	(22,642)	(22,642)
Trade, accruals and other payables	-	(3,266)	(3,266)	(3,266)
Employee benefits	-	(2,121)	(2,121)	(2,121)
Contingent deferred consideration	-	(5,268)	(5,268)	(5,268)

Notes

(continued)

39 Financial instruments (continued)

Exposure to credit risk

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

	Group Carrying amount		Company Carrying amount	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Trade and other receivables	**13,045**	11,845	**16,232**	15,495
Cash and cash equivalents	**1,318**	3,501	**962**	2,956
	14,363	15,346	**17,194**	18,451

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

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographical region was:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Europe	**2,667**	1,063	**6,861**	5,688
America	**4,949**	4,061	**4,899**	3,415
United Kingdom	**3,666**	6,211	**3,759**	6,334
Australasia	**1,763**	510	**713**	58
	13,045	11,845	**16,232**	15,495

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
End-user customer	**9,337**	8,566	**5,040**	5,152
Other	**3,708**	3,279	**11,192**	10,343
	13,045	11,845	**16,232**	15,495

The group's most significant customer is an investment bank which accounts for £1,472k of the trade and other receivables carrying amount at 29 February 2012 (2011: £3,262k). No other customers had receivable balances in excess of 10% of the group's total balance at the year end. In addition £1,303k (2011: £2,428k) is receivable from Invest Northern Ireland in respect of grants receivable.

Notes

(continued)

39 Financial instruments (continued)

Impairment losses

The ageing of trade receivables at the reporting date was:

Group	Gross 2012 £'000	Impairment 2012 £'000	Gross 2011 £'000	Impairment 2011 £'000
Not past due	**4,612**	**-**	3,402	-
Past due 0-30 days	**1,464**	**-**	3,357	-
Past due 31-120 days	**761**	**-**	215	-
Past due 120 days +	**2,841**	**379**	1,487	440
Total	**9,678**	**379**	8,461	440

Company	Gross 2012 £'000	Impairment 2012 £'000	Gross 2011 £'000	Impairment 2011 £'000
Not past due	**3,192**	**-**	2,202	-
Past due 0-30 days	**757**	**-**	2,409	-
Past due 31-120 days	**425**	**-**	69	-
Past due 120 days +	**727**	**230**	368	350
Total	**5,101**	**230**	5,048	350

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

		Group		Company
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Balance at 1 March	**440**	176	**350**	150
Impairment loss (reversed) /charged	**(60)**	381	**(120)**	211
Amounts written off	**(1)**	(117)	**-**	(11)
Balance at end of period	**379**	440	**230**	350

A review of debt outstanding led to the reversal of £60k previously included in the impairment provision. A specific impairment loss was incurred during the prior year with regard to concerns over the recoverability of debt relating to four customers mainly due to the economic circumstances of the customers. The group and company believe that the unimpaired amounts that are past due by more than 30 days are still collectible, based on historic payment behaviours.

The above allowance for impairment for the group includes a collective based provision of £112k (2011: £82k). The allowance for impairment for the company is entirely specific.

Notes

(continued)

39 Financial instruments (continued)

Liquidity risk

Group

The following are contractual maturities of financial liabilities, including estimated interest payments.

29 February 2012

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(20,594)	(25,475)	(2,881)	(1,589)	(3,045)	(17,960)	-
Finance leases	(1,607)	(1,755)	(87)	(137)	(498)	(1,033)	-
Trade and other payables	(3,758)	(3,758)	(3,758)	-	-	-	-
Deferred consideration	(859)	(859)	(438)	(421)	-	-	-
	(26,818)	(31,847)	(7,164)	(2,147)	(3,543)	(18,993)	-

28 February 2011

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(22,642)	(27,012)	(1,120)	(1,120)	(3,163)	(21,609)	-
Finance leases	(26)	(28)	(28)	-	-	-	-
Trade and other payables	(4,067)	(4,067)	(4,067)	-	-	-	-
Deferred consideration	(5,381)	(5,483)	(3,104)	(284)	(2,095)	-	-
Other provision	(344)	(344)	(50)	(50)	(100)	(144)	
	(32,460)	(36,934)	(8,369)	(1,454)	(5,358)	(21,753)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 28.

Notes

(continued)

39 Financial instruments (continued)

Company

The following are contractual maturities of financial liabilities, including estimated interest payments.

29 February 2012

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(20,594)	(25,475)	(2,881)	(1,589)	(3,045)	(17,960)	-
Trade and other payables	(3,612)	(3,612)	(3,612)	-	-	-	-
Deferred consideration	(259)	(259)	(259)	-	-	-	-
	(24,465)	(29,346)	(6,752)	(1,589)	(3,045)	(17,960)	-

28 February 2011

	Carrying amount £'000	Contractual cash flows £'000	6 mths or less £'000	6-12 mths £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Secured bank loans	(22,642)	(27,012)	(1,120)	(1,120)	(3,163)	(21,609)	-
Trade and other payables	(3,266)	(3,266)	(3,266)	-	-	-	-
Deferred consideration	(3,039)	(3,039)	(2,929)	(110)	-	-	-
	(28,947)	(33,317)	(7,315)	(1,230)	(3,163)	(21,609)	-

The above contracted cash flows include interest on secured bank loans the terms of which are set out in note 28.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Currency risk

Group

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

	29 February 2012			28 February 2011		
	CAD £000's	**Euro £'000**	**USD £'000**	CAD £000's	Euro £'000	USD £'000
Trade receivables	**947**	**249**	**4,091**	171	627	2,901
Secured bank loans	**-**	**-**	**(453)**	-	-	(3,182)
Trade payables	**-**	**-**	**-**	-	-	(65)
Gross balance sheet exposure	**947**	**249**	**3,638**	171	627	(346)

The secured bank loan above excludes bank loans designated in a net investment hedge of £10,036k (2011: £10,631k).

Notes

(continued)

39 Financial instruments (continued)

Company

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

	29 February 2012			28 February 2011		
	CAD £000's	**Euro £'000**	**USD £'000**	CAD £000's	Euro £'000	USD £'000
Trade receivables	**947**	**215**	**1,679**	171	46	1,805
Secured bank loans	**-**	**-**	**(453)**	-	-	(3,182)
Trade payables	**-**	**-**	**-**	-	-	(41)
Gross balance sheet exposure	**947**	**215**	**1,226**	171	46	(1,418)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	**2012**	2011
USD 1	**1.60**	1.55	**1.58**	1.61
EUR 1	**1.16**	1.17	**1.18**	1.17
CAD 1	**1.59**	1.58	**1.58**	1.57

Sensitivity analysis

A 10% strengthening of Sterling against the above currencies at the end of the period would decrease group equity and profit or loss by approximately £762k (2011: £45k). A 10% weakening of Sterling against the above currencies at the end of the period would increase group equity and profit or loss by approximately £762k (2011: £45k). This analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risks

At the reporting date the interest profile of the group's and company's interest bearing financial instruments was:

	Group		Company	
	2012 £'000	2011 £'000	**2012 £'000**	2011 £'000
Variable rate instruments				
• Financial assets	**-**	-	**-**	-
• Financial liabilities	**(20,625)**	(22,683)	**(20,625)**	(22,683)
	(20,625)	(22,683)	**(20,625)**	(22,683)
Fixed rate instruments				
• Financial assets	**-**	-	**-**	-
• Financial liabilities	**(1,607)**	(26)	**-**	-
	(1,607)	(26)	**-**	-

A 10% reduction in interest rates at the end of the period would increase group equity and profit and loss by approximately £116k (2011: £124k). A 10% increase in interest rates at the end of the period would decrease group equity and profit or loss by approximately £116k (2011: £119k). This analysis assumes that all other variables remain constant.

Notes

(continued)

40 Employee benefits

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Accrued holiday pay	**632**	654	**517**	527
Employee taxes	**1,478**	1,747	**1,384**	1,594
	2,110	2,401	**1,901**	2,121

41 Share based payments

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

The number and weighted average exercise prices of share options have been analysed into three exercise price ranges as follows:

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Maximum options outstanding at beginning of period	**1.31**	**1,790,375**	1.28	2,076,000
Lapsed during the period	**1.14**	**(194,875)**	1.41	(45,500)
Exercised during the period	**1.30**	**(227,833)**	1.03	(240,125)
Granted during the period	**-**	**-**	-	-
Maximum options outstanding at end of period	**1.33**	**1,367,667**	1.31	1,790,375
Exercisable at end of period	**1.24**	**630,000**	1.24	780,000

The options outstanding at 29 February 2012 above have an exercise price in the range of £0.510 to £1.785 (2011: £0.510 to £1.785) and a weighted average contractual life of 5.6 years (2011: 6.7 years).

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Maximum options outstanding at beginning of period	**2.51**	**1,087,000**	2.71	676,000
Lapsed during the period	**2.64**	**(125,000)**	2.53	(69,500)
Exercised during the period	**2.50**	**(30,335)**	2.67	(30,500)
Granted during the period	**-**	**-**	2.27	511,000
Maximum options outstanding at end of period	**2.49**	**931,665**	2.51	1,087,000
Exercisable at end of period	**2.69**	**195,120**	2.67	200,000

The options outstanding at 29 February 2012 above have an exercise price in the range of £2.270 to £2.735 (2011: £2.270 to £2.735) and a weighted average contractual life of 7.1 years (2011: 8.1 years).

Notes

(continued)

41 Share based payments (continued)

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Maximum options outstanding at beginning of period	**4.15**	**350,000**	-	-
Lapsed during the period	**-**	**-**	-	-
Exercised during the period	**-**	**-**	-	-
Granted during the period	**4.40**	**1,011,600**	4.15	350,000
Maximum options outstanding at end of period	**4.33**	**1,361,600**	4.15	350,000
Exercisable at end of period	**-**	**-**	-	-

The options outstanding at 29 February 2012 above have an exercise price in the range of £4.150 to £4.800 (2011:£4.150) and a weighted average contractual life of 9.7 years (2011: 9 years).

The weighted average share price at the date of exercise for share options exercised for the year ending 29 February 2012 was £4.95 per share (2011: £3.310).

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using an adjusted Black Scholes model, with the following inputs:

Grant of options on 20 December 2011

Fair value of share options and assumptions	**2012**
Fair value at grant date	**1.22**
Share price at grant date	**4.80**
Exercise price	**4.80**
Number of options	**250,000**
Expected volatility (weighted average volatility)	**30%**
Option life (expected weighted average life)	**3 years**
Expected dividends	**0.1%**
Risk-free interest rate (based on government bonds)	**4.0%**

Grant of options on 3 March 2011

Fair value of share options and assumptions	**2012**
Fair value at grant date	**1.19**
Share price at grant date	**4.27**
Exercise price	**4.27**
Number of options	**90,000**
Expected volatility (weighted average volatility)	**30%**
Option life (expected weighted average life)	**3.5 years**
Expected dividends	**0.1%**
Risk-free interest rate (based on government bonds)	**4.0%**

Notes

(continued)

41 Share based payments (continued)

Grant of options on 3 March 2011

Fair value of share options and assumptions	**2012**
Fair value at grant date	**0.98**
Share price at grant date	**4.27**
Exercise price	**4.27**
Number of options	**671,600**
Expected volatility (weighted average volatility)	**30%**
Option life (expected weighted average life)	**2.5 years**
Expected dividends	**0.1%**
Risk-free interest rate (based on government bonds)	**4.0%**

Grant of options on 21 November 2010

Fair value of share options and assumptions	2011
Fair value at grant date	1.52
Share price at grant date	4.15
Exercise price	4.15
Number of options	350,000
Expected volatility (weighted average volatility)	40%
Option life (expected weighted average life)	4 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	4%

Grant of options on 3 March 2010

Fair value of share options and assumptions	2011
Fair value at grant date	0.83
Share price at grant date	2.27
Exercise price	2.27
Number of options	511,000
Expected volatility (weighted average volatility)	40%
Option life (expected weighted average life)	4 years
Expected dividends	0%
Risk-free interest rate (based on government bonds)	4%

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

Notes

(continued)

41 Share based payments (continued)

Employee expenses

	2012 £'000	2011 £'000
Expense relating to:		
Share options granted in 2007/08 – equity settled	**-**	7
Share options granted in 2009/10 – equity settled	**64**	145
Share options granted in 2010/11 – equity settled	**296**	188
Share options granted in 2011/12 – equity settled	**126**	-
Total expense recognised as employee benefit expense	**486**	340
Capitalised expenses		
Amounts relating to:		
Share options granted in 2011/12- equity settled	**183**	-
Total amount recognised as software development cost	**183**	-
Business combinations		
Amount relating to:		
Share options granted in 2009/10 – equity settled	**56**	198
Total amount recognised in share based payment reserve	**725**	538

42 Contingencies

Government grants

A portion of grants may become repayable should the conditions of offer cease to be met. The repayment of the employment grant is contingent on the maintenance of employment levels to May 2014, February 2016 and October 2016 in relation to the respective grants.

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About Delta

Launched in 2008, Delta is a comprehensive suite of high performance real-time trading, CEP, market data and risk management applications. Flagship trading products include Delta Flow, Delta Algo, Delta Margin and Delta Stream which are used in high volume, low latency environments.

DELTA FLOW

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DELTA DATA FACTORY

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Corporate Directory

UK & Ireland

Brokers
Charles Stanley Securities
25 Luke Street
London
EC2A 4AR
United Kingdom
Telephone: +44 (0) 207 149 6000
Fax: +44 (0) 207 149 6777
Website: www.csysecurities.com

IEX Brokers
Goodbody Stockbrokers
Ballsbridge Park
Ballsbridge
Dublin
Ireland
Telephone: +353 1 614 0600
Fax: +353 1 667 2111
Email: support@goodbody.ie
Website: www.goodbody.ie

Solicitors
Mills Selig
21 Arthur Street
Belfast
BT1 4GA
Northern Ireland
Telephone: +44 28 9024 3878
Fax: +44 28 9023 1956
Email: info@nilaw.com
Website: www.millselig.com

Auditors
KPMG
Stokes House
17-25 College Square East
Belfast
BT1 6DH
Telephone: +44 (0)28 90243377
Fax: +44 (0)28 90893893
Website: www.kpmg.ie

Registrars
Neville Registrars Ltd.
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA
Telephone: +44 121-585 1131
Fax: +44 121 585 1132

PR
Stakeholder Communications
2 Donegal Square East,
Belfast
BT1 5HB
Northern Ireland
Telephone: +44 (0)28 9033 9949
Email: info@stakeholdergroup.com
Website: www.stakeholdergroup.com

Walbrook Public Relations
4 Lombard Street,
London
EC3V 9HD
Telephone:+44 (0)20 7933 8780
Email: info@walbrookpr.com
Website: www.walbrookpr.com

Global Directory

UK & Ireland

Head Office
First Derivatives plc
3 Canal Quay
Newry
Co. Down
N. Ireland
BT35 6BP
Telephone: +44 28 3025 2242

Belfast
Suite B
First Floor
11-13 Gloucester Street
Belfast
Co. Antrim
N. Ireland
BT1 4LS

London
Fifth Floor
9 Devonshire Square
London
EC2M 4YF
UK

Dublin
1st Floor
Fleming Court
Flemings Place
Mespil Road
Dublin 4
Ireland

USA & Canada

New York
45 Broadway
Suite 2040
New York
NY 10006
USA
Telephone: +1 (212) 447-6700

New Jersey
14 Vervalen Street
Closter
NJ 07624
USA

Philadelphia
1880 JFK Boulevard
19th Floor
Philadelphia
PA19103
USA

Toronto
First Canadian Place
100 King Street West
Suite 5600
Toronto
M5X 1C9
Canada

Asia Pacific

Sydney
Suite 713
1C Burdett Street
Hornsby
NSW 2076
Australia

Adelaide
Rose Park House
30 Kensington Road
Rose Park
SA 5067
Australia

First Derivatives PLC
info@firstderivatives.com
www.firstderivatives.com