KPMG

First Derivatives Limited

Financial statements

For the eleven month period ended 28 February 2001

Company registration number: NI 30731

KPMG

First Derivatives Limited

Contents | *Page*

KPMG

First Derivatives Limited

Director and other information

Director	Brian Conlon
Secretary	Moyne Secretarial Limited 21 Arthur Street Belfast
Auditors	KPMG Chartered Accountants Stokes House College Square East Belfast
Solicitors	Mills Selig Solicitors 21 Arthur Street Belfast
Bankers	Bank of Ireland Trevor Hill Newry Bank of Ireland Corporate Headquarters Donegall Place Belfast
Registered Office	40 Church Lane Belfast BT1 4FR
Company registration number	NI 30731

First Derivatives Limited

Director's report

The director has pleasure in submitting the Annual Report to the shareholders together with the audited financial statements for the eleven month period ended 28 February 2001.

Activities and business review

The principal activities of the company are the provision of a range of support services to the derivatives market and the derivatives technology industry.

The director does not plan any significant change to the principal activities in the foreseeable future.

Results and dividend

Results and dividends paid for the period are shown on page 6 of the financial statements.

Directors

The only director of the company during the period was Brian Conlon.

Interests in share capital

The director who held office at the period end had the following interests in the share capital of the company:

	Ordinary shares of £1 each 2001	Ordinary shares of £1 each 2000
Brian Conlon	**9,999**	9,999

Interests in contracts

The director did not have any interest in contracts requiring disclosure under the Companies (Northern Ireland) Order 1986, except for the matters referred to in note 19 to the financial statements.

KPMG

First Derivatives Limited

Director's report *(continued)*

Political and charitable donations

During the period the company made charitable contributions of £9,260 (2000: £24,023).

Research and development

The company continued to carry out research and development in order to maintain its competitive position in the software consultancy sector. The expenditure incurred, which related to training, research and development expenditure and apportioned overheads was written off in this financial period.

Auditors

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

By order of the board

Brian Conlon
Director

19 October 2001

KPMG

First Derivatives Limited

Statement of director's responsibilities

Company law requires the director to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

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

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

By order of the board

Brian Conlon
Director

19 October 2001

KPMG

Chartered Accountants

Stokes House
College Sq. East
Belfast BT1 6DH
Northern Ireland

Auditors' report to the members of First Derivatives Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

The director is responsible for preparing the director's report and, as described on page 4, the financial statements in accordance with applicable Northern Ireland law and accounting standards. Our responsibilities, as independent auditors, are established in Northern Ireland by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Order. As also required by the Order, we report to you if, in our opinion

- the director's report is not consistent with the financial statements;
- the company has not kept proper accounting records;
- we have not received all the information and explanations we require for our audit;
- information specified by law regarding director's remuneration and transactions with the company is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company as at 28 February 2001 and of its profit for the period then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

KPMG

KPMG
Chartered Accountants
Registered Auditors

19 October 2001

KPMG

First Derivatives Limited

Profit and loss account
11 month period ended 28 February 2001

	Note	11 month period ended 28 February 2001 £	Year ended ended 31 March 2000 £
Turnover - continuing operations	2	1,852,046	1,144,437
Cost of sales		(1,189,815)	(565,583)
Gross profit		662,231	578,854
Administrative expenses		(120,948)	(164,391)
Operating profit - continuing operations		541,283	414,463
Other income - grant received		49,001	100,902
Interest receivable		33,600	31,643
Interest payable and other similar charges	4	(18,462)	(10,313)
Profit on ordinary activities before taxation	3	605,422	536,695
Taxation on profit on ordinary activities	5	(186,444)	(135,676)
Profit on ordinary activities after taxation		418,978	401,019
Retained profit brought forward		835,318	507,698
		1,254,296	908,717
Dividends paid on equity shares		(762,000)	(73,399)
Retained profit carried forward		492,296	835,318

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

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

The notes on pages 9 to 18 form part of these financial statements.

KPMG

First Derivatives Limited

Balance sheet

	Note	At 28 February 2001 £	2001 £	At 31 March 2000 £	2000 £
Fixed assets					
Tangible assets	*8*		**41,180**		23,621
Current assets					
Debtors	*9*	**1,579,806**		1,409,701	
Cash at bank and in hand		-		2,727	
		1,579,806		1,412,428	
Creditors - amounts falling due within one year	*10*	**(1,111,178)**		(568,575)	
Net current assets			**468,628**		843,853
Total assets less current liabilities			**509,808**		867,474
Creditors - amounts falling due after more than one year	*11*		**(3,872)**		(22,156)
Provisions for liabilities and charges	*12*		**(3,640)**		-
Net assets			**502,296**		845,318
Share capital and reserves					
Called-up share capital	*13*		**10,000**		10,000
Profit and loss account	*14*		**492,296**		835,318
Equity shareholders' funds	*15*		**502,296**		845,318

These financial statements were approved by the Director on 19 October 2001.

Brian Conlon
Director

The notes on pages 9 to 18 form part of these financial statements.

KPMG

First Derivatives Limited

Cashflow statement
Period ended

	Note	11 month period ended 28 February 2001	Year ended ended 31 March 2000 £
Cash inflow from operating activities	*21*	**619,921**	117,973
Returns on investment and servicing of finance	*22a*	**15,138**	21,330
Taxation	*22b*	**(122,685)**	(56,562)
Capital expenditure	*22c*	**(35,965)**	(31,962)
Equity dividend	*22d*	**(762,000)**	(73,399)
Financing	*22e*	**(13,431)**	15,443
Decrease in cash in the period		**(299,022)**	(243,123)

Reconciliation of net cash flow to movement in net debt
11 month period ended 28 February 2001

	Note	11 month period ended 28 February 2001 £	Year ended ended 31 March 2000 £
Decrease in cash in the period		**(299,022)**	(243,123)
Decrease/(increase) in debt		**13,431**	(20,648)
Change in net debt resulting from cash flows		**(285,591)**	(263,771)
Non cash movements	*23*	**-**	-
Movement in net debt in the period		**(285,591)**	(263,771)
Net (debt)/funds at start of the period		**(88,422)**	175,349
Net debt at end of the period	*23*	**(374,013)**	(88,422)

The notes on pages 9 to 18 form part of these financial statements.

KPMG

First Derivatives Limited

Notes
(forming part of the financial statements)

1 Accounting policies

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

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

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

Cash flow statement
The company is exempt by virtue of paragraph 5 of Financial Reporting Standard 1 (Revised 1996) from the requirement to prepare a cash flow statement.

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

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

Taxation
Corporation tax is calculated on the results of the period.

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

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

Research and development
Expenditure on research and development is written off against profits in the period in which it is incurred.

First Derivatives Limited

Notes *(continued)*

2 Turnover

Turnover represents the invoiced value of services to third parties exclusive of value added tax and trade discounts and includes expenses recharged to customers. The company's turnover for the period resulted from carrying on its principal activity outside the United Kingdom and Republic of Ireland.

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

3 Profit on ordinary activities before taxation

	11 month period ended 28 February 2001 £	Year ended ended 31 March 2000 £
Profit on ordinary activities before taxation has been arrived at after charging		
Depreciation	**18,406**	25,920
Auditors' remuneration - audit	**5,000**	4,250
- other services	**11,875**	10,825
Hire of premises - rentals payable under operating lease	**11,000**	6,000

4 Interest payable and other similar charges

	11 month period ended 28 February 2001 £	Year ended ended 31 March 2000 £
On bank loans and overdrafts	**10,537**	5,893
On other loans	**2,617**	3,565
Interest due on late payment of tax	**5,308**	855
	18,462	10,313

First Derivatives Limited

Notes *(continued)*

5 Taxation on profit on ordinary activities

	11 month period ended 28 February 2001 £	Year ended ended 31 March 2000 £
UK corporation tax for the period	**183,321**	144,880
Adjustments relating to earlier years	**(517)**	(9,204)
Deferred tax (see note 13)	**3,640**	-
	186,444	135,676

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

6 Staff numbers and costs

The average weekly number of persons (including the director) employed by the company during the period end is set out below. The company employed 22 people at the period end.

	11 month period ended 28 February 2001 Average No.	Year ended ended 31 March 2000 Average No.
Administration	**1**	2
Technical	**17**	14
	18	16

Their total remuneration was

	£	£
Wages and salaries	**487,492**	321,063
Social security costs	**49,030**	30,546
Other pension costs	**16,042**	17,136
	552,564	368,745

KPMG

First Derivatives Limited

Notes *(continued)*

7 Director's emoluments

The director's emoluments (excluding employer's national insurance contributions) for the period is as follows:

	11 month period ended 28 February 2001	Year ended ended 31 March 2000
	£	£
Emoluments	**22,000**	26,029
Company contributions to money purchase pension schemes	**1,338**	-
	23,338	26,029

8 Tangible fixed assets

	Plant and equipment	*Office furniture and equipment*	*Total*
	£	*£*	*£*
Cost			
At 1 April 2000	52,241	16,568	68,809
Additions	28,365	7,600	35,965
At 28 February 2001	**80,606**	**24,168**	**104,774**
Depreciation			
At 1 April 2000	37,316	7,872	45,188
Charged during period	12,917	5,489	18,406
At 28 February 2001	**50,233**	**13,361**	**63,594**
Net book value			
At 28 February 2001	**30,373**	**10,807**	**41,180**
At 31 March 2000	14,925	8,696	23,621

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

First Derivatives Limited

Notes *(continued)*

9 Debtors

	28 February 2001 £	31 March 2000 £
Trade debtors	**1,102,023**	621,243
Sundry debtors	-	559,015
Prepayments	**1,200**	1,200
S.419 recoverable	**95,317**	139,649
Director's loan	**381,266**	58,594
Accrued grant income	-	30,000
	1,579,806	1,409,701

10 Creditors - amounts falling due within one year

	28 February 2001 £	31 March 2000 £
Bank overdraft	**354,471**	58,176
Trade creditors	**61,317**	29,943
Other taxation and social security	**16,529**	13,680
Accruals and deferred income	**257,023**	17,023
Loan - equipment	**12,555**	8,313
Loan - IFI	**3,115**	2,504
Corporation tax	**323,084**	248,270
ACT payable	-	4,600
S.419 payable	**72,318**	126,745
VAT payable	**5,706**	59,321
Employees' loans	**5,060**	-
	1,111,178	568,575

The bank overdraft is secured by way of a fixed and floating charge over the assets of the company together with a letter of guarantee in the amount of £300,000 from the director.

First Derivatives Limited

Notes *(continued)*

11 **Creditors** - amounts falling due after more than one year

	28 February 2001 £	31 March 2000 £
Equipment loan	**3,280**	17,865
Loan - IFI	**592**	4,291
	3,872	22,156

The loan from IFI is repayable over five years from the date the loan was drawn down. The loan is secured by an all monies assignment over the company's plant and machinery.

12 **Provisions for liabilities and charges**

	28 February 2001 £	31 March 2000 £
Deferred taxation		
At beginning of period	-	-
Charge for the period (see note 6)	**3,640**	-
At end of period	**3,640**	-

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

13 **Share capital**

	28 February 2001 £	31 March 2000 £
Authorised		
Ordinary shares of £1 each	**100,000**	100,000
Issued, allotted and fully paid		
Ordinary shares of £1 each	**10,000**	10,000

First Derivatives Limited

Notes *(continued)*

14 Profit and loss account

	28 February 2001 £	31 March 2000 £
Retained profit brought forward	**835,318**	507,698
Profit on ordinary activities after taxation	**418,978**	401,019
Dividends paid and proposed	**(762,000)**	(73,399)
At 28 February 2001	**492,296**	835,318

15 Equity shareholders' funds

	28 February 2001 £	31 March 2000 £
At 1 April 2000	**845,318**	517,698
Profit on ordinary activities after taxation	**418,978**	401,019
Dividends paid and proposed	**(762,000)**	(73,399)
At 28 February 2001	**502,296**	845,318

16 Capital commitments

There were no capital commitments at either period end.

17 Leasing commitments

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

	28 February 2001 Land and buildings £	31 March 2000 Land and buildings £
Operating leases which expire:		
Within one year	-	-
In the second to fifth years inclusive	**12,000**	12,000
Over five years	-	-
	12,000	12,000

First Derivatives Limited

Notes *(continued)*

18 Contingent liabilities

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

19 Related party transactions

Prior year sundry debtors consisted of an amount of £559,015 indirectly due to the company from an unincorporated property development venture in which Brian Conlon, director, has an interest. These monies had been advanced on an interest bearing basis at normal commercial rates. During the year these monies were repaid to the company.

Brian Conlon is a director and shareholder of E-hub.com plc. During the period the company traded with E-hub.com plc on a normal commercial basis resulting in sales of £458,359 (1999: £310,000). The amount due by E-hub.com plc to the company at 28 February 2001 amounted to £589,566. It is considered by the director that whilst there is some uncertainty regarding the timing of the repayment of this debt, there is no significant uncertainty regarding its ultimate recoverability.

Included within trade debtors are amounts due by the director to the company of £381,266 (2000: £58,594).

20 Ultimate controlling party

The company is controlled by Brian Conlon, its sole director and only shareholder.

21 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	11 month period ended 28 February 2001 £	Year ended ended 31 March 2000 £
Operating profit	**541,283**	414,463
Depreciation on tangible fixed assets	**18,406**	25,920
Grants receivable	**49,001**	100,902
Increase in debtors	**(214,437)**	(684,602)
Increase in creditors	**225,668**	25,344
Net cash inflow/(outflow) from operating activities	**619,921**	(117,973)

First Derivatives Limited

Notes *(continued)*

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

		11 month period ended 28 February 2001 £	Year ended ended 31 March 2000 £
a)	**Returns on investment and servicing of finance**		
	Interest paid	**(18,462)**	(10,313)
	Interest received	**33,600**	31,643
	Net cash inflow from returns on investment and servicing of finance	**15,138**	21,330
b)	**Taxation**		
	Corporation tax paid	**(122,685)**	(56,562)
c)	**Capital expenditure**		
	Purchase of tangible fixed assets	**(35,965)**	(31,962)
	Net cash outflow from capital expenditure	**(35,965)**	(31,962)
d)	**Equity dividends paid**		
	Dividends on equity shares	**(762,000)**	(73,399)
e)	**Financing**		
	(Repayment)/receipt of long term loan	**(13,431)**	23,148
	Capital element of hire purchase repayment	-	(7,705)
	Net cash (outflow)/inflow from financing	**(13,431)**	15,443

KPMG

First Derivatives Limited

Notes *(continued)*

23 Analysis of changes in net debt during the period

	Cash in hand £	Bank overdrafts £	Debt due within one year £	Debt due after one year £	Total £
Balance at 1 April 1999	187,674	-	(5,529)	(6,796)	175,349
Cash flow	(184,947)	(58,176)	(5,288)	(15,360)	(263,771
Other non cash change	-	-	-	-	-
Balance at 1 April 2000	2,727	(58,176)	(10,817)	(22,156)	(88,422
Cash flow	(2,727)	(296,295)	10,817	2,614	(285,591
Other non cash change	-	-	(15,670)	15,670	-
Balance at 28 February 2001	-	(354,471)	(15,670)	(3,872)	(374,013

KPMG

First Derivatives Limited

Appendix 1: Cost of sales
Period ended

	11 month period ended 28 February 2001	Year ended ended 31 March 2000
	£	£
Director's remuneration	**25,961**	20,001
Consultant's fees	**211,490**	18,570
Salaries	**726,603**	348,744
Training	**6,456**	8,060
Travel and accommodation	**219,305**	170,208
	1,189,815	565,583

KPMG

First Derivatives Limited

Appendix 2: Administrative expenses
Period ended

	11 month period ended 28 February 2001	Year ended ended 31 March 2000
	£	£
Rent and rates	**14,769**	6,577
Heat and light	**4,462**	1,909
Telephone	**10,044**	8,654
Postage	**136**	744
Motor expenses	**-**	1,744
Accountancy and audit	**34,834**	18,199
Taxation	**20,000**	-
Legal expenses	**16,911**	4,740
Insurance	**2,895**	2,604
Stationery	**475**	4,940
Recruitment	**3,610**	3,999
Advertising and marketing	**787**	19,758
Entertainment	**1,485**	758
Computer consumables	**10,405**	14,674
Charitable donations	**9,260**	24,023
Depreciation	**18,406**	25,920
Bad debt expense	**-**	148
(Decrease)/increase in general bad debt provision	**(25,000)**	25,000
Overseas VAT	**(2,531)**	-
	120,948	164,391

The following pages do not form part of the financial statements.