



First Derivatives plc

Chairman's statement

2004/2005 has once again been a successful year for the Company with the growth shown in the first six months of the year continuing in the second half of the year. Earnings before tax, depreciation and amortisation were £1,060,000 compared with £787,000 in the previous year, an increase of 35%. This is the first year that EBITDA has exceeded £1.0 million. Pre-tax profits for the year were £810,000 compared with £577,000 in the previous year, an increase of 40%.

Earnings per share increased by 39% from 3.3p to 4.6p. In the light of the continued growth in the profitability of the Company and the strong cash flow the Board is recommending a dividend for the year of 1.46p. This dividend will be covered 3.2 times by earnings. The Company has to date only paid a final dividend but your Board intends to review its dividend policy at the time the results for the six months figures for the period ending 31st August 2005 are announced.

In my interim statement I referred to the upturn in business in our Capital Markets activity. This has continued in the second half of the year and a major contract was signed earlier this year with EDS for work on behalf of a major bank in London. The impact of this contract on profits will not be felt until the second half of the current financial year.

The sales and support for Kx database technology is a significant part of our business. In the past six months staffing levels in the New York office have been increased to cater for the enhanced level of activity and since the financial year end an experienced executive has been appointed to head up the North American Business Development Team. This appointment is expected to generate Capital Markets business in addition to Kx business. A new partnership with Kx was signed in April on enhanced terms and the sale of Kx products is continuing at a very satisfactory level and there is a healthy pipeline of prospective sales. The Company continues to benefit from its relationship with Kx and in the past six months the Company has signed consultancy agreements with more than 10 Kx customers with a total value in excess of £1 million (a number of which are on a rolling basis).

During the year the e-Business activity has continued at a low level and overheads in this area have been reduced to a minimum. There has been a recent upturn in e-Business activity and I am pleased to report that in the last quarter we moved into a breakeven position ahead of plan.

During the course of the year the Company purchased 2 further residential properties in London to provide accommodation for staff supporting the increased level of activity. Since the year end a residential property has also been acquired in New York for the same purpose. Shareholders funds now stand at £2.116m compared with £1.698 million a year ago.

Partnership agreement discussions are continuing with a number of high profile software companies. The increased level of activity experienced in the second half of the financial year has continued in the early part of the current financial year. Again this increase has been in all areas of the Company's activities and the Board looks forward to a satisfactory outcome for the year.

David Anderson
Chairman

24 May 2005

The general climate in the Technology, Media and Telecommunications market has continued to improve. The most striking theme in the Deloitte 2005 Fast 500 CEO Survey Results was the increased confidence in future growth prospects.

FDP operates primarily in the capital markets sector and there is little evidence of any contraction in technology spend in major financial institutions. Banks continue to focus on getting value for money from suppliers and are placing severe pressure on charge out rates and increasingly looking to outsource non-core functions. FDP have secured a small number of lucrative nearshore support contracts but the challenge from low cost centres such as India remains.

Review of Activities

First Derivatives operates loosely as 4 profit centres. Personnel can easily transfer from one profit centre to another. Capital Markets and Sales Partnerships contributes the vast majority of our current turnover and profitability but our investment in R&D should start to filter through to the bottom line in the current financial year.

Capital Markets - FDP provides highly skilled resources to the capital markets providing consulting, support and development services. We have ongoing contracts with 5 of the largest banks in Europe and have 3 nearshore support contracts in place. These nearshore contracts involve providing remote support services from our offices in Newry. The biggest of these contracts for the provision of 12 resources with EDS was announced in February. This and other recurring revenues accounts for 62% of our income.

Sales Partnerships - FDP continues to provide sales and marketing support for all industry sectors (excluding insurance) of Kx Systems worldwide. The contract was renegotiated with more favourable commercial terms, effective as of 1 January 2005. Their products continue to be widely used by some of the world's largest financial institutions including J P Morgan, Merrill Lynch, Deutsche Bank and Dresdner. We have provided consulting and support services to 15 of these organisations in the past year at various locations including London, New York and Tokyo. Most of these contracts are recurring in nature. We will continue to build our portfolio of alliances with other non-competing software vendors.

Product Development - this group is in the process of developing a number of products, primarily for the use of customers of Kx Systems. The team is at an advanced stage of prototyping new products in the capital markets sector and more are in the development roadmap. Development has also commenced on a number of products which will be marketed to the telecoms sector and which will complement our e-business offering. No significant revenue will accrue from this division until the next financial year.

e-business – this division gained some sales traction in the second half of the financial year and the partnership with BT is beginning to bear fruit. Pilots have started in a number of regions in England including Northumberland, Yorkshire and Manchester. Contracts have been signed with local authorities in Dublin, Cork, Kerry and Newry and Mourne for the use of our award winning e-procurement modules over the coming years. This division has now reached breakeven point and should contribute to profits in the current financial year.

Personnel

The company now employs 46 people and has staff based in London, New York and Stockholm. We will continue to source staff in Ireland due to the favourable cost differential vis-a-vis major financial centres. Most of our employees are participating in option schemes which we see as a key driver in retaining staff. Our staff turnover is relatively low which means that we are seeing increasing wage inflation as the average experience increases.

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

Property Portfolio

As the number of staff working on-site in the major financial centres increases we will continue to buy property in lieu of paying for hotels and rented accommodation. As at the balance sheet date we had purchased 4 properties in London financed by cash and term loans and in the interim period have secured the purchase of a further property in New York.

Financial Review

Our pre-tax profit (2005: £811,000; 2004: £577,000), EBITDA (2005: £1,126,000, 2004: £810,000) and turnover (2005: £3,793,000; 2004: £2,679,000) were significantly up on last year. This was largely due to increased consultant utilisation and sales commission from partner agreements. Our balance sheet is strong with a cash balance of £788,000 and equity shareholders' funds of £2,116,000. This and our confidence in our ability to generate cash going forward enables us to declare a dividend of 1.46p per share.

Outlook

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

Brian Conlon
Managing Director

BC

24 May 2005

First Derivatives plc

Directors and advisers

Directors	R D Anderson – Non-executive chairman* B G Conlon – Managing director M G O'Neill – Operations director M J Chicken – Non-executive director*	
Secretary	John F Gibbons LLB	
Registered Office	21 Arthur Street Belfast BT1 4GA	
Auditors	KPMG Chartered Accountants Stokes House 17/25 College Square East Belfast BT1 6DH	
Solicitors	Mills Selig 21 Arthur Street Belfast BT1 4GA	
Bankers	Bank of Ireland Trevor Hill Newry Co Down BT34 1DN	Bank of Ireland Corporate Headquarters Donegall Place Belfast BT1 5LU
Nominated adviser and Stockbroker	Corporate Synergy PLC 12 Nicholas Lane London EC4N 7BN	
Company registration number	NI 30731	
Registrar and Transfer Office	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

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

First Derivatives plc

Directors' report

The directors have pleasure in submitting to the shareholders their annual report and the audited financial statements for the year ended 28 February 2005.

Activities and business review

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

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

Share capital

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

An ordinary resolution, resolution 5, will be proposed to give until the next Annual General Meeting or the date falling 15 months after the passing of the resolution, whichever is the earlier, the directors power to allot relevant securities up to an aggregate nominal amount of £20,000. In addition a further ordinary resolution 6, will be proposed to disapply the statutory pre-emption provisions of Article 99(1) of the Companies (Northern Ireland) Order 1986 in respect of any rights issues, and for cash issues up to an aggregate nominal amount of £6,199 (1,231,782 shares) being 10 per cent of the issued share capital of the company, which power will expire at the conclusion of the next annual general meeting, or the date falling 15 months after the passing of the resolution, whichever is the earlier.

Post balance sheet events

Subsequent to the year end the company purchased an apartment in New York for \$953,000.

Dividend

The directors propose the payment of a dividend of 1.46p (2004: 1.1p) per share.

Subject to shareholders' approval, the dividend will be paid on 1 July 2005 to shareholders whose names appear on the register at close of business on 3 June 2005.

Directors and their interests

Directors beneficial interests in the issued share capital of the company at 28th February 2005 and 29th February 2004 were as follows:

	28th February 2005 Ordinary shares of 0.5 pence each	29th February 2004 Ordinary shares of 0.5 pence each
R D Anderson	35,000	5,000
B G Conlon	9,076,600	9,076,600
M G O'Neill	1,040,000	1,040,000
M J Chicken	-	-

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

R D Anderson is currently a non-executive chairman or non-executive director of several other companies. He is a non-executive director of Prestbury Holdings plc, an AIM listed company, and has 23 years experience in corporate advisory work.

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

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

Substantial shareholdings

At 24 May 2005 the company had received no notification of any interests in 3% or more of the ordinary share capital, other than B G Conlon and M G O'Neill's interests disclosed above.

Going concern

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

Employees

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

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

Political and charitable donations

During the year the company made charitable donations of £Nil (2004: £Nil).

Supplier payment policy

The company does not have a standard code which deals specifically with the payment of suppliers. However, suppliers are made aware of payment terms and how any disputes are to be settled and payment is made in accordance with those terms. At 28 February 2005 the company had 28 days purchases outstanding (29 February 2004: 29 days).

Auditors

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

By order of the board


John F Gibbons
Secretary

24 May 2005

First Derivatives plc

Statement of directors' responsibilities

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

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

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

First Derivatives plc

Corporate governance

There is no requirement for the directors to report on compliance with the Combined Code on Corporate Governance. The board has, however, considered the revised Combined Code issued for reporting years beginning on or after 1 November 2004. The board fully supports the principles contained in the Combined Code and related guidance and has sought to generally comply with the provisions of this guidance, in as far as it is appropriate given the company's size and structure.

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

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

First Derivatives plc

Independent auditors' report to the members of First Derivatives plc

We have audited the financial statements on pages 11 to 26.

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

Respective responsibilities of directors and auditors

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

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

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

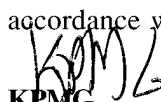
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 February 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.


KPMG

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

24 May 2005

First Derivatives plc

Profit and loss account Year ended 28 February 2005

	Note	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
Turnover - continuing operations	2	3,793	2,679
Cost of sales		(2,411)	(1,724)
Gross profit		1,382	955
Administrative expenses		(560)	(497)
Other income		<u>55</u>	<u>142</u>
Operating profit - continuing operations		877	600
Interest receivable		8	8
Interest payable and other similar charges	4	<u>(74)</u>	<u>(31)</u>
Profit on ordinary activities before taxation	3	811	577
Tax on profit on ordinary activities	5	<u>(242)</u>	<u>(165)</u>
Profit on ordinary activities after taxation		569	412
Retained profit brought forward		<u>877</u>	<u>600</u>
		1,446	1,012
Dividends	8	<u>(181)</u>	<u>(135)</u>
Retained profit carried forward		<u>1,265</u>	<u>877</u>
Earnings per share			
- basic	9a	4.6p	3.3p
- diluted	9a	4.5p	3.3p
Adjusted earnings per share			
- basic	9b	6.6p	4.7p
- diluted	9b	<u>6.5p</u>	<u>4.6p</u>

The company has no recognised gains or losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented. There is no material difference between the company's results as reported and on a historical cost basis. Accordingly no note of historical cost profits and losses has been prepared. The turnover and operating profit amounts as stated above are derived solely from continuing operations.

The notes on pages 14 to 26 form part of these financial statements.

First Derivatives plc

Balance sheet

Year ended 28 February 2005

		At 28 February 2005		At 29 February 2004	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	10		540		720
Tangible assets	11		2,032		808
Fixed asset investment	12		<u>111</u>		<u>74</u>
			2,683		1,602
Current assets					
Debtors	13	1,046		606	
Cash at bank and in hand		<u>788</u>		<u>848</u>	
		1,834		1,454	
Creditors - amounts falling due within one year	14	(1,109)		(828)	
Net current assets			<u>725</u>		<u>626</u>
Total assets less current liabilities			3,408		2,228
Creditors - amounts falling due after more than one year	15		(1,289)		(523)
Provisions for liabilities and charges	16		<u>(3)</u>		<u>(7)</u>
Net assets			<u>2,116</u>		<u>1,698</u>
Share capital and reserves					
Called-up share capital	17		62		62
Shares to be issued	18		9		7
Share premium account	18		780		752
Profit and loss account	18		<u>1,265</u>		<u>877</u>
Equity shareholders' funds	19		<u>2,116</u>		<u>1,698</u>

These financial statements were approved by the board of directors on 24 May 2005.

Brian Conlon
Director

BC

The notes on pages 14 to 26 form part of these financial statements.

First Derivatives plc

Cash flow statement

Year ended 28 February 2005

	<i>Note</i>	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
Cash inflow from operating activities	25	617	1,065
Returns on investment and servicing of finance	26a	(66)	(23)
Taxation	26b	(160)	(269)
Capital expenditure	26c	<u>(1,318)</u>	<u>(856)</u>
Cash inflow before financing		(927)	(83)
Financing	26d	<u>867</u>	<u>376</u>
(Decrease)/increase in cash in the period		<u>(60)</u>	<u>293</u>

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

Year ended 28 February 2005

	<i>Note</i>	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
(Decrease)/increase in cash in the period		(60)	293
Decrease in debt		<u>93</u>	<u>37</u>
Change in net debt resulting from cash flows	27	33	330
New long term loan		<u>(932)</u>	<u>(375)</u>
Movement in net debt in the period		(899)	(45)
Net funds at start of the period		<u>277</u>	<u>322</u>
Net (debt)/funds at end of the period	27	<u>(622)</u>	<u>277</u>

The notes on pages 14 to 26 form part of these financial statements.

First Derivatives plc

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of accounting

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

Basis of preparing the financial statements

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

Intangible fixed assets

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

Tangible fixed assets

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

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

Government grants

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

Fixed asset investments

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

Research and development

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

Pension plans

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

Foreign currencies

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

1 Accounting policies (*continued*)

Taxation

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

2 Turnover

Turnover excludes value added tax and represents the fair value of services delivered to customers in the accounting period. Services are deemed to have been delivered to customers when, and to the extent that, the entity has met its obligations under its service contracts. Credit for enterprise software licence revenue is deferred and released over the period of the licence on a straight line basis.

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

3 Profit on ordinary activities before taxation

	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
Profit on ordinary activities before taxation has been arrived at after charging:		
Depreciation	69	30
Amortisation	180	180
Auditors' remuneration - audit	10	10
- tax	7	10
Hire of premises - rentals payable under operating lease	<u>14</u>	<u>12</u>

4 Interest payable and other similar charges

	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
On bank loans	<u>74</u>	<u>31</u>

First Derivatives plc

Notes (continued)

5 Tax on profit on ordinary activities

	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
UK corporation tax for the period	246	170
Adjustments relating to earlier years	—	(7)
Total current tax charge	246	163
Deferred tax (see note 16)	(4)	2
	<u>242</u>	<u>165</u>

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

The current tax charge for the period is higher (2004: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>811</u>	<u>577</u>
Current tax at 30% (2004: 30%)	243	173
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6	23
Capital allowances for period in excess of depreciation	15	(3)
Other timing differences	-	1
Small companies relief	(18)	(24)
Adjustments to tax charge in respect of previous periods	—	(7)
Total current tax charge	<u>246</u>	<u>163</u>

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

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Notes (continued)

6 Staff numbers and costs

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

	Year ended 28 February 2005 Average No.	Year ended 29 February 2004 Average No.
Administration	1	2
Technical	<u>38</u>	<u>32</u>
	<u>39</u>	<u>34</u>
Their total remuneration was:	£'000	£'000
Wages and salaries	1,180	980
Social security costs	132	98
Other pension costs	<u>70</u>	<u>45</u>
	<u>1,382</u>	<u>1,123</u>

7 Emoluments of directors

The remuneration paid to the directors was:

	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
Aggregate emoluments (including benefits in kind)	140	107
Company pension contributions	<u>22</u>	<u>22</u>
	<u>162</u>	<u>129</u>

During the period there were 2 directors accruing benefits under a defined contribution pension scheme (29 February 2004: 2).

The aggregate emoluments and company pension contributions of the highest paid director amounted to £55,000 and £16,056 respectively during the year (2004: £55,000 and £5,994 respectively).

8 Dividends

	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
Final proposed 1.46p (2004: 1.1p) per share	<u>(181)</u>	<u>(135)</u>

9 (a) Earnings per ordinary share

Basic

The calculation of basic earnings per share is based on the profit on ordinary activities after taxation and before deduction of dividend appropriations in respect of equity shares, namely £569,000 (2004: £412,000). The weighted average number of ordinary shares for the year ended 28 February 2005 and ranking for dividend was 12,360,620 (2004: 12,302,807).

	Year ended 28 February 2005 Pence per share	Year ended 29 February 2004 Pence per share
Basic earnings per share	<u>4.6</u>	<u>3.3</u>

Diluted

The calculation of diluted earnings per share is based on the profit on ordinary activities after taxation and before deduction of dividend appropriations in respect of equity shares, namely £569,000 (2004: £412,000). The weighted average number of ordinary shares for the year ended 28 February 2005 and ranking for dividend was 12,560,149 (2004: 12,484,555).

	Year ended 28 February 2005 Pence per share	Year ended 29 February 2004 Pence per share
Diluted earnings per share	<u>4.5</u>	<u>3.3</u>

9 (b) Adjusted earnings per ordinary share

Adjusted earnings per share are based on profit before taxation of £811,000 (2004: £577,000). The number of shares used in this calculation is consistent with note 9(a) above.

	Year ended 28 February 2005 Pence per share	Year ended 29 February 2004 Pence per share
Basic adjusted earnings per ordinary share	<u>6.6</u>	4.6
Diluted adjusted earnings per ordinary share	<u>6.5</u>	<u>4.6</u>

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Notes (continued)

9 (b) Adjusted earnings per ordinary share (*continued*)

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

	Year ended 28 February 2005 Pence per share	Year ended 29 February 2004 Pence per share
Basic earnings per share	4.6	3.3
Impact of taxation charge	<u>2.0</u>	<u>1.3</u>
Adjusted basic earnings per share	<u>6.6</u>	<u>4.6</u>
Diluted earnings per share	4.5	3.3
Impact of taxation charge	<u>2.0</u>	<u>1.3</u>
Adjusted diluted earnings per share	<u>6.5</u>	<u>4.6</u>

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

10 Intangible fixed assets

	2005 £'000
At 1 March 2004	720
Additions	-
Amortisation	<u>(180)</u>
At 28 February 2005	<u>540</u>

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

First Derivatives plc

Notes (continued)

11 Tangible fixed assets

	<i>Land and buildings £'000</i>	<i>Plant and equipment £'000</i>	<i>Office furniture and equipment £'000</i>	<i>Total £'000</i>
Cost				
At 1 March 2004	791	124	25	940
Additions	<u>1,224</u>	<u>69</u>	<u>-</u>	<u>1,293</u>
At 28 February 2005	<u>2,015</u>	<u>193</u>	<u>25</u>	<u>2,233</u>
Depreciation				
At 1 March 2004	15	93	24	132
Charged during period	<u>34</u>	<u>35</u>	<u>-</u>	<u>69</u>
At 28 February 2005	<u>49</u>	<u>128</u>	<u>24</u>	<u>201</u>
Net book value				
At 28 February 2005	<u>1,966</u>	<u>65</u>	<u>1</u>	<u>2,032</u>
At 1 March 2004	<u>776</u>	<u>31</u>	<u>1</u>	<u>808</u>

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

12 Fixed asset investments

	2005 £'000
Unlisted investment	
At 1 March 2004	74
Additions	<u>37</u>
At 28 February 2005	<u>111</u>

The unlisted investment relates to shares held in a company resident in the United States and was valued on acquisition by the directors, on the basis of financial information available at that time.

First Derivatives plc

Notes (continued)

13 Debtors

	28 February 2005 £'000	29 February 2004 £'000
Trade debtors	828	455
Sundry debtors	109	60
Prepayments	39	49
Amounts due from related undertaking	19	42
Accrued income	<u>51</u>	<u>-</u>
	<u>1,046</u>	<u>606</u>

14 Creditors - amounts falling due within one year

	28 February 2005 £'000	29 February 2004 £'000
Trade creditors	182	135
Other taxation and social security	111	82
Accruals and deferred income	189	89
Corporation tax	291	205
Other creditors	34	134
Bank loans	121	48
Dividend proposed	<u>181</u>	<u>135</u>
	<u>1,109</u>	<u>828</u>

First Derivatives plc

NOTES (continued)

15 Creditors - amounts falling due after more than one year

	28 February 2005 £'000	29 February 2004 £'000
Loans	<u>1,289</u>	<u>523</u>
<i>Analysis of debt:</i>		
Debt can be analysed as falling due:		
In one year or less	121	48
Between one and two years	133	51
Between two and five years	466	177
In five years or more	<u>690</u>	<u>295</u>
	<u>1,410</u>	<u>571</u>

The company has three separate loans, taken out to fund the acquisition of apartments in London. The loans are secured on these properties. A debenture is also in place over the company's assets and undertaking (excluding uncollected capital).

Interest on all loans is variable. Interest of 2% above LIBOR is charged on the company's first loan which has an outstanding balance of £196,117. Interest of 1.75% above the Bank of Ireland's Northern Ireland base rate is charged on the company's second loan which has an outstanding balance of £322,446. Interest of 3% above LIBOR is charged on the company's third loan which has an outstanding balance of £891,334.

16 Provisions for liabilities and charges

	28 February 2005 £'000	29 February 2004 £'000
<i>Deferred taxation</i>		
At beginning of period	7	5
(Release)/charge for the period (see note 5)	<u>(4)</u>	<u>2</u>
At end of period	<u>3</u>	<u>7</u>

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

The elements of deferred taxation are as follows:

	28 February 2005 £'000	29 February 2004 £'000
Difference between accumulated depreciation and amortisation and capital allowances	4	8
Other timing differences	<u>(1)</u>	<u>(1)</u>
Deferred tax liability	<u>3</u>	<u>7</u>

17 Share capital

	28 February 2005		29 February 2004	
	Number	£'000	Number	£'000
Equity shares				
<i>Authorised</i>				
Ordinary shares of 0.5pence each	<u>20,000,000</u>	<u>100</u>	<u>20,000,000</u>	<u>100</u>
<i>Issued, allotted and fully paid</i>				
Ordinary shares of 0.5pence each	<u>12,397,825</u>	<u>62</u>	<u>12,317,825</u>	<u>62</u>

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

Options granted are as follows:

<i>Number of shares under option at 29 February 2004</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>Number of shares under option at 28 February 2005</i>	<i>Exercise price</i>
265,000	-	(50,000)	(20,000)	195,000	26.5 pence
246,000	-	-	(27,000)	219,000	51.0 pence
375,000	-	-	(46,000)	329,000	53.5 pence
70,000	-	-	-	70,000	40.0 pence
30,000	-	(30,000)	-	-	50.0 pence
-	257,000	-	-	257,000	62.0 pence

80,000 share options were exercised during the year, giving rise to an increase in share capital of £400 and an increase in share premium of £28,000.

18 Share premium and reserves

	Shares to be issued	Share premium account £'000	Profit and loss account £'000
At beginning of year	7	752	877
Retained profit for the period	-	-	569
Premium on shares issued	-	28	-
In the money element of options accrued	2	-	-
Dividend proposed	<u>-</u>	<u>-</u>	<u>(181)</u>
At end of year	<u>9</u>	<u>780</u>	<u>1,265</u>

First Derivatives plc

Notes (continued)

19 Equity shareholders' funds

	28 February 2005 £'000	29 February 2004 £'000
Profit for the financial year	569	412
Dividend proposed	(181)	(135)
Net proceeds on issue of share capital	28	38
In the money element of options accrued	<u>2</u>	<u>7</u>
Increase in shareholders' funds	418	322
Opening shareholders' funds	<u>1,698</u>	<u>1,376</u>
Closing shareholders' funds	<u>2,116</u>	<u>1,698</u>

20 Commitments and contingencies

There were no capital commitments at either period end, with the exception of the contingent commitment to make additional payments under a software purchase agreement (note 22).

21 Leasing commitments

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

	28 February 2005 Land and buildings £'000	29 February 2004 Land and buildings £'000
Operating leases which expire: In the second to fifth years inclusive	<u>14</u>	<u>12</u>

First Derivatives plc

Notes (continued)

22 Contingent liabilities

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

In 2003 the company purchased a software asset from e-hub.com Limited. Under the purchase agreement, commission payments will be paid, at a rate of 20% of future sales above £1,000,000, up to a maximum of an additional £1,100,000. The amount so paid in the current year was £Nil (2004: Nil). No provision has been made in this regard as the crystallisation of this liability is currently deemed to be remote and the expiry date of this agreement is 28 February 2006.

23 Related party transactions

Brian Conlon is a shareholder of e-hub.com Limited. During the period the company traded with e-hub.com Limited on a normal commercial basis resulting in sales of £Nil (2004: £73,094). Purchases on a normal commercial basis from e-hub.com Limited amounted to £Nil. The amount due by e-hub.com Limited to the company at 28 February 2005 amounted to £14,541 (2004: £37,542). The amount owed to e-hub.com Limited at 28 February 2005 amounted to £11,525 (2004: £16,225).

Brian Conlon is the majority shareholder in k-hub Limited. The company did not trade with k-hub in the current year. The amount due from k-hub to the company at 28 February 2005 amounted to £15,933 (2004: £20,933).

The company is charged rent annually for the use of apartments owned by the managing director, located in London. The charge incurred during the financial year amounted to £52,800 (2004: £22,400). Rent deposits of £26,400 have been paid to Brian Conlon in respect of these apartments.

24 Ultimate controlling party

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

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

	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
Operating profit	877	600
Depreciation on tangible fixed assets	69	30
Amortisation of intangible asset	180	180
(Increase)/decrease in debtors	(445)	60
(Decrease)/increase in creditors	(66)	188
In the money element of options accrued	<u>2</u>	<u>7</u>
Net cash inflow from operating activities	<u>617</u>	<u>1,065</u>

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

	Year ended 28 February 2005 £'000	Year ended 29 February 2004 £'000
a) Returns on investment and servicing of finance		
Interest paid	(74)	(31)
Interest received	<u>8</u>	<u>8</u>
Net cash inflow from returns on investment and servicing of finance	<u>(66)</u>	<u>(23)</u>
b) Taxation		
Corporation tax paid	<u>(160)</u>	<u>(269)</u>
c) Capital expenditure		
Purchase of tangible fixed assets	<u>(1,318)</u>	<u>(856)</u>
d) Financing		
Repayment of long term loan	(93)	(37)
Issue of share capital	28	38
Receipt of new long term loan	<u>932</u>	<u>375</u>
	<u>867</u>	<u>376</u>

27 Analysis of changes in net debt during the period

	Cash in hand £	Bank overdrafts £	Debt due within one year £	Debt due after one year £	Total £
Balance at 1 March 2003	555	-	(18)	(215)	322
Cash flow	293	-	37	-	330
New long term loan	-	-	(15)	(360)	(375)
Other non cash change	<u>-</u>	<u>-</u>	<u>(52)</u>	<u>52</u>	<u>-</u>
Balance at 1 March 2004	848	-	(48)	(523)	277
Cash flow	(60)	-	48	45	33
New long term loan	-	-	(37)	(895)	(932)
Other non cash change	<u>-</u>	<u>-</u>	<u>(84)</u>	<u>84</u>	<u>-</u>
Balance at 28 February 2005	<u>788</u>	<u>-</u>	<u>(121)</u>	<u>(1,289)</u>	<u>(622)</u>

Notice is hereby given that the Ninth Annual General Meeting of First Derivatives plc ("the company") will be held at the offices of Mills Selig, 21 Arthur Street, Belfast, BT1 6DH on Tuesday, 28 June 2005 at 11.30am for the following purposes.

Ordinary business

- 1 That the directors' report, statement of accounts and independent auditor's report for the year ended 28 February 2005 be received and approved.
- 2 That a dividend of 1.46p per share be declared for the year ended 28 February 2005.
- 3 To re-elect David Anderson as a director of the company in accordance with Article 115 of the Articles of Association of the company.
- 4 To re-appoint KPMG as auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company at a remuneration to be fixed by the directors.
- 5 That in substitution for all existing and unexercised authorities, the directors of the company be and they are hereby generally and unconditionally authorised pursuant to Article 90 of the Companies (Northern Ireland) Order 1986 (the "Order") to allot relevant securities (as defined in the Article) up to an aggregate nominal amount of £20,000, such authority to expire on the earlier of the date falling 15 months after the date of passing of this resolution, and the next Annual General Meeting of the company, whichever is the later, but so that the company may, before such expiry, make an offer or agreement which could or might require relevant securities in pursuance of any such offer or agreement as if such authority has not expired.
- 6 That in substitution for all existing and unexercised authorities and subject to the passing of the immediately preceding resolution, the directors of the company be and they are hereby empowered pursuant to Article 105 of the Order to allot equity securities pursuant to the authority conferred by the preceding resolution as if Article 99(1) of the Order did not apply to any such allotment provided that the power conferred by the resolution, unless previously revoked or varied by special resolution of the company in general meeting, shall be limited:
 - (a) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all such shareholders are proportionate (as nearly as may be) to the respective numbers of the ordinary shares held by them subject only to such exclusions or other arrangements as the directors of the company may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory, and;

First Derivatives plc

Notice of Annual General Meeting

- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £6,199 representing 10% of the current issued share capital of the company;

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

By order of the Board

Registered Office:
21 Arthur Street
Belfast
BT1 4GA

John F Gibbons
Secretary

24 May 2005

Notes

- 1 A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and vote in his/her stead. A proxy need not be a member of the company.
- 2 A proxy form is enclosed with this notice. Proxies must be lodged at the office of the company, Kilmorey Business Park, Kilmorey Street, Newry, BT34 2DH, not less than 48 hours before the time of the meeting.
- 3 The completion and return of a proxy will not prevent a member from attending and voting in person at the meeting if so desired.
- 4 To be entitled to attend and vote at all the annual general meetings (and for the purpose of determination by the company of the number of votes they may cast), members must be entered in the Companies Register of Members by 6 June 2005.
- 5 Copies of the executive directors service contracts of service together with the engagement letters of the non-executive directors are available the register of directors (and their families) interest in the share capital of the company and the Memorandum and Articles of Association for inspection at the registered office of the company during usual business hours, and will be available for inspection at the Annual General Meeting from 11.15 am until the conclusion of the meeting.

First Derivatives plc

Proxy Form

First Derivatives plc

For use at the Annual General Meeting convened for 28 June 2005

I/We
(block letters please)

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

or
as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on 28 June 2005 and at any adjournment thereof.

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

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

Resolutions	For	Against
1 To receive and adopt the audited accounts for the company for the year ended 28 th February 2005.		
2 Approve proposed dividend.		
3 To re-elect David Anderson as a director.		
4 To re-appoint KPMG as auditors and to authorise the directors to fix their remuneration.		
5 To grant the directors authority to allot shares.		
6 To disapply the statutory pre-emption rights.		

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

Signature Date

.....

Notes:

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

