



FFastFill Plc

Annual Report and Accounts 2011

2011

Software as a
Service

FFastFill plc

REPORT AND ACCOUNTS

For the year ended

31 March 2011



FFastFill

Contents

	Pages
Directors and advisers	3
Chairman's statement	4 – 5
Chief Executive Officer's review	6 – 8
Financial review	9
Directors' report	10 – 15
Report on corporate governance	16 – 18
Statement of directors' responsibilities in respect of the accounts	19
Independent auditor's report	20 – 21
Consolidated statement of comprehensive income	22
Consolidated statement of financial position	23
Company statement of financial position	24
Consolidated statement of changes in equity	25
Company statement of changes in equity	26
Consolidated and company cash flow statements	27
Notes to the consolidated and company cash flow statements	28
Notes to the accounts	29 – 64



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Directors and advisers

EXECUTIVE DIRECTORS	<p>T K Todd (Executive Chairman) H J Purdey (Chief Executive Officer) M A R Carlisle (Chief Financial Officer, appointed 11 May 2011)</p>
NON-EXECUTIVE DIRECTORS	<p>H N P McCorkell (Joint Deputy Chairman) J E Oliff (Joint Deputy Chairman) D A Hurst-Brown N R Hartnell</p>
SECRETARY	<p>P A Colcombe</p>
REGISTERED OFFICE	<p>35 Vine Street London EC3N 2AA</p>
PRINCIPAL BANKERS	<p>Royal Bank of Scotland PO Box 39 5th Floor, Abbey House 282 Farnborough Road Farnborough Hampshire GU14 7YU</p> <p>KBC Bank NV London Branch 111 Old Broad Street London EC2N 1BR</p>
NOMINATED ADVISERS AND BROKERS	<p>Canaccord Genuity Limited 80 Victoria Street, 7th Floor London SW1E 5JL</p>
JOINT BROKERS	<p>Finncapp Limited 4 Coleman Street London EC2R 5TA</p>
INDEPENDENT AUDITOR	<p>Baker Tilly UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB</p>
SOLICITORS	<p>Field Fisher Waterhouse 35 Vine Street London EC3N 2AA</p>
COMPANY REGISTERED NUMBER	<p>3978346</p>



FFastFill

Chairman's Statement

I am pleased to announce a successful outturn to this financial year. During the past twelve months we have made important, steady progress against each of our key objectives for the year. First, our product suite has been strengthened with new functionality and capacity added. Second, our evolution into a truly global business has continued, most notably in Asia supported by our now established and proven infrastructure in this key region. Third, we have succeeded in broadening our customer base, particularly in the Back Office with a number of new key client implementations progressing during the year. As a consequence our profitability this year has increased significantly, proving both the attractiveness of our SaaS based model to our customers and the inherent leverage this model gives us operationally.

We continued to see some structural changes take place in our industry this year. However, following the turbulence and uncertainty seen in our markets in recent years, I am pleased to say that we are now operating in an increasingly stable market environment. The large-scale change seen during the height of the financial crisis has largely abated, with decision-makers now in place with agreed budgets for investment.

In Asia, we have now reached an important landmark as a business. Today marks three years since our successful acquisition of Exchange Technology Pty Ltd: the platform which initially took us into the exciting Asian marketplace. During those three years we have invested time, effort and resource in developing a robust, scalable platform to support our operations and open us up to new client opportunities. Today, I am pleased to say that we are winning in Asia, successfully cross-selling our services in to this market and starting to generate a demonstrable return on the investments we have made. We are seeing increasing interest from both new and existing clients in connectivity with Asian markets including China and, in particular, connectivity which increases their access to commodities trading in this important region.

Our new business progress this year has not been limited to Asia. Across our entire Front Office, Middle Office and Back Office portfolios we have won important new business during the past twelve months. Furthermore, in many cases we are displacing some of those peers and taking market share.

In January 2011, we announced that Mark Carlisle would be joining FFastFill and our Board as Chief Financial Officer. Mark started on the 3rd May 2011 and our Board colleagues and I look forward to working with Mark as we continue to push ahead with our strategy.

That strategy remains clear: to build on our SaaS credentials across our Front, Middle and Back office offerings, make the most of the early successes we have seen in Asia and look to make further advances in this key market in the near term. We also plan to take advantage of further opportunities open to us in the North American market and exploiting this is a medium term priority. Whilst the regulatory framework is taking some time to evolve, the well-documented regulatory ambition to shift volumes in this market from Over-the-Counter ("OTC") to centrally cleared trading remains on the horizon.



FFastFill

Chairman's Statement

We start the year with a strong SaaS order book of £11.4m and a good pipeline of business, but sales cycles remain difficult to predict despite increasingly stable market conditions. Looking ahead, we continue to believe in the competitive strength of our offering and in the fundamental strengths of SaaS as a delivery model. In light of these strengths and the health of our order book we expect to deliver further financial improvements in the year ahead.

Keith Todd
Executive Chairman



FFastFill

Chief Executive Officer's Review

Introduction

I am very pleased to report a creditable set of results for the FFastFill Group for FY10/11: a year in which we have not only continued to invest in our business, but also begun to see the benefits of prior investments – particularly in Asia – come through in the form of improved business performance and increased profitability.

During the year, we have successfully increased our adjusted operating profit (defined in the financial review) from £1.2m in FY09/10 to £2.2m in FY10/11. This result is a satisfying achievement, particularly given the well-documented significant structural changes that have taken place within our customer base following the aftermath of the recent financial crisis.

This profitable progress owes much to the success we continue to make as a business in the implementation of our SaaS-led strategy as well as recent back office wins. Our product offering today is strong, resulting from the developments and improvements we have made this year – both in terms of additional connectivity and functionality – across our Front, Middle and Back Office offering. These excellent products have enabled us to make good operational headway during the year, winning us new business in both our traditional markets and in those markets and arenas where we are focused for the future.

Contract wins

FFastFill has continued to win new business during the year across each of the three areas of our product suite, most importantly in our SaaS-led business. From the strong base of wins secured in the first half of the financial year, we have continued to display good momentum through the second half, albeit at a slower pace than we saw in that stronger first half.

In the Front Office, Trade Execution Services ("TES") business contracts were won with Bank of Nova Scotia, Societe Generale, Bell Potter and Mitsui Bevan as well as BoC International. These wins demonstrate not only our Front Office progress this year, but each also points to progress in key geographies and across a range of new trading locations. In Asia, we have delivered enhanced connectivity to our Front Office product set and secured an important customer win with BoC International.

In the Middle Office in the first half of the year, we successfully extended our contract with ABN Amro by winning a mandate to support that business on a global basis. We are now serving ABN Amro with additional functionality and in new geographies, particularly in Asia, underlining the benefits and ease of our SaaS-based approach. This extension to our relationship also further highlights FFastFill's ability to up-sell within existing clients and, importantly, our ability to serve a global institution.

New business progress has also been made this year in the Post Trade Processing ("PTP") or Back Office business. Wins here were secured in the first half, for example with Schroders, and including most notably in Asia and Germany. Our ability to extend our position within existing clients was also proven in this segment, with cross-selling achieved within both ProSpreads and First Prudential Markets and we believe our prospects for making further new customer progress in Asia this year are good.



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Chief Executive Officer's Review

Broadening the Product Offer

During the year, the Group has made good progress in further enhancing, strengthening and broadening its product portfolio. These improvements have been achieved in all areas where we operate, supporting both our core capabilities as well as opening up potential new areas for the future:

Front Office (Trade Execution Services)

One of the most important developments this year in the Front Office came in the shape of FFastFill's new "Horizon" service, launched in March 2011. Horizon, which allows trading companies and sell-side brokers to access more than sixty international trading venues without the need for direct membership, has been well received. Horizon removes the requirement for expensive third party connectivity and time consuming broker-to-broker integration projects. Instead, through the FFastFill global SaaS platform, companies are now able to connect to multiple trading venues via their own or via other brokers' market access.

Post period end we were pleased to announce that FFastFill has entered into a partnership with IPC Systems, Inc. to help broaden the availability of Horizon. The partnership will make our services, including Horizon, more easily available to IPC Systems' global community of trading firms.

Middle Office

During the year we have continued to build upon the already strong competitive positioning of our SEALS offering with a range of important functional enhancements. In particular, we have paid careful attention to further increasing both the scalability of SEALS as well as enhancing the global access capabilities of the product.

Back Office (Post Trade Processing)

We have continued to push forward with our geographic ambitions in the Back Office with wins during the year in Germany and Asia: both important markets for us in the future. The implementation of these projects contributed to the increase in Back Office revenues in the year and improved profitability. At the same time, we have been able to improve the functionality of our Back Office offering, particularly in the enhancements we have made during the year in terms of increased margin coverage.

Operational Priorities

In line with the plan set out late last year, we have made further progress in our efforts to move towards a pure SaaS-led offering. As a result, the Group's third party licence revenues have further reduced, helping to simplify our portfolio and – importantly – enhance our margin.

Product capability is one key arm of our strategy. Geographic reach is also an important element of our growth effort. With that in mind, we were pleased that our new data centre in Sydney went live this year. The centre not only forms a new and important part of our global trading environment, but also helped us win our first customer in Australia being Bell Potter.

The third arm is quality. As announced earlier this month, FFastFill has completed a SAS70 audit across all of its globally delivered FFastFill services. This audit – an internationally recognised standard of operational process



FFastFill

Chief Executive Officer's Review

and control – has proven successful and FFastFill is now one of the first organisations in its peer group to achieve such a standard, setting the benchmark for others in our industry to follow. FFastFill services now carry an important external marker of service quality which, we believe, is an important differentiator and a mark of confidence for customers and regulators globally.

Strategy

Our strategy rests on continuing to develop, drive and sell our SaaS-based product set into both new and existing clients, as well as into new and emerging geographies. Our priority as a business remains the wider derivatives space, targeting the opportunities that exist now in exchange traded asset classes as well as the opportunities that the shift away from OTC trading will bring in future years. Asia continues to hold promise for us in the short term with, we believe, a medium term opportunity to follow in North America.

Our Staff

I would like to take the opportunity to thank all FFastFill staff across our global operation for their efforts and commitment during the year. Our achievements as a Group are their achievements as individuals, and we could not have delivered today's strong profitable result without their hard work and dedication.

Summary

We are pleased and proud of the progress we have made in the last twelve months. We are today a more global business and a more profitable business, offering a broader range of products and services that set a clear benchmark in terms of their capability and their dependability. I look forward to delivering further operational and financial progress in the coming twelve months.

Hamish Purdey
Chief Executive Officer



FFastFill

Financial Review

Revenue

Revenue for the year increased by 9% to £15.5m (FY09/10: £14.3m) as a result of growth in global SaaS revenue from our Front and Middle Office products and recent Back Office implementation projects in both Europe and Asia.

SaaS revenue increased by 15% to £12.1m (FY09/10: £10.5m) and now represents 78% of revenue (FY09/10: 74%).

Following further reductions in revenue generated through third party licence sales, gross profit margin has increased to 88% (FY09/10: 83%).

The 12 month order book stands at £13.8m (FY09/10: £13.5m). Of this £11.4m is SaaS, which grew by 7% in the year (FY09/10: £10.7m).

Operating Profit

Adjusted operating profit* increased by £1.0m (83%) to £2.2m reflecting the growth in revenue in the year. Following our successful expansion into Asia in FY09/10, operating expenses increased by 10% to £9.6m (FY09/10: £8.7m). Amortisation and depreciation increased to £2.1m (FY09/10: £1.9m) of which £1.4m (FY09/10: £1.4m) comprised amortisation of capitalised software development costs.

Profit Before Tax

Profit before tax increased to £1.8m (FY09/10: £1.2m). Exceptional items of £0.3m (FY09/10: £0.03m) comprise the cost of restructuring the management team and bad debt charges arising from customer bankruptcies.

Profit After Tax

Profit after tax increased to £1.8m (FY09/10: £1.1m). The Group continues to recognise a deferred tax asset of £1.5m (FY09/10: £1.4m) in respect of tax losses incurred in previous years.

Cash Flow

Cash flow from operations was strong at £3.0m (FY09/10: £3.3m) despite an outflow of £0.8m (FY09/10: inflow of £0.4m) in respect of increased working capital.

The Group has continued to invest in its infrastructure and product set to support revenue growth and incurred £0.8m of capital expenditure (FY09/10: £0.5m) and £1.9m (FY09/10: £1.8m) of capitalised investment in product development.

The net cash inflow for the year was £0.7m (FY09/10: £0.4m). The Group is debt free and the net cash position at 31 March 2011 improved to £3.3m (31 March 2010: £2.4m).

* Before share based payment charges of £0.1m (FY09/10: £0.02m).



FFastFill

Directors' Report

The directors present their report and the Group and the company accounts for the year ended 31 March 2011.

Principal activities

The principal activity of the Group is the provision of software as a service for use in the global financial markets.

Review of business and future developments

A review of the development of the business during the year is given in the Chief Executive Officer's Review on pages 6 to 8, the Chairman's Statement on pages 4 to 5 and the Finance Review on page 9. The Financial Review also includes reference to the Group's future prospects.

Analysis of the result and position of the business using key performance indicators (including revenues, profitability and cash) is included in the Chairman's Statement and Chief Executive Officers Review.

Results for the year and dividends

The results for the year are disclosed in the consolidated statement of comprehensive income on page 22.

The directors have not recommended the payment of a dividend (2010: £nil).

Directors and their interests

The directors who served during the period were as follows:

Executive directors

T K Todd

H J Purdey

Non-Executive directors

H N P McCorkell

J E Oliff

D A Hurst-Brown

N R Hartnell

N R Hartnell retires by rotation and, being eligible, offers himself for re-election.

M A R Carlisle was appointed Chief Financial Officer with effect from 11 May 2011 and offers himself for election.



FFastFill

Directors' Report

The interests of the directors who held office at 31 March 2011, together with that of persons connected with the directors, in the share capital of the company were as follows:

	Ordinary shares of £0.01 each	
	31 March 2011	1 April 2010
Executive directors		
T K Todd	12,865,332	12,683,332
H J Purdey	209,090	109,090
Non-Executive directors		
N R Hartnell	2,055,500	2,055,500
D A Hurst-Brown	1,608,000	1,608,000
H N P McCorkell	152,420	152,420
J E Oliff	1,333,333	1,333,333



FFastFill

Directors' Report

At the year end the company had the following outstanding options and warrants issued to directors who were in office at 31 March 2011 through various share option and warrant schemes:

	Scheme status	Exercise price	Number of share options and warrants		Exercise period
			at 31 March 2011	at 1 April 2010	
T K Todd	EMI	£0.07	2,666,666	2,666,666	26 September 2002 to 25 September 2012
	Unapproved	£0.07	8,808,073	8,808,073	26 September 2002 to 25 September 2012
H J Purdey	EMI	£0.08375	1,850,000	1,850,000	20 June 2010 to 20 June 2017
	EMI	£0.0825	242,424	–	17 November 2012 to 17 December 2019
	Unapproved	£0.0825	257,576	–	17 November 2012 to 17 December 2019
	EMI	£0.07	500,000	500,000	1 April 2004 to 31 March 2013
	EMI	£0.05	500,000	500,000	1 April 2004 to 1 April 2013
	EMI	£0.04	2,000,000	2,000,000	21 July 2009 to 21 July 2016
	EMI	£0.04	150,000	150,000	31 March 2005 to 30 March 2012
N R Hartnell	EMI	£0.07	2,666,666	2,666,666	26 September 2002 to 25 September 2012
	Unapproved	£0.07	624,017	624,017	26 September 2002 to 25 September 2012
	Unapproved	£0.01	1,645,342	1,645,342	1 April 2004 to 31 March 2013
J E Oliff	Unapproved	£0.04	500,000	500,000	31 March 2003 to 30 March 2012
	Unapproved	£0.01	1,066,667	1,066,667	1 April 2004 to 31 March 2013
D A Hurst-Brown	Warrants	£0.07	150,000	150,000	17 June 2005 to 16 June 2013
	Warrants	£0.04	100,000	100,000	17 June 2005 to 16 June 2013
H N P McCorkell	Warrants	£0.07	150,000	150,000	14 May 2005 to 13 May 2013
	Warrants	£0.04	100,000	100,000	14 May 2005 to 13 May 2013

During the year the share price of FFastFill Plc ranged from 6.75p to 11.2p.



FFastFill

Directors' Report

Directors' emoluments

Details of directors' emoluments are as follows:-

	Salary/ fees 2011 £'000	Total 2010 £'000
Executive directors		
T K Todd	125	125
H J Purdey	156	156
Non-executive directors		
D A Hurst-Brown	20	20
H N P McCorkell	20	20
J E Oliff	32	34
N R Hartnell	25	25
	<u>378</u>	<u>380</u>

The Group did not pay any pension contributions on behalf of the directors, nor any bonuses or benefits in kind.

Substantial shareholdings

On 19 May 2011, the following disclosed holdings of above 2.99% of the issued share capital of FFastFill plc were known to the Company:

ION Trading Ireland Limited	24.82%
Herald Investment Management	10.68%
ISIS EP LLP	6.47%
Artemis AIM VCT	5.15%
Liontrust Investment Partners LLP	5.11%
Blackrock Merrill Lynch Investment Managers	4.45%
Mr T K Todd	3.20%
Cinnober Financial Technology AB (Publ.)	2.99%

Employee involvement

The directors recognise the importance of employee involvement and to that end prioritise regular communication through staff meetings and briefings. The executive management team meets weekly and then members communicate with their staff in turn.

Employee policies

The Group is committed to the terms of the Codes of Practice for the elimination of all or any discrimination and to the promotion of equality of opportunities in employment. It is Group policy to afford equal opportunities to



FFastFill

Directors' Report

all employees and job applicants. No employee or job applicant is less favourably treated than another on the grounds of their sex, sexual orientation, age, marital status, religion, race, nationality, ethnic or national origin, colour or disability and all appointments and promotions are determined solely by merit. Responsibility for monitoring the effective working of these policies is vested with the directors of FFastFill Plc.

Risks and uncertainties

Competition

FFastFill operates in a highly competitive global market place. Competition arises from major enterprise-scale competitors, specialist software companies and from the internal operations of the financial institutions themselves. FFastFill retains and develops its customers' business by building and maintaining excellent relationships with its clients, developing an in-depth understanding of their business requirements and then providing them with a high quality of service. The greatest risk associated with maintaining these relationships is as a result of a breakdown in the level of service; we mitigate this through the resilience of our infrastructure, the design of our software and our internal processes. Risk arises from the continuous re-structuring of the financial services industry with the possible resultant loss of a customer. However, these changes can also result in greater opportunities arising in the new enlarged company. We have mitigated the risk further by extending our range of services to cover the whole of our customers trading cycle from execution, through order allocation and risk mitigation to clearing and settlement.

Revenue profile

FFastFill offers its software as a service, a specific value proposition that reduces capital expenditure for customers, increases cost certainty and generates recurring revenue streams. Our business model supports this by recognising significant revenue on a monthly basis as the service is used. Thus, a significant part of it is recurring. As a result FFastFill's 12 month order backlog now stands at over £13.8m. This revenue profile provides the Group with a very stable business and excellent visibility of future trends allowing decisions on cost and investment to be taken with high levels of confidence. This business model provides a very solid base from which FFastFill can take advantage of opportunities in the financial services market.

Group policy on payments to creditors

The Group does not follow any code or standard on payment practice for its suppliers. The Group applies a policy of agreeing payment terms with each of its main suppliers and aims to abide by those terms, subject to satisfactory performance by suppliers. The period of credit taken from suppliers as at 31 March 2011 was 77 days (2010: 59 days).

Directors' indemnities

The directors are granted an indemnity from the company to the extent permitted by law in respect of liabilities incurred as a result of their office.

Research and development

The Group maintains an integrated global research and development team (based in London, Sydney and Prague) which has a staff of 68 (2010: 60). In the opinion of the directors, continuity of investment in this area



FFastFill

Directors' Report

is essential for the maintenance of the Group's market position and for future growth. The amount of research and development costs recognised in the statement of comprehensive income for the year was £2.1m (2010: £1.9m).

Financial instruments

A summary of the Group's financial instruments and related disclosures are set out in notes to the accounts.

Auditor

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as the company's auditor will be put to the members at the Annual General Meeting.

Statement as to the disclosure of information to the auditor

The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

APPROVED BY THE BOARD OF DIRECTORS
AND SIGNED ON BEHALF OF THE BOARD

P A Colcombe
Secretary
20 May 2011



FFastFill

Report on Corporate Governance

Whilst the Group is not required to comply with the provisions of the Combined Code on Corporate Governance, it has chosen to make the following voluntary disclosures.

The directors are responsible for the Group's system of corporate governance and the key components of this system. The company supports the Principles of the Combined Code, and has applied the provisions of the Combined Code as far as appropriate for a Group of this size.

The current policies and procedures adopted by the Group are set out below.

Board of directors

The Board currently meets monthly. It leads and controls the Company and Group by taking responsibility for overall strategy, acquisition policy, approval of major capital expenditure projects and consideration of significant financial matters. It reviews the strategic direction of operations and annual budgets and monitors progress towards achievement of those budgets and longer term strategies.

The Board, chaired by Keith Todd, currently has four non-executive directors, who have between them considerable and varied experience in the business world and the City and the Board considers them to be an effective independent body. The non-executive directors are considered to be independent of management and free from any business or other relationships which could materially affect their independent judgement, other than holdings of shares, share options and warrants. Their objective views and sound advice carry considerable weight in relation to all matters considered at Board meetings. Between formal meetings, the Executive Chairman, Keith Todd, remains in touch with the non-executive directors, consulting them on appropriate issues and updating them on the Group's progress.

Prior to each Board meeting every member of the Board is supplied with a set of management accounts together with a summary of the key features of the Group's performance overall. This includes an analysis of the results against the original budget for the year and the previous year's performance. The Board papers also include other documents which relate to matters included in the agenda, in order to ensure that members of the Board are given the fullest opportunity to consider matters to be debated at meetings.

The Board has determined that it is appropriate for matters which would normally be delegated to a Nomination Committee to be referred to the full Board. The Board, acting as a Nomination Committee, meets as required to carry out the selection process for new Board members and to propose any new appointments to the Board, whether executive or non-executive.

Remuneration committee

The Remuneration Committee comprises Nigel McCorkell, Nigel Hartnell and David Hurst-Brown each of whom is a non-executive director. Nigel McCorkell and David Hurst-Brown are considered to be independent non-executive directors.

The principal duties of the Remuneration Committee are to consider all aspects of directors' remuneration, performance and employment. The Committee's policy is to establish remuneration packages, which enable the



FFastFill

Report on Corporate Governance

Group to attract, retain and motivate directors with the skills and experience necessary to manage a business of this size.

No director has a contract with a notice period of more than one year. The Committee consults with the Executive Chairman about its proposals. Details of directors' remuneration are set out in the directors' report.

The Committee also considers grants of options under the company's share option schemes. The policy of the Committee is to grant share options to employees as part of a remuneration package to motivate them to contribute to the growth of the Group over the medium to long term.

The Remuneration Committee meets when required and at least once per year. The Committee last met on 19 May 2011.

Audit committee

The Audit Committee comprises Nigel McCorkell, Nigel Hartnell and David Hurst-Brown. Nigel McCorkell and David Hurst-Brown are considered to be independent non-executive directors.

The Audit Committee meets at least twice a year. The Executive Chairman and audit partner from the external auditor attend such meetings. The Committee reviews the published accounts and monitors financial accounting procedures and policies, including statutory and regulatory compliance.

The Audit Committee's purposes are to ensure that the financial and accounting systems provide accurate and up-to-date information on the Group's financial position to the Board, that the Group's published accounts present a true and fair view and that a proper system of internal control is in operation.

The Audit Committee is satisfied that the Group's appointed auditor Baker Tilly UK Audit LLP, and its associates, have been objective and independent of the Group.

Internal control

The directors are responsible for the system of internal control. Although no system of internal control can provide absolute assurance of meeting internal control objectives, the Group's systems are designed to provide the directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately. The directors regularly review the company's internal control procedures.

The key procedures that have been established and which are designed to provide effective internal controls are:

Financial information

Detailed annual budgets are prepared in advance of each financial year. These are reviewed and agreed by the Board with subsequent actual monthly performance reported against these budgets, updated forecasts and prior year comparatives, as part of the management accounts.



FFastFill

Report on Corporate Governance

Operating unit financial controls

Key controls over major financial risks include reviews against budget, exception reporting and monthly reporting to the Board of Directors.

Computer systems

The Group has established controls and procedures over the data held on the computer systems.

Going concern

During the year the Group achieved a profit before tax of £1.8m and had net assets of £14.8m at 31 March 2011.

As a result of winning a number of significant new customers during the year, the Group's order book of recurring and run-rate revenue at the end of March 2011 was over £13.8m (2010: £13.5m) and the Group has a strong pipeline of further business from both current and new customers.

After reviewing the Group's performance and forecast future cash flows, the directors consider the Group has adequate resources to continue in operational existence for the foreseeable future.



FFastFill

Statement of Directors' Responsibilities in Respect of the Accounts

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 group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with IFRS as adopted by the EU.

The financial statements are required by law and IFRS adopted by the EU to present fairly the financial position of the Group and the company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the company and of the profit or loss of the Group for that period.

In preparing the Group and company financial statements, the directors are required to:

- a select suitable accounting policies and then apply them consistently;
- b make judgements and accounting estimates that are reasonable and prudent;
- c state whether they have been prepared in accordance with IFRSs adopted by the EU; and
- d 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 Group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the FFastFill plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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Independent Auditor's Report to the Members of Ffastfill PLC

We have audited the Group and parent company financial statements ("the financial statements") on pages 22 to 64. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement (set out on page 19), 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 and express an opinion on 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 the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the Group's and the parent's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.



FfastFill

Independent Auditor's Report to the Members of Ffastfill PLC

Opinion on other matters 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 parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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.

DAVID FENTON (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London, EC4A 4AB

20 May 2011



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Consolidated Statement of Comprehensive Income for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Revenue		15,517	14,274
Cost of sales	7	<u>(1,911)</u>	<u>(2,479)</u>
Gross profit		13,606	11,795
Operating expenses	7	<u>(9,591)</u>	<u>(8,698)</u>
Other operating income		<u>152</u>	<u>–</u>
Earnings before interest, taxes, depreciation and amortisation		4,167	3,097
Depreciation		<u>(614)</u>	<u>(505)</u>
Amortisation		<u>(1,441)</u>	<u>(1,379)</u>
Operating profit		2,112	1,213
Exceptional items	10	<u>(285)</u>	<u>(33)</u>
Finance income	8	<u>4</u>	<u>40</u>
Finance costs	9	<u>(3)</u>	<u>(21)</u>
Profit before taxation		1,828	1,199
Tax	11	<u>(19)</u>	<u>(58)</u>
Profit after taxation – attributable to the owners of the parent		1,809	1,141
Other comprehensive income, net of tax			
Exchange translation differences on foreign operations		<u>(18)</u>	<u>(26)</u>
Total comprehensive income for the year – attributable to the owners of the parent		1,791	1,115
Basic earnings per share	22	<u>0.46p</u>	<u>0.28p</u>
Fully diluted earnings per share	22	<u>0.44p</u>	<u>0.28p</u>



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Consolidated Statement of Financial Position as at 31 March 2011

	Notes	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Goodwill	12	7,784	7,784
Intangible assets	13	4,478	4,015
Available for sale investments	15	–	5
Property, plant and equipment	14	955	840
Deferred taxation	11	1,459	1,436
		<u>14,676</u>	<u>14,080</u>
Current assets			
Trade and other receivables	17	4,217	2,969
Cash and cash equivalents	23	3,257	2,548
		<u>7,474</u>	<u>5,517</u>
TOTAL ASSETS		22,150	19,597
LIABILITIES			
Current liabilities			
Trade and other payables	18	(6,645)	(6,417)
Borrowings	19	–	(125)
		<u>(6,645)</u>	<u>(6,542)</u>
Current assets less current liabilities		829	(1,025)
Total assets less current liabilities		15,505	13,055
Non-current liabilities			
Trade and other payables	18	(665)	(432)
NET ASSETS		14,840	12,623
EQUITY			
Share capital	20	4,013	3,970
Share premium account		287	19
Other reserve		235	235
Share-based payment reserve		363	248
Merger reserve		890	890
Currency translation reserve		(4)	14
Retained earnings		9,056	7,247
Equity attributable to the owners of the parent company		14,840	12,623

The accounts were approved and authorised for issue by the Board of Directors on 20 May 2011 and were signed on its behalf by:

Keith Todd
Director



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Company Statement of Financial Position as at 31 March 2011

	Notes	2011 £'000	2010 £'000
ASSETS			
Non-current assets			
Investments	16	11,787	11,787
Trade and other receivables	17	3,529	3,281
		<u>15,316</u>	<u>15,068</u>
Current assets			
Trade and other receivables	17	100	124
Cash and cash equivalents	23	332	2,170
		<u>432</u>	<u>2,294</u>
TOTAL ASSETS		15,748	17,362
LIABILITIES			
Current liabilities			
Trade and other payables	18	(661)	(7,115)
Borrowings	19	–	(125)
		<u>(661)</u>	<u>(7,240)</u>
Current assets less current liabilities		(229)	(4,946)
Total assets less current liabilities		<u>15,087</u>	<u>10,122</u>
		<u>15,087</u>	<u>10,122</u>
EQUITY			
Share capital	20	4,013	3,970
Share premium account		287	19
Other reserves		235	235
Share-based payment reserve		363	248
Retained earnings		10,189	5,650
Equity attributable to the owners of the company		15,087	10,122

The accounts were approved and authorised for issue by the Board of Directors on 20 May 2011 and were signed on its behalf by:

Keith Todd
Director



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Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Other reserves	Share-based payment reserve	Merger reserve	Translation reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balances at 1 April 2009	3,965	32,544	235	226	890	40	(26,438)	11,462
Profit for the year	-	-	-	-	-	-	1,141	1,141
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	-	-	(26)	-	(26)
Total comprehensive income for the year	-	-	-	-	-	(26)	1,141	1,115
Transactions with owners								
Cancellation of share premium account	-	(32,544)	-	-	-	-	32,544	-
Share-based payment	-	-	-	22	-	-	-	22
Share issues	5	19	-	-	-	-	-	24
Total transactions with owners	5	(32,525)	-	22	-	-	32,544	46
Balance at 31 March 2010	3,970	19	235	248	890	14	7,247	12,623
Profit for the year	-	-	-	-	-	-	1,809	1,809
Other comprehensive income								
Exchange translation differences on foreign operations	-	-	-	-	-	(18)	-	(18)
Total comprehensive income for the year	-	-	-	-	-	(18)	1,809	1,791
Transactions with owners								
Share-based payment	-	-	-	115	-	-	-	115
Share issues	43	268	-	-	-	-	-	311
Total transactions with owners	43	268	-	115	-	-	-	426
Balance at 31 March 2011	4,013	287	235	363	890	(4)	9,056	14,840

Share premium account

On 16 September 2009, the Company received a high court approval for the cancellation of its share premium account which was sought because the Company had an accumulated deficit on its retained earnings. The absence of distributable profits meant that the Company was unable to pay dividends. The Resolution, which was proposed as a special resolution, approved the cancellation of the Company's share premium account, which as at 31 March 2009 amounted to £32,544,145.



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Company Statement of Changes in Equity – attributable to the owners of the parent company

	Share capital £'000	Share premium account £'000	Other reserves £'000	Share-based payment reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2009	3,965	32,544	235	226	(30,920)	6,050
Profit for the year	–	–	–	–	4,026	4,026
Total comprehensive income for the year	–	–	–	–	4,026	4,026
Transactions with owners						
Cancellation of share premium account	–	(32,544)	–	–	32,544	–
Share-based payment	–	–	–	22	–	22
Share issues	5	19	–	–	–	24
Total transactions with owners	5	(32,525)	–	22	32,544	46
Balance at 31 March 2010	3,970	19	235	248	5,650	10,122
Profit for the year	–	–	–	–	4,539	4,539
Total comprehensive income for the year	–	–	–	–	4,539	4,539
Transactions with owners						
Share-based payment	–	–	–	115	–	115
Share issues	43	268	–	–	–	311
Total transactions with owners	43	268	–	115	–	426
Balance at 31 March 2011	4,013	287	235	363	10,189	15,087

The company has taken advantage of s408 Companies Act 2006 in not publishing its own statement of comprehensive income. The profit for the year was £4,539,000 (2010: £4,026,000). All amounts are attributed to equity holders of the Company.

On 16 September 2009, the Company received a high court approval for the cancellation of its share premium account, which was sought because the Company had an accumulated deficit on its retained earnings. The absence of distributable profits meant that the Company was unable to pay dividends. The Resolution, which was proposed as a special resolution, approved the cancellation of the Company's share premium account, which as at 31 March 2009 amounted to £32,544,145.



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Cash Flow Statements for the year ended 31 March 2011

	Notes	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Cash flows from operating activities					
Cash flows from operations	A	3,031	(6,787)	3,337	962
Interest received		4	39	40	53
Interest paid		(3)	–	(21)	(14)
Dividends received from subsidiaries		–	4,731	–	–
Tax (paid)/received		(19)	–	7	–
Net cash flows from operating activities		3,013	(2,017)	3,363	1,001
Cash from investing activities					
Purchase of intangible assets		(1,900)	–	(1,840)	–
Purchase of property, plant and equipment		(750)	–	(534)	–
Net proceeds from sale of investment		157	–	–	–
Deferred consideration		–	–	(151)	–
Net cash flows used in investing activities		(2,493)	–	(2,525)	–
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		311	311	24	24
Repayment of borrowings		(125)	(125)	(500)	(500)
Net cash flows from/(used in) financing activities		186	186	(476)	(476)
Net change in cash and cash equivalents		706	(1,831)	362	525
Exchange rate movement		3	(7)	27	6
Cash and cash equivalents at beginning of year		2,548	2,170	2,159	1,639
Cash and cash equivalents at end of year		3,257	332	2,548	2,170

Cash and cash equivalents comprise cash on hand and deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.



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NOTES TO THE CASH FLOW STATEMENTS for the year ended 31 March 2011

A. RECONCILIATION OF PROFIT/(LOSS) AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2011 £'000	Company 2011 £'000	Group 2010 £'000	Company 2010 £'000
Profit after taxation	1,809	4,539	1,141	4,026
Finance income	(4)	(39)	(40)	(53)
Finance costs	3	–	21	14
Taxation	19	–	58	7
Dividends received from subsidiaries	–	(4,731)	–	–
Profit on sale of investment	(152)	–	–	–
Depreciation	614	–	505	–
Loss on disposal of fixed asset	–	–	3	–
Amortisation of intangible assets	1,441	–	1,379	–
Share based payment	115	115	22	22
Foreign exchange translation differences	(27)	7	(109)	(6)
(Increase)/decrease in receivables	(1,248)	(224)	1,358	(1,151)
Increase/(decrease) in payables	461	(6,454)	(1,001)	2,233
Movement of provision against investment in subsidiaries	–	–	–	(4,130)
Cash flows from operating activities	3,031	(6,787)	3,337	962



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

1 GENERAL INFORMATION

FFastFill Plc is incorporated and domiciled in the United Kingdom and is listed on the AIM market. The address of the registered office is given on page 3. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 10.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2013). The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. It also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories.*

IAS 32 'Classification of Rights Issues' (effective for annual periods beginning on or after 1 February 2010). The amendment addresses the accounting for rights issues offered for a fixed amount of foreign currency.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after 1 July 2010). The IFRIC addresses the accounting for issues of equity instruments in order to settle, in full or in part, a financial liability.

IFRIC 14 (amended) 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective 1 January 2011). Prepayments of a Minimum Funding Requirement. The amendment permits the benefit of early payment of contributions paid to cover minimum funding requirements to be treated as an asset.

IAS 24 'Related Party Disclosures' (effective for annual periods beginning on or after 1 January 2011). The revised standard simplifies the disclosure requirements for government-related entities, requires commitments outstanding at the balance sheet date to be disclosed and clarifies the definition of a related party.

IFRS 7 'Financial Instruments: Disclosures – Transfers of Financial Assets' (effective for annual periods beginning on or after 1 July 2011). The amendments will require improved disclosures of transfers of financial assets, including explaining the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfers are undertaken around the end of a reporting period.*

* Not yet endorsed by the EU

There were no Standards and Interpretations which were in issue but not effective at the date of authorisation of these financial statements, including the above, that the Directors anticipate will have a material impact on the financial statements of the Group and company.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

2 ACCOUNTING POLICIES

Basis of preparation

The accounts have been prepared in accordance with International Financial Reporting Standards, adopted by the European Union ("IFRS").

The accounts have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Going concern

During the year the Group achieved a profit before tax of £1.8m (2010: £1.2m) and had net assets of £14.8m (2010: £12.6m) at 31 March 2011. The cash balance at the end of March 2011 was £3.3m (2010: £2.5m).

As a result of winning a number of significant new customers during the year, the Group's order book of recurring and run-rate revenue at the end of March 2011 was over £13.8m (2010: £13.5m). This has already increased further in the period since the end of the year and the Group has a strong pipeline of further business from both current and new customers.

After reviewing the Group's performance and forecast future cash flows, the directors consider the Group has adequate resources to continue in operational existence for the foreseeable future.

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and entities controlled by the company (its subsidiaries) made up to 31 March each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the accounts of subsidiaries to bring the accounting policies used into line with those by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method, with the exception of the original business combination involving FFastFill Plc and FFastFill Europe Limited which was accounted for using the pooling of interests method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Costs directly attributable to the business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (revised) *Business combinations* are recognised at their fair value at the acquisition date. The Group has taken advantage of the transitional exemption in IFRS 1 *First time adoption of International Financial Reporting Standards* from restating goodwill on acquisitions prior to the date of transition of 1 April 2005.



NOTES TO THE ACCOUNTS for the year ended 31 March 2011

2 ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

Goodwill is allocated to cash generating units that are expected to benefit from the business combination in which the goodwill arose, for the purpose of impairment testing.

Property, plant and equipment

Property, plant and equipment are recognised initially at cost. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used.

Computer hardware	–	33%
Office equipment	–	25%
Short leasehold improvements	–	33%

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date. The gain or loss on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Internally generated intangible assets – software development expenditure

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use
- Management intends to complete the software product and use or sell it
- There is an ability to use or sell the software product
- It can be demonstrated how the software product will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available
- The expenditure attributable to the software product during its development can be reliably measured



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

2 ACCOUNTING POLICIES (CONTINUED)

Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Research expenditure is expensed as incurred.

Software development expenditure is stated at cost less accumulated amortisation and impairment losses. The expenditure capitalised includes the cost of materials and direct labour. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the products concerned.

The amortisation period for development costs is five years.

Purchased computer software is capitalised and amortised over three years.

Impairment of assets (excluding goodwill)

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Deferred taxation

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. Temporary differences are differences between the Group's taxable profits and its results as stated in the financial statements.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

2 ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recoverable against suitable taxable profits in the future. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the reporting date.

The company recognises deferred tax in respect of the profits of overseas subsidiaries except where the timing of the receipt of these profits is controlled by Group and it is not probable that the profits will be distributed in the foreseeable future.

Leases

Rentals payable under operating leases are charged to the profit or loss on a straight-line basis over the term of the relevant lease.

Foreign currency translation

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the accounts of each company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the date of transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated accounts, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

2 ACCOUNTING POLICIES (CONTINUED)

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate, except goodwill allocated to the UK operations as this element is deemed to benefit these operations. Goodwill and Fair value adjustments arising on acquisitions before the date of transition to IFRSs are deemed sterling denominated assets and liabilities.

Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue earned from the sale of software and related services, which includes installation, is recognised by reference to the stage of completion of the contract. Revenue earned from software development services is recognised as labour hours are delivered and direct expenses incurred.

Share-based payments

The Group operates two share options schemes; the Enterprise Management Incentive Scheme and the 2003 Share Option Scheme (HM Revenue & Customs unapproved). The fair value of options is determined using the Black Scholes valuation model, recognised as an employee benefit expense with a corresponding increase in reserves over the vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. Share options and warrants granted prior to 7 November 2002 and unvested at the date of transition to IFRS have been excluded from the share-based payment calculation, as permitted by IFRS 2 *Share-based payment*.

Research and development tax credits

Research and development tax credits are recognised when receipt is virtually certain.

Exceptional items

Items that are material in size, unusual and non-recurring in nature are presented as exceptional items in the statement of comprehensive income. The directors are of the opinion that the separate recording of non-recurring costs provides helpful information about the Group's underlying performance.

Financial instruments

The Group's financial instruments comprise cash and cash equivalents, together with trade and other receivables, trade and other payables, loans and available for sale investments. Financial assets and financial liabilities are recognised in the Group's reporting when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash with three months or less remaining to maturity and are subject to an insignificant risk of changes in value.



NOTES TO THE ACCOUNTS for the year ended 31 March 2011

2 ACCOUNTING POLICIES (CONTINUED)

Available for sale investments

Available for sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Regular purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transactions costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised directly in other comprehensive income are recycled and recognised in profit or loss as 'gains and losses from investment securities'. Interest on available for sale securities calculated using the effective interest method is recognised in profit or loss. Dividends on available for sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its costs is considered an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss.

Trade and other receivables

Trade and other receivables do not carry any interest and are initially stated at their fair value and subsequently at amortised cost using the effective interest rate method as reduced by appropriate allowances for estimated impairment losses.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of trade receivables, where the carrying value is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognised in profit or loss.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

2 ACCOUNTING POLICIES (CONTINUED)

Indicators of impairment considered by the Group include review of past payment history and the financial status of the customers.

Trade and other payables

Trade payables are not interest bearing and are stated initially at their fair value and are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

The Group does not enter into derivative transactions.

Operating segments

The Chief Operating Decision Maker is the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance of the business. Management has determined the operating segments based on the reports reviewed by the Board. The Board considers the business from a geographic viewpoint, monitoring performance in Europe, USA and Asia Pacific. These segments derive their revenues from the provision of software as a service in the global financial markets.

Operating profit

Operating profit is defined as profit after taxation, less tax, finance income, finance costs and exceptional items.

Cost of sales

Cost of sales includes staff costs associated with customer funded development, sale of third party licences and customer funded connectivity and infrastructure costs.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of accounts in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The key sources of estimation uncertainty at the reporting date derive from management assumptions in relation to the capitalisation and amortisation of internally generated software assets, revenue recognition, goodwill impairment reviews and share-based payments. The accounting policies in relation to these items are disclosed in note 2 above.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

4 SEGMENTAL ANALYSIS

The Group operates in one business, that of the provision of software as a service for use in the global financial markets. The segmental analysis by region is presented below.

	Europe £'000	USA £'000	Asia Pacific £'000	Group £'000
2011				
Statement of Comprehensive Income				
Revenue by origin				
Sale of third party licences	284	52	–	336
Sale of services	13,229	1,162	790	15,181
	<u>13,513</u>	<u>1,214</u>	<u>790</u>	<u>15,517</u>
Revenue by destination				
Sale of third party licences	284	52	–	336
Sale of services	12,128	1,338	1,715	15,181
	<u>12,412</u>	<u>1,390</u>	<u>1,715</u>	<u>15,517</u>
Depreciation and amortisation	1,984	48	23	2,055
Segment result: operating profit/(loss)	2,155	(150)	107	<u>2,112</u>
Exceptional items				(285)
Finance income				4
Finance costs				(3)
Tax				<u>(19)</u>
Profit after tax				<u>1,809</u>
Other segment items				
Capital expenditure on property, plant and equipment	675	39	36	750
Expenditure on intangible assets	1,900	–	–	<u>1,900</u>
Statement of Financial Position				
Segment assets	7,664	313	452	8,429
Goodwill	5,682	–	2,102	7,784
Intangible assets	4,478	–	–	4,478
Deferred tax asset	807	652	–	<u>1,459</u>
Total assets				<u>22,150</u>
Segment liabilities	6,708	192	410	<u>7,310</u>
Total liabilities				<u>7,310</u>

No one customer accounted for more than 10% of the total revenue in the year.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

4 SEGMENTAL ANALYSIS (CONTINUED)

2010	Europe £'000	USA £'000	Asia Pacific £'000	Group £'000
Statement of Comprehensive Income				
Revenue by origin				
Sale of third party licences	606	482	–	1,088
Sale of services	11,148	1,394	644	13,186
	11,754	1,876	644	14,274
Revenue by destination				
Sale of third party licences	606	482	–	1,088
Sale of services	10,713	1,406	1,067	13,186
	11,319	1,888	1,067	14,274
Depreciation and amortisation	1,814	55	15	1,884
Segment result: operating profit/(loss)	918	360	(65)	1,213
Exceptional items				(33)
Finance income				40
Finance costs				(21)
Tax				(58)
Profit after tax				1,141
Other segment items				
Capital expenditure on property, plant and equipment	480	50	4	534
Expenditure on intangible assets	1,840	–	–	1,840
Statement of Financial Position				
Segment assets	5,797	298	267	6,362
Goodwill	5,682	–	2,102	7,784
Intangible assets	4,015	–	–	4,015
Deferred tax asset	807	629	–	1,436
Total assets				19,597
Segment liabilities	6,216	433	325	6,974
Total liabilities				6,974

No one customer accounted for more than 10% of the total revenue in the year.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

5 DIRECTORS' EMOLUMENTS

	2011	2010
	£'000	£'000
Salaries	378	380
Social security costs	43	44
Share-based payment charge	24	15
	<u>445</u>	<u>439</u>

Emoluments disclosed above includes salary payments to the highest paid director of £156,000 (2010: £156,000). All of the above directors' remuneration is in respect of short-term benefits. No directors are accruing pension benefits from the Group. For the purpose of IAS24 Related party disclosures, the key management are considered to be the directors.

6 EMPLOYEE INFORMATION

The average monthly number of persons, including directors, employed by the Group during the year was:

	2011	2010
	No.	No.
Software and services development and support	104	99
Customer project managers	21	20
Finance, administration and management	11	9
	<u>136</u>	<u>128</u>

As at 31 March 2011 staff numbers were 146 (2010: 131).

	2011	2010
	£'000	£'000
Staff costs for the above persons were:		
Wages and salaries	6,693	6,447
Social security costs	1,111	730
Share-based payment charge	115	22
	<u>7,919</u>	<u>7,199</u>

Included in the above staff costs is £1,880,000 (2010: £1,800,000) in relation to development costs that were capitalised in accordance with IAS 38 Intangible assets.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

7 EXPENSES

	2011 £'000	2010 £'000
Cost of sales		
Staff costs	859	652
Third party licences and connectivity	519	1,097
Net foreign exchange movement	19	2
Customer funded connectivity and recharges	514	728
	<u>1,911</u>	<u>2,479</u>
Operating expenses		
Staff costs	5,180	4,747
Operating leases	1,558	1,154
Connectivity and other IT services	1,701	1,657
Auditor's remuneration for audit services	72	59
Other operating expenses	1,080	1,081
	<u>9,591</u>	<u>8,698</u>

Operating leases represents payments for office and data centre space.

Fees payable to Baker Tilly UK Audit LLP and associates in respect of both audit and non audit services:

	2011 £'000	2010 £'000
Audit services		
– statutory audit of parent and consolidated accounts	21	12
– audit of subsidiaries, pursuant to legislation, by Baker Tilly UK Audit LLP and its associates	51	47
Other services relating to taxation	–	5
Other services	4	4
	<u>76</u>	<u>68</u>

Information in regard to the non-audit services of the parent company is not given as it is included in the consolidated figure above.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

8 FINANCE INCOME

	2011 £'000	2010 £'000
Bank Interest	<u>4</u>	<u>40</u>

9 FINANCE COSTS

	2011 £'000	2010 £'000
Bank interest	2	9
Loan interest	<u>1</u>	<u>12</u>
	<u>3</u>	<u>21</u>

10 EXCEPTIONAL ITEMS

The exceptional items included in the 2011 accounts relate to one off costs for the restructuring of the management team (£236,000), together with impairment of trade receivables incurred as result of the international financial crisis (£49,000).

The exceptional item included in the 2010 accounts relates to the costs of integrating the two London offices.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

11 TAX

	2011 £'000	2010 £'000
Current taxation		
Research and development tax credit	–	(22)
Corporate tax charge	–	7
Overseas tax	19	15
Deferred taxation in respect of the current year	519	338
Deferred tax benefits from previously unrecognised tax losses	(519)	(280)
Tax charge for the year	<u>19</u>	<u>58</u>
Factors affecting tax credit for the year:		
Profit before taxation	1,828	1,199
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2010 – 28%)	512	336
Expenses not deductible for tax purposes	14	57
Income not taxable	(72)	–
Losses not recognised for deferred tax purposes	76	–
Capital allowances not recognised for deferred tax purposes	(13)	(48)
Other temporary differences not recognised for tax purposes	(24)	(7)
Share based payments not recognised for deferred tax purposes	26	7
Deferred tax recognised in respect of trading losses arising in earlier years	(519)	(280)
Income tax credit re researching and development	–	(22)
Foreign tax	19	15
Tax charge for the year	<u>19</u>	<u>58</u>

The directors have considered forecasts for the reasonable future in determining the recognised deferred tax asset. There are further tax losses of £17.7m (2010: £24m) which have not been recognised on the grounds of uncertainty over the timing of their recovery. All amounts are expected to reverse after more than one year.

	2011 £'000	2010 £'000
Deferred taxation		
At 1 April	1,436	1,494
Charged to profit or loss	–	(58)
Exchange movement	23	–
At 31 March	<u>1,459</u>	<u>1,436</u>

The deferred tax asset is all in respect of unrelieved tax losses.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

12 GOODWILL – GROUP

	2011 £'000	2010 £'000
Cost		
At 1 April	7,784	7,633
Addition	–	151
At 31 March	<u>7,784</u>	<u>7,784</u>

In the year ending 31 March 2010, FFastFill Australia Pty Limited paid to the previous shareholders of Exchange Technology Pty Limited deferred consideration of £0.15m, representing the addition to goodwill in the year.

The Group currently allocates goodwill acquired in a business combination to two CGUs comprising the Middle Office and Back Office products. Goodwill arising from acquisitions has therefore been allocated to the CGU in which the acquisition has been integrated and that is therefore expected to benefit from the business combination.

	2011 £'000	2010 £'000
Middle Office	3,303	3,303
Back Office	4,481	4,481
At 31 March	<u>7,784</u>	<u>7,784</u>

The recoverable amount of the cash generating unit is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the forecast period. The Group prepares pre-tax cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates the cash flows for the following seven years based on an estimated growth rate of 3%. This rate does not exceed the average long term growth rate for the relevant geography. The ten year forecast period is considered appropriate based on the life of technology acquired. The pre-tax discount rate used to discount the forecast cash flows for all CGUs is 8% and is estimated by reference to the Group's weighted average cost of capital.

The impairment tests performed show that the fair value of the goodwill is in excess of its book value. Management believes that there are no reasonably possible changes to the key assumptions which would result in the carrying amount of the Goodwill exceeding the recoverable amounts.

On the assumption that the estimated growth rates decreased to 12%, goodwill would not be impaired.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

13 INTANGIBLE ASSETS – GROUP

	Computer software £'000	Capitalised development £'000	Total £'000
Cost			
At 1 April 2009	285	5,318	5,603
Addition	40	1,800	1,840
Exchange movement	3	–	3
At 31 March 2010	328	7,118	7,446
Addition	20	1,880	1,900
Exchange movement	(7)	–	(7)
At 31 March 2011	341	8,998	9,339
Amortisation			
At 1 April 2009	212	1,824	2,036
Exchange movement	16	–	16
Charge for the year	40	1,339	1,379
At 31 March 2010	268	3,163	3,431
Charge for the year	34	1,407	1,441
Exchange movement	(11)	–	(11)
At 31 March 2011	291	4,570	4,861
Net book value			
At 31 March 2011	50	4,428	4,478
At 31 March 2010	60	3,955	4,015
At 31 March 2009	73	3,494	3,567



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

14 PROPERTY, PLANT AND EQUIPMENT – GROUP

	Computer hardware £'000	Office equipment £'000	Short leasehold improve- ments £'000	Total £'000
Cost				
At 1 April 2009	4,758	255	198	5,211
Additions	512	5	17	534
Disposals	(10)	(31)	(178)	(219)
Exchange movement	130	(6)	1	125
At 31 March 2010	5,390	223	38	5,651
Additions	709	22	19	750
Disposals	(14)	(2)	–	(16)
Exchange movement	(234)	(10)	6	(238)
At 31 March 2011	5,851	233	63	6,147
Depreciation				
At 1 April 2009	4,042	227	192	4,461
Charge for the year	486	15	4	505
Disposal	(7)	(31)	(178)	(216)
Exchange movement	64	(4)	1	61
At 31 March 2010	4,585	207	19	4,811
Charge for the year	567	35	12	614
Disposal	(16)	(1)	–	(17)
Exchange movement	(186)	(35)	5	(216)
At 31 March 2011	4,950	206	36	5,192
Net book value				
At 31 March 2011	901	27	27	955
At 31 March 2010	805	16	19	840
At 31 March 2009	716	28	6	750



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

15 AVAILABLE FOR SALE INVESTMENTS – GROUP

	2011 £'000	2010 £'000
At 1 April	5	-
Disposal of investment	(5)	-
Impairment released	-	5
At 31 March	-	5

16 INVESTMENTS – COMPANY

	Subsidiary companies £'000
Cost	
At 1 April 2009, 31 March 2010 and 31 March 2011	<u>31,056</u>
Impairment	
At 1 April 2009	23,399
Reversal of impairment	<u>(4,130)</u>
At 31 March 2010 and 31 March 2011	<u>19,269</u>
Net book value	
At 31 March 2011	<u>11,787</u>
At 31 March 2010	<u>11,787</u>
At 31 March 2009	<u>7,657</u>



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

16 INVESTMENTS – COMPANY (CONTINUED)

The company holds the following shareholdings in subsidiary undertakings:

Company	% of equity owned	Country of incorporation	Activity
FFastFill Asia Pacific Pte Limited	100	Singapore	IT Services
FFastFill Australia Pty Limited	100	Australia	IT Services
FFastFill Europe Limited	100	Great Britain	IT Services
FFastFill Inc	100	USA	IT Services
FFastFill Japan KK	100	Japan	IT Services
Future Dynamics Inc	100	USA	IT Services
FFastFill FD Limited	100	Great Britain	Dormant
Exchange Technology Pty Limited ⁽¹⁾	100	Australia	Dormant
FFastFill France SAS	100	France	Dormant
FFastFill Post-trade Processing Limited	100	Great Britain	Dormant
FFastFill UK Limited	100	Great Britain	Dormant

All above investments are represented by ordinary share capital, except for FFastFill Post-trade Processing Limited, where FFastFill Plc owns all of the preference and ordinary shares of this entity.

The Group tests investments annually for impairment, or more frequently if there are indications that the investment may have been impaired. Investments acquired are allocated to the cash-generating units (CGUs) that are expected to benefit from the investment. The write back of the investment provision in 2011 and 2010 is based on the underlying asset values of those investments.

(1) held via FFastFill Australia Pty Limited



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

17 TRADE AND OTHER RECEIVABLES

	2011		2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Non-current				
Amounts owed by Group undertakings	–	3,529	–	3,281
	–	3,529	–	3,281
Current				
Trade receivables	2,023	–	1,879	–
Less provision for impairment of receivables	(22)	–	–	–
	2,001	–	1,879	–
Other receivables	291	61	157	54
Prepayments and accrued income	1,925	39	933	70
	4,217	100	2,969	124

The average credit period taken on sales of goods and services is 41 days (2010: 54 days). Interest is chargeable on overdue balances. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The movement in allowances for credit losses on trade receivables in the year is as follows:

	Group £'000	Company £'000
At 1 April 2009	12	–
Release of allowance against irrecoverable debt	(12)	–
At 31 March 2010	–	–
Provision	22	–
At 31 March 2011	22	–



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

18 TRADE AND OTHER PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011		2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Non-current				
Deferred revenue	<u>665</u>	<u>-</u>	<u>432</u>	<u>-</u>
Current				
Trade payables	1,464	157	1,663	99
Amounts owed to Group undertakings	-	396	-	6,862
Other taxation and social security	1,220	-	1,036	-
Deferred revenue	3,035	-	2,878	-
Corporate tax	-	-	7	7
Accruals	676	81	623	121
Other payables	<u>250</u>	<u>27</u>	<u>210</u>	<u>26</u>
	<u>6,645</u>	<u>661</u>	<u>6,417</u>	<u>7,115</u>

Trade and other payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 77 days (2010: 59 days). The directors consider that the carrying amount of trade and other payables approximates to their fair value.

19 BORROWINGS

	2011		2010	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loan repayable:				
Within one year	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>
	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>
Included in current liabilities	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>
	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>

Interest is charged at LIBOR, plus 2.25% and the borrowings are secured over the assets of the whole of the Group.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

20 CALLED UP SHARE CAPITAL

	2011 £'000	2010 £'000
Authorised		
750,000,000 ordinary shares of £0.01 each	<u>7,500</u>	<u>7,500</u>
Allotted, called up and fully paid		
At 1 April (396,959,787 ordinary shares of £0.01 each)	3,970	3,965
Shares issued in the year	<u>43</u>	<u>5</u>
At 31 March (401,333,074 ordinary shares of £0.01 each)	<u>4,013</u>	<u>3,970</u>

The following share issues were completed during the year:

31 March 2011

1 November 2010	30,000 shares at 4.875p for cash
1 November 2010	30,000 at 7.25p for cash
17 November 2010	80,000 at 4p for cash
17 November 2010	50,000 at 6p for cash
17 November 2010	20,000 at 7.25p for cash
4 February 2011	500,000 at 6.25p for cash
4 February 2011	1,000,000 at 7.75p for cash
4 February 2011	500,000 at 8.25p for cash
4 February 2011	780,810 at 7p for cash
14 February 2011	15,000 at 7.25p for cash
4 March 2011	817,477 at 7p for cash
29 March 2011	500,000 at 7p for cash
29 March 2011	50,000 at 4.875p for cash

31 March 2010

13 July 2009	200,000 shares at 4.875p for cash
15 October 2009	75,000 shares at 6p for cash
21 January 2010	60,000 shares at 6p for cash
21 January 2010	130,000 shares at 4.875p for cash
2 February 2010	30,000 shares at 7.75p for cash

These share issues relate to the exercise of employee share options.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

20 CALLED UP SHARE CAPITAL (CONTINUED)

Details of the share options and warrants outstanding at the year end are as follows:-

	2011	2010	2010	2010
	Number of share options and warrants	Weighted average exercise price (in £)	Number of share options and warrants	Weighted average exercise price (in £)
Outstanding as at 1 April	55,675,986	£0.0681	54,190,986	£0.067
Granted during the year	175,000	£0.0557	4,430,000	£0.0717
Lapsed in year	(667,000)	£0.29	(2,450,000)	£0.0702
Exercised during the year	<u>(4,373,287)</u>	<u>£0.0713</u>	<u>(495,000)</u>	<u>£0.0537</u>
Outstanding as at 31 March	<u>50,810,699</u>	<u>£0.0649</u>	<u>55,675,986</u>	<u>£0.0681</u>
Exercisable at the end of year	<u>44,990,669</u>	<u>£0.0638</u>	<u>42,318,986</u>	<u>£0.0655</u>

The total number of share options and warrants in issue at 20 May 2011 is 55,258,509.

Included in the above summary are warrants totalling 10,424,766 (2010: 10,674,766) with a weighted average exercise price of £0.06942 (2010: £0.083).

The weighted average share price at the date of exercise of the options exercised during the period was £0.0914. The options outstanding at 31 March 2011 had a weighted average exercise price of £0.0649, and weighted average remaining contractual life of 4.4 years (2010: 5 years).

In the year ended 31 March 2011 options were granted in the year, which had an estimated aggregate fair value of £9,000 (2010: £51,000).

The total fair value that was charged to the profit or loss in relation to the share options was £115,000 (2010: £22,000), all of which related to equity settled share based payment transactions.

The fair value of the options has been calculated using the Black-Scholes Model. The model takes into account the following factors in determining the fair value of an option:

- a) Share price and exercise price
Share prices are closing share prices as at the date of grant. Exercise prices are listed in the above schedule.
- b) Expected term of the options
It is assumed that the expected life of the options under consideration is 5 years.
- c) Volatility
Volatility of the company's share price has been calculated as the annualised deviation of daily continuously compounded returns on the company stock, derived from the company's historical share process, adjusted for splits, over 3 years back from each date of grant.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

20 CALLED UP SHARE CAPITAL (CONTINUED)

d) Risk-free interest rate

The risk-free rates of interest are assumed to be the yield to maturity on a UK Gilt Strip with the term to maturity equal to the expected life of the option. The inputs into the Black-Scholes model are as follows:-

	2011	2010
Weighted average exercise price	£0.0649	£0.0681
Expected volatility	36.80%	36.80%
Expected life	5	5
Risk free rate	4%	4%
Expected dividend yield	-%	-%

21 OPERATING LEASE COMMITMENTS

The Group had outstanding commitments for future minimum lease payments in respect of operating leases which fall due as follows:

	2011	2010
	£'000	£'000
Group		
Land and buildings		
Amounts due:		
Within one year	1,098	424
Between two and five years	722	1,363

The Group leases various offices and data centre space under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

	2011	2010
	£'000	£'000
Company		
Land and buildings		
Amounts due:		
Within one year	100	100
Between two and five years	183	-

The Company leases various offices under operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

22 BASIC EARNINGS PER SHARE AND FULLY DILUTED EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent for each year amounting to £1,809,000 (2010: £1,141,000) for the year ended 31 March 2011 by 397,523,873 (2010: 396,679,608), being the weighted average number of ordinary shares in issue during each year.

Diluted earnings per share

The weighted average number of ordinary shares for calculating fully diluted earnings/(loss) per share is determined as follows:

	2011	2010
	No:	No:
Weighted average number of ordinary shares	397,523,873	396,679,608
Share options	11,253,821	6,641,888
Fully diluted weighted average number of ordinary shares	<u>408,777,694</u>	<u>403,321,496</u>



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

23 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and various items arising directly from its operations, such as trade receivables and trade payables. The main purpose of these financial instruments is to provide working capital for the Group. The Group's policy is to obtain the highest rate of return on its cash balances, subject to having sufficient resources to manage the business on a day to day basis and not exposing the Group to unnecessary risk of default.

The Group operates in a number of overseas markets, as disclosed in note 4. The directors minimise the Group's foreign currency risk by retaining surplus cash in the functional currency of the entity.

The cash balances at the year end exposed to foreign currencies and interest rates were as follows:

Group

	Variable rate interest £'000	Fixed rate interest £'000
31 March 2011		
Cash balances – Sterling	2,649	–
– US dollar	97	–
– Czech Koruna	228	–
– Australia dollar	107	–
– Euro	79	–
– Singapore dollar	47	–
– Japan yen	50	–
	<u>3,257</u>	<u>–</u>
	Variable rate interest £'000	Fixed rate interest £'000
31 March 2010		
Cash balances – Sterling	2,046	–
– US dollar	244	–
– Czech Koruna	198	–
– Australia dollar	60	–
	<u>2,548</u>	<u>–</u>



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

23 FINANCIAL INSTRUMENTS (CONTINUED)

Company

	Variable rate interest £'000	Fixed rate interest £'000
31 March 2011		
Cash balances – Sterling	<u>332</u>	<u>–</u>
	332	–
31 March 2010		
Cash balances – Sterling	2,035	–
– US dollar	134	–
– Australia dollar	<u>1</u>	<u>–</u>
	2,170	–

Further information on currency risk is set out in note 24F.

24 FINANCIAL RISK MANAGEMENT

A. Risk management policies

The Group's finance function is responsible for procuring the Group's capital resources and maintaining an efficient capital structure, together with managing the Group's liquidity, foreign exchange and interest exposures.

All treasury operations are conducted within strict policies and guidelines that have been approved by the directors.

The Group's portfolio of cash and cash equivalents is managed such that there is no significant concentration of credit risk in any one bank or other financial institution. Management monitors closely the credit quality of the institutions with which it holds deposits.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Financial assets and liabilities

Financial assets and liabilities analysed by the categories defined in IAS 39 (Financial Instruments: recognition and measurement), were as follows:

Group	Available for sale investments £'000	Loans and receivables £'000	Total carrying value £'000
As at 31 March 2011			
Financial assets			
Trade receivables	–	2,001	2,001
Other receivables and accrued income	–	1,622	1,622
Cash and cash equivalents	–	3,257	3,257
	–	6,880	6,880
			Other Financial Liabilities £'000
Financial liabilities			
Trade and other payables			(2,390)
Net financial assets position			4,490
Group			
	Available for sale investments £'000	Loans and receivables £'000	Total carrying value £'000
As at 31 March 2010			
Financial assets			
Investments	5	–	5
Trade receivables	–	1,879	1,879
Other receivables and accrued income	–	583	583
Cash and cash equivalents	–	2,548	2,548
	5	5,010	5,015



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Financial assets and liabilities (continued)

	Other Financial liabilities £'000
Financial liabilities	
Trade and other payables	(2,496)
Borrowings	(125)
	<u>(2,621)</u>
Net financial assets position	<u>2,394</u>
Company	Loans and receivables £'000
As at 31 March 2011	
Financial assets	
Other receivables and accrued income	61
Amounts owed by Group undertakings	3,529
Cash and cash equivalents	332
	<u>3,922</u>
	Other Financial Liabilities £'000
Financial liabilities	
Trade and other payables	265
Amounts owed to Group undertakings	396
	<u>661</u>
Net financial liabilities position	<u>3,261</u>



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

B. Financial assets and liabilities (continued)

	Loans and Receivables £'000
As at 31 March 2010	
Financial assets	
Other receivables and accrued income	54
Amounts owed by Group undertakings	3,281
Cash and cash equivalents	2,170
	<hr/>
	5,505
	Other Financial Liabilities £'000
Financial liabilities	
Trade and other payables	(246)
Amounts owed to Group undertakings	(6,862)
Borrowings	(125)
	<hr/>
	(7,233)
Net financial liabilities position	<hr/>
	(1,728)

Cash and cash equivalents attract fixed and floating interest rates. The financial assets and liabilities carrying amounts above are considered to approximate to fair value.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

C. Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Maximum credit risk at 31 March 2011 was as follows:

	2011 £'000	2010 £'000
Group		
Trade and other receivables	3,623	2,462
Cash and cash equivalents	<u>3,257</u>	<u>2,548</u>
	<u>6,880</u>	<u>5,010</u>
	2011 £'000	2010 £'000
Company		
Trade and other receivables	61	54
Amounts owed by Group undertakings	3,529	3,281
Cash and cash equivalents	<u>332</u>	<u>2,170</u>
	<u>3,922</u>	<u>5,505</u>

Before accepting a new customer, the Group assesses each potential customer's credit quality and risk. Customer contracts are drafted to reduce any potential credit risk to the Group. Where appropriate the customer's recent financial statements are reviewed.

Trade receivables are regularly reviewed for bad and doubtful debts. There were £22,000 of bad debts provided for in the accounts for 2011 (2010: £nil).

£65,000 (2010: £134,000) of trade receivables were past due for payment as at 31 March 2011, by five months or less, of which £nil was collected by 20 May 2011 (2010: £39,000). As at 31 March 2011, there was a bad debt provision of £22,000 (2010: £nil).

The Group and the Company seek to limit the level of credit risk on cash and cash equivalents by depositing funds with banks that have high credit ratings.



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

D. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations at the year end.

Liquidity management policy is carried out and involves projecting cash flows in major currencies and considers the levels of liquid assets necessary to meet these.

Contractual cash flows relating to the Group's financial liabilities are as follows:

Group	2011			2010		
	Within 1 year £'000	In the second to fifth year £'000	Total £'000	Within 1 year £'000	In the second to fifth year £'000	Total £'000
Trade and other payables	2,390	–	2,390	2,496	–	2,496
Borrowings	–	–	–	125	–	125
	<u>2,390</u>	<u>–</u>	<u>2,390</u>	<u>2,621</u>	<u>–</u>	<u>2,621</u>

Company	2011			2010		
	Within 1 year £'000	In the second to fifth year £'000	Total £'000	Within 1 year £'000	In the second to fifth year £'000	Total £'000
Trade and other payables	265	–	265	246	–	246
Amounts owed to Group undertakings	396	–	396	6,862	–	6,862
Borrowings	–	–	–	125	–	125
	<u>661</u>	<u>–</u>	<u>661</u>	<u>7,233</u>	<u>–</u>	<u>7,233</u>



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

E. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates. The Group invests surplus cash at the best available rate at the date of transaction in reputable banking organisations.

The interest rate profile of the Group's financial assets and liabilities, was as follows:

Group	Floating rate £'000	2011		Total £'000
		Fixed rate £'000	Non-Interest bearing £'000	
Financial assets				
Trade receivables	–	–	2,001	2,001
Other receivables and accrued income	–	–	1,622	1,622
Cash and cash equivalents	3,257	–	–	3,257
Financial liabilities				
Trade and other payables	–	–	(2,390)	(2,390)
	<u>3,257</u>	<u>–</u>	<u>1,233</u>	<u>4,490</u>

Group	Floating rate £'000	2010		Total £'000
		Fixed rate £'000	Non-Interest bearing £'000	
Financial assets				
Trade receivables	–	–	1,879	1,879
Other receivables and accrued income	–	–	583	583
Cash and cash equivalents	2,548	–	–	2,548
Financial liabilities				
Trade and other payables	–	–	(2,496)	(2,496)
Borrowings	(125)	–	–	(125)
	<u>2,423</u>	<u>–</u>	<u>(34)</u>	<u>2,389</u>



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

E. Interest rate risk (continued)

Company	Floating rate £'000	2011		Total £'000
		Fixed rate £'000	Non-Interest bearing £'000	
Financial assets				
Other receivables	–	–	61	61
Amounts owed from Group undertakings	–	–	3,529	3,529
Cash and cash equivalents	332	–	–	332
Financial liabilities				
Trade and other payables	–	–	(265)	(265)
Amounts owed to group undertakings	–	–	(396)	(396)
Borrowings	–	–	–	–
	<u>332</u>	<u>–</u>	<u>2,929</u>	<u>3,261</u>

Company	Floating rate £'000	2010		Total £'000
		Fixed rate £'000	Non-Interest bearing £'000	
Financial assets				
Other receivables	–	–	54	54
Amounts owed from Group undertakings	–	–	3,281	3,281
Cash and cash equivalents	2,170	–	–	2,170
Financial liabilities				
Trade and other payables	–	–	(246)	(246)
Amounts owed to group undertakings	–	–	(6,862)	(6,862)
Borrowings	(125)	–	–	(125)
	<u>2,045</u>	<u>–</u>	<u>(3,773)</u>	<u>(1,728)</u>



NOTES TO THE ACCOUNTS for the year ended 31 March 2011

24 FINANCIAL RISK MANAGEMENT (CONTINUED)

F. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial assets and liabilities that are denominated in a currency other than the functional currency of the entity by which they are held. The Group's exposure to currency risk was as follows:

Group	Net foreign currency financial assets/(liabilities)						
	2011						
	Australian Dollar £'000	Czech Koruna £'000	Euro £'000	Japanese Yen £'000	US Dollar £'000	Singapore Dollar £'000	Total £'000
Functional Currency of Entity							
Sterling	–	228	35	(23)	32	15	287
Group							
	2010						
Sterling	93	194	(260)	(24)	(123)	–	(120)

On the assumption that the change in exchange rates is applied to the risk exposures in existence at the reporting date, an increase/decrease of 10% in the value of the functional currencies of the entities concerned against the currencies in which the financial assets and liabilities are denominated would increase/decrease the Group's loss with a corresponding impact to equity by £23,000 (2010: £12,000).

The above sensitivity calculation excludes the impact of the retranslation of the Group's foreign entities for reporting purposes.

Company	Net foreign currency financial assets/(liabilities)					
	2011					
	Australian Dollar £'000	Czech Koruna £'000	Euro £'000	Japanese Yen £'000	US Dollar £'000	Total £'000
Functional Currency of Entity						
Sterling	–	–	–	–	–	–
Company						
	2010					
Sterling	1	–	–	–	134	135

On the assumption that the change in exchange rates is applied to the risk exposures in existence at the reporting date, an increase/decrease of 10% in the value of the functional currencies against the currencies in which the financial assets and liabilities are denominated would increase/decrease the company's loss with a corresponding impact to equity by £nil (2010: £14,000).



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NOTES TO THE ACCOUNTS for the year ended 31 March 2011

25 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern. The Group places funds which are not required on deposit at the best interest rates it is able to secure from its bankers.

The Group defines capital as the company share capital plus retained reserves.

The Group has short term borrowings of £nil (2010: £125,000).

The Group is under no obligation to meet any externally imposed capital requirements. The Group does not, as a matter of course, enter into currency hedging transactions. Wherever possible the Group also utilised foreign currency earned in one of its subsidiaries to satisfy expenses in another subsidiary in the same currency.

	2011 £'000	2010 £'000
Total borrowings	–	125
Net debt	–	125
Total equity	14,840	12,623
Total capital (debt + equity)	14,840	12,748
Gearing ratio	–	0.98%



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