

19 October 2009

First Derivatives plc
("First Derivatives" or "the Company")

Interim results for the six months ended 31 August 2009

First Derivatives (AIM: FDP.L, IEX:GYQ.I), a leading provider of software and support services to the investment banking and derivatives industries, today announces its results for the six months ended 31 August 2009.

Financial Highlights

- Turnover £11.4m (2008: £6.8m) +66.3%
- Operating profit £3.0m (2008: £2.4m) +21.6%
- Gross margins of 43.8% (2008: 46.2%)
- Pre-tax profit £3.1m (2008: £2.2m) +36.4%
- Earnings per share 15.4p (2008: 10.8p) +42.6%
- Net Assets £12.5m (2008: £8.9m) +40.5%
- Interim dividend 2.75p per share (2008: 2.35p) +17.0%

Business Highlights

- Trading performance remains robust
- Increase in Capital Markets Consulting activity
- Further sales of First Derivatives software products

David Anderson, Chairman of First Derivatives commented:

"During the period we have committed substantial investment into First Derivatives and its structure to increase our global coverage and develop our range of in-house Delta software products. These initiatives are expected to result in an increase in our levels of profitability for the next financial year and beyond, ensuring continued advancement for our shareholders. The Group is trading strongly and continues to see increasing levels of revenue visibility. We remain confident of achieving profits for the full year in line with market expectations."

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CHAIRMAN'S STATEMENT

During the first half of the year we have continued to deliver growth in both revenues and profits while committing considerable investment into the expansion of all of the Company's activities.

Our in-house Delta software division has seen significant development during the period, which is expected to secure additional recurring revenue streams in the coming years. In addition, the Company has considerably expanded its geographic reach, in part through the acquisition of Hologram in Australia. This has therefore been a period of transformation and investment for the Group and we are now better positioned to take advantage of future growth opportunities.

Financials

Revenues for the six months ended 31 August 2009, which included Market Resource Partners ("MRP") for the first time, increased 66.3% to £11.4m from £6.8m in the corresponding period of the previous year. Pre-tax profits increased by 36.4% to £3.1m compared with £2.2m in the corresponding period of the previous year. Earnings per share increased by 42.6% to 15.4p per share (2008: 10.8p).

The Group generated operating cashflow of £3.6m in the six months to August and had retained cash of £1.6m at 31 August 2009. Net assets have risen from £8.9m at 31 August 2008 to £12.5m at the period end.

Financial Investments

It was announced earlier today that First Derivatives has acquired approximately a further 15 per cent of Kx Systems Inc bringing its total holding to 20 per cent of the total share capital. The consideration for this acquisition is US\$7.5m (£4.6m) satisfied by the payment of US\$5.4 million in cash and the issue of 520,702 shares in First Derivatives.

The Board is pleased to have had the opportunity to make this further investment in Kx, which continues to strengthen the relationship between the two entities. This investment, along with our OEM Agreement which was concluded at the start of this calendar year, not only helps underpin the mutually beneficial activities of the companies but also ratifies the decision to utilise Kx's main product, the kdb+ database, as a core component of our own product development in the Delta Suite. This high performance platform is the perfect base upon which to build our compelling next generation applications in the areas of Algorithmic Trading, Market Data, Complex Event Processing and Risk Management spaces.

Operational highlights

Delta software sales

Our software activities have continued to increase and over the next few years this is expected to generate an increasingly substantial part of First Derivative's revenues and profits. Our price structure for software sales is such that these revenues are mainly of a recurring nature. We have continued our drive toward winning new customers, and cross-selling to existing customers. Senior sales executives have been recruited to promote sales in North America, Europe, Middle East and Asia and the product development team has been strengthened to capitalise on this increased activity and expand the sales pipeline.

The development of the Delta products has required substantial investment during the period but we are confident this will result in significant long-term benefit to the Group.

Consultancy

Consultancy revenue in the capital markets sector is up year on year but we have continued to experience price pressure on a number of contracts, as expected during the financial period. The performance has been pleasing despite the difficult trading environment and the outlook remains positive. We have experienced an increased level of enquiries and expect to close a number of new contracts before the year end.

Technology consulting revenue is ahead of expectation following substantial increases in business with both new and existing clients. This has resulted in additional recruitment being undertaken to enable us to cope with the increased demand. The last twelve months has seen the integration of Market Resource Partners into our consulting operation and we are pleased to reveal plans for the expansion of this consulting service into Europe. This will enable us to exploit new opportunities in this geographic location while helping to serve the European demands of our existing US clients. It is anticipated that this new operation will be based at First Derivatives' head office in Newry, Northern Ireland. It is intended that the operation will be up and running in the first calendar quarter of 2010.

International Expansion

The acquisition of Lepton Solutions Pty Limited (trading as Holgram) was completed at the end of March this year which is now trading as First Derivatives Pty Ltd ("FDPTY"). The acquisition has been successfully integrated into the Group over recent months and has significantly raised our profile in Australia and the Far East. In the last two months two orders have been obtained for Partner software and First Derivatives' Delta software product range is being actively marketed. FDPTY is also working with the product development team at head office to develop a new Treasury Risk Management System. Delivery of the first version is expected before the end of June 2010.

We continue to review our channels to market on an international basis and are actively seeking partners in locations such as India and China to further expand our reach. We expect to conclude discussions with some potential partners in this financial year particularly for the promotion of Delta products.

Dividend

We continue to follow the dividend policy set out in our prospectus at the time of our flotation on the AIM market in March 2002. This stated that the Directors would pursue a dividend policy which reflects the Company's profitability, subject to funds required to finance future growth. The Board announces the payment of an interim dividend of 2.75p per share (2008: 2.35p) an increase of 17.0%. This will be paid on 13 November 2009 to those shareholders on the register on 30 October 2009.

Outlook

During the period we have committed substantial investment into First Derivatives and its structure to increase our global coverage and develop our range of in-house Delta software products. These initiatives are expected to result in an increase in our levels of profitability for the next financial year and beyond, ensuring continued advancement for our shareholders. The Group is trading strongly and continues to see increasing levels of revenue visibility. We remain confident of achieving profits for the full year in line with market expectations.

Consolidated Statement of Comprehensive Income (unaudited)

	6 months ended 31 August 2009 £'000	6 months ended 31 August 2008 £'000	12 months ended 28 February 2009 £'000
Revenue	11,358	6,828	17,548
Cost of sales	(6,383)	(3,672)	(8,607)
Gross profit	4,975	3,156	8,941
Administrative expenses	(2,519)	(808)	(3,165)
Other income	564	134	159
Results from operating activities	3,020	2,482	5,935
Financial income	5	2	10
Financial expenses	(222)	(244)	(562)
Finance translation charge	253	-	(922)
Net financing costs	36	(242)	(1,474)
Profit before tax	3,056	2,240	4,461
Income tax expense	(944)	(807)	(1,390)
Profit for the period	2,112	1,433	3,071
	Pence	Pence	Pence
Earnings per Share			
Basic	15.4	10.8	22.8

Consolidated Statement of changes in equity

	Share capital £'000	Share premium £'000	Shares option reserve £'000	Fair value reserve £'000	Currency translation adjustment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2008	66	1,278	719	223	-	6,016	8,302
Deferred tax on share options outstanding	-	-	-	-	-	-	-
Total income and expense recognised directly in equity	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	1,433	1,433
Total recognised income and expense	-	-	-	-	-	1,433	1,433
Shares issued	1	7	-	-	-	-	8
Share based payment charge	-	-	175	-	-	(222)	(47)
Dividends to equity holders	-	-	-	-	-	(773)	(773)
Balance at 31 August 2008	67	1,285	894	223	-	6,454	8,923

Balance at 1 March 2009	69	2,274	430	223	244	8,031	11,271
Deferred tax on share options outstanding	-	-	219	-	-	-	219
Net loss on net investment in foreign subsidiary	-	-	-	-	(780)	-	(780)
Net gain on hedge of movement in foreign subsidiary	-	-	-	-	386	-	386
Total income and expense recognised directly in equity	-	-	219	-	(394)	-	(175)
Profit for the period	-	-	-	-	-	2,112	2,112
Total recognised income and expense	-	-	219	-	(394)	2,112	1,937
Shares issued	-	23	-	-	-	-	23
Share based payment charge	-	-	161	-	-	-	161
Transfer on exercise or lapse	-	-	(4)	-	-	4	-
Dividends to equity holders	-	-	-	-	-	(922)	(922)
Balance at 31 August 2009	69	2,297	806	223	(150)	9,225	12,470

Consolidated statement of financial position (unaudited)

	As at 31 August 2009 £'000	As at 31 August 2008 £'000	As at 28 February 2009 £'000
Property, plant and equipment	18,270	17,073	17,171
Intangible assets	11,423	250	10,513
Other financial assets	1,872	1,872	1,872
Deferred tax asset	481	277	177
Total non-current assets	32,046	19,472	29,733
Current assets			
Trade and other receivables	6,544	2,534	6,334
Cash and cash equivalents	1,608	1,377	1,299
Total current assets	8,152	3,911	7,633
Total assets	40,198	23,383	37,366
Current liabilities			
Interest bearing borrowings	(945)	(1,820)	(989)
Trade and other payables	(5,110)	(2,203)	(4,134)
Current tax payable	(1,320)	(1,315)	(1,472)
Employee benefits	(1,128)	(866)	(833)
Contingent deferred consideration	(1,204)	-	(1,175)
Total current liabilities	(9,707)	(6,204)	(8,603)
Non-current liabilities			
Interest bearing borrowings	(12,971)	(8,256)	(12,986)
Deferred tax liability	(87)	-	(87)
Contingent deferred consideration	(4,963)	-	(4,419)
Total non-current liabilities	(18,021)	(8,256)	(17,492)
Total liabilities	(27,728)	(14,460)	(26,095)

Net assets	12,470	8,923	11,271
Equity			
Share capital	69	67	69
Share premium	2,297	1,285	2,274
Shares option reserve	806	894	430
Fair value reserve	223	223	223
Currency translation adjustment reserve	(150)	-	244
Retained earnings	9,225	6,454	8,031
Total equity	12,470	8,923	11,271

Consolidated statement of cashflows (unaudited)

	6 months ended 31 August 2009 £'000	6 months ended 31 August 2008 £'000	12 months ended 28 February 2009 £'000
Cashflows from operating activities			
Profit before taxation	3,056	2,240	4,461
Finance income	(258)	(1)	(10)
Finance expense	222	244	1,484
Operating profit	3,020	2,483	5,935
Depreciation	220	108	262
Amortisation of intangible assets	181	0	250
Equity settled share-based payment transactions	110	175	183
	3,531	2,766	6,630
Change in trade and other receivables	(210)	1,592	(1,625)
Change in trade and other payables	1,346	227	1,167
	4,667	4,585	6,172
Corporation tax paid	(1,115)	(1,002)	(1,100)
Net cash from operating activities	3,552	3,583	5,072
Cash flows from investing activities			
Interest received	5	1	10
Acquisition of subsidiary	(1,482)	-	(2,773)
Acquisition of property, plant and equipment	(893)	(396)	(468)
Acquisition of other financial assets	-	(1,352)	(1,352)
Acquisition of intangible assets	(241)	(125)	(365)
Net cash used in investing activities	(2,611)	(1,872)	(4,948)
Cash flows from financing activities			
Proceeds from issue of share capital	23	8	20
Receipt of new long term loan	539	1,187	10,193
Repayment of borrowings	(642)	(910)	(6,221)
Payment of finance lease liabilities	(47)	-	(90)
Interest paid	(222)	(242)	(528)
Effects of exchange rate changes on cash and cash equivalents	639	-	(1,497)
Dividends paid	(922)	(773)	(1,098)
Net cash from financing activities	(632)	(730)	779

Net increase in cash and cash equivalents	309	981	903
Cash and cash equivalents at 1 March 2009	1,299	396	396
Cash and cash equivalents at 31 August 2009	1,608	1,377	1,299

Notes to the Interim Results

1 Basis of Preparation

The results for the six months ended 31 August 2009 are unaudited and have not been reviewed by the Company's Auditors. They have been prepared on accounting basis and policies that are consistent with those used in the preparation of the financial statements of the Company for the year ended 28 February 2009.

The financial statements contained in this report do not constitute statutory accounts within the meaning of Article 248 of the Companies (Northern Ireland) Order 1986 (as amended by Article 12 of the Companies (Northern Ireland) Order 1990. The results for the period ended 28 February 2009 were prepared under International Financial Reporting Standards (IFRSs) as adopted by the EU ("adopted IFRSs") and reported on by the auditors and received an unqualified audit report. Full accounts for the period ended 28 February 2009 have been delivered to the Registrar of Companies.

2 Segmental Reporting

Revenue by division

	Consulting division		Software division		Total	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
Total Segment Revenue	8,773	4,429	2,585	2,399	11,358	6,828

Revenue by geographical location

	Europe		America		APAC		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	£000	£000	£000	£000	£000	£000	£000	£000
Revenue from external customers	4,948	4,591	5,966	1,921	444	316	11,358	6,828

3 Dividends

An Interim Dividend of 2.75 p per share is proposed for the six months to 31 August 2009. This will be paid to shareholders on 13 November 2009 to shareholders on the register on 30 October 2009. The shares will be Ex-Dividend on 28 October 2009.

4 Earnings per Share

The earnings per share for the six months ended 31 August 2009 has been calculated on the basis of the profit after taxation of £2.1m. Earnings per share of 15.4 pence has been calculated based on 13,736,717 shares outstanding.

5 Post Balance Sheet

On the 19 October 2009 the Company announced the acquisition of a further 15% of the share capital of Kx Systems Inc a US based technology company, headquartered in California, for a total consideration of \$7.5m (the "Acquisition"). The Acquisition comprised a cash payment of \$5.4m and a further \$2.1m through the issue of 520,702 First Derivatives new ordinary shares (the "Consideration Shares"). The Consideration Shares were allotted and will be accepted on to the AIM and IEX Markets on 28 October 2009.

6 Interim Report

The interim report will be circulated to all shareholders. Copies can be obtained from the Company's head and registered office: 3 Canal Quay, Newry, Co. Down, BT35 6BP and are available to download from the Company's website www.firstderivatives.com.