

27 October 2010

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

Interim results for the six months ended 31 August 2010

First Derivatives (AIM: FDP.L, IEX:GYQ.I), a leading provider of software and consulting services to global investment banks and hedge funds, today announces its results for the six months ended 31 August 2010.

Financial Highlights

- Turnover £17.7m (2009: £11.4m) +56.2%
- EBITDA £3.9m (2009: £3.4m) +16%
- Operating profit £3.1m (2009: £3.0m) +3.3%
- Pre-tax profit £3.2m (2009: £3.1m) +5.9%
- Earnings per share 15.6p (2009: 15.4p) +1.3%
- Net Assets £21.7m (2009: £12.5m) +74.4%
- Interim dividend of 2.9p per share (2009: 2.75p) +5.2%

Business Highlights

- Sales of our Delta software range up by 158%
- Software sold into new markets including the Exchanges market and the data management market
- Launch of the Group's first SaaS product in the FX market
- Capital Markets Consulting sales up by 26%
- Significant progress in integrating the acquisition of Cognotec into the Group

David Anderson, Chairman of First Derivatives commented:

“Over the last twenty-four months the Group has been in a period of transformation, investing in R+D and infrastructure to allow it to offer software products as well as services to its client base and ensure it has a strong platform to facilitate global expansion. This major investment program has been implemented without impacting profitability and we have maintained the growth momentum of previous years.

“We plan to continue investing, not only in building a global sales team and recruiting R+D staff, but also in the physical infrastructure required to deliver a Software as a Service capability. During the period under review the Group successfully launched one such product, our Delta eFX platform and we now have seven clients trading and billions of dollars of transactions per day are being processed through our data centres. Our software is now sold on a transactional basis and on an annualised licence model which helps increase revenue visibility and improves planning. The pipeline for our Delta range of software products is encouraging and with the continued expansion of our consulting division we remain confident of achieving profits for the year in line with market expectations.”

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About First Derivatives

First Derivatives is a global provider of software and consulting services to the financial services industry. With almost 15 years experience working with leading financial institutions, it continues to deliver technologically advanced, award winning products and services that anticipate and respond to the evolving needs of global capital markets.

First Derivatives currently employs over 500 people worldwide and counts many of the world's top investment banks, brokers and hedge funds as its customers. It has operations in London, New York, Stockholm, Singapore, Toronto, Sydney, Dublin, Newry and Hong Kong.

CHAIRMAN'S STATEMENT

Financials

Revenues for the six months ended 31 August 2010 increased 56.2% to £17.7m, from £11.4m in the corresponding period of the previous year. Pre-tax profit for the period was £3.3m, against £3.1m, up by 5.9%. Earnings per share for the period were 15.6p, an increase of 1.3% (2009: 15.4p).

Dividend

The group continues to generate a strong operating cash flow and this, along with our retained cash of £4.2m at the period end, allows the board to announce the payment of an interim dividend of 2.9p per share (2009: 2.75p), an increase of 5.2%. This will be paid on 8 December 2010 to those shareholders on the register on 12 November 2010. The shares will be marked ex-dividend on 10 November 2010.

Software

Software sales are up 158% on the same period last year. This absolute growth has been accompanied by a change in our revenue mix – software now accounts for 38% of total revenue as opposed to 23% in the same period last year. This growth was due to sales of existing products and sales of new products. We now have revenue flowing from more than 40 software customers. Our investment in research and development for the Delta product suite continues apace with a major new release of an integrated product suite of mature and new products delivered by the R+D team in October.

Licencing Model and SaaS

Previously the Group sold software using an annualised license model. The Group now has the infrastructure to operate a SaaS model following the Cognotec acquisition. We have made a significant investment in expanding this capability and now have data centres in Belfast, Dublin, Chicago, New Jersey and Slough. The main advantage of this model is the low barriers to entry for prospective customers and the transactional revenue model associated with it. Many of our products will be available for sale under both models but both models allow us to secure a continued and visible stream of software revenue.

Initial set up costs for the SaaS model are significant and this has impacted on first half profitability. These costs will continue to impact in the second half of the year but as the product scales our efficiency will increase.

The Delta Range of Software Products

The Delta range of products share a common technology platform. This allows us to integrate the products seamlessly and to efficiently roll out new niche products as part of the portfolio. This approach enables us to increase the size of our potential market, create cross-selling opportunities and to establish a common brand identity.

The products solve the practical business problems associated with dealing with processing massive volumes of data in real-time. Our flagship software products include;

Delta Stream – Annual Licence model

Delta Stream, our tick data management and CEP engine has a myriad of potential uses across all asset classes in the Capital Markets and other industry sectors. As well as securing sales to banks we were also pleased to announce our first sale of the Delta Stream software solution to the Exchange Market (Singapore Exchange).

Delta eFX – SaaS model

In May we launched Delta eFX our retail and institutional FX trading platform. Since launch we have signed up seven new customers for this revenue sharing product which include AFT in Japan and brokers in New Zealand, Switzerland, Israel and the USA. We now have 22 Liquidity providers signed up to the platform and consider our liquidity pool to be a market leading service. Total transactional volume is now measured in \$ billions per day. The success of our FX platform has given us the confidence to plan to add new asset classes such as precious metals and energy to the platform.

Delta Algo – Annual Licence or SaaS model

Delta Algo is targeted at hedge funds and proprietary trading desks. Our first customer completed implementation of the product in the period and is trading successfully. A major new sale was secured in the period and the addition of a SaaS capability has helped to improve the pipeline.

Delta RDF – Annual Licence or SaaS model

Data management is a constant challenge for institutions as not only is the volume of data ever increasing but the applications and users of this data continue to expand also. We are well positioned to meet this challenge for our target market over the coming periods with our Reference Data Factory product. We were pleased to announce during the year the winning of a major software contract with Algorithmics. The pipeline for this product is growing and we remain confident of winning further sizeable contracts over the coming periods.

Consultancy

Consulting sales were up 26% on the same time last year showing another period of strong growth. The depth and range of services we can offer customers continues to expand which has given us the ability to secure new customers while expanding our footprint within our existing customer base. It remains a challenging market in which to sell services but we consider it a testimony to our people and the quality of our service that we continue to grow our business in this environment.

We have continued to invest heavily in staff and training and we are now into the second year of our successful Options Program. A strong recruitment drive has continued throughout the period such that total headcount across the group is now over 500.

The acquisition of Lakefront Data, announced on 2 August 2010, brought with it data management consulting experience, an area of potential growth and a sector in which we had limited exposure in the past. The acquisition further bolsters the range of services we can provide to our client base and enhances our presence in the North American market.

Outlook

Over the last-twenty four months the Group has been in a period of transformation, investing in R+D and infrastructure to allow it to offer software products as well as services to its client base and ensure it has a strong platform to facilitate global expansion. This major investment program has been implemented without impacting profitability and we have maintained the growth momentum of previous years.

We plan to continue investing, not only in building a global sales team and recruiting R+D staff, but also in the physical infrastructure required to deliver a Software as a Service capability. During the period under review the Group successfully launched one such product, our Delta eFX platform and we now have seven clients trading and billions of dollars of transactions per day are being processed through our data centres. Our software is now sold on a transactional basis and on an annualised licence model which helps increase revenue visibility and improves planning. The pipeline for our Delta range of software products is encouraging and with the continued expansion of our consulting division we remain confident of achieving profits for the year in line with market expectations.

Consolidated Statement of Comprehensive Income

	6 months ended 31 August 2010 (unaudited) £'000	6 months ended 31 August 2009 (unaudited) £'000	12 months ended 28 February 2010 (audited) £'000
Revenue	17,736	11,358	25,476
Cost of sales	(11,081)	(6,383)	(15,111)
Gross profit	6,655	4,975	10,365
Administrative expenses	(4,092)	(2,519)	(5,207)
Other income	558	564	1,134
Results from operating activities	3,121	3,020	6,292
Financial income	2	5	8
Financial expenses	(274)	(222)	(475)
Finance translation (charge)/credit	(35)	253	(234)
Net financing costs	(307)	36	(701)
Income from associates	423		54
Profit before tax	3,237	3,056	5,645
Income tax expense	(891)	(944)	(1,858)
Profit for the period	2,346	2,112	3,787
	Pence	Pence	Pence
Earnings per Share			
Basic	15.6	15.4	27.1

Consolidated Statement of changes in equity

	Share capital £'000	Share premium £'000	Shares option reserve £'000	Fair value reserve £'000	Reval- uation reserve £'000	Currency translation adjustment reserve £'000	Retained earnings £'000
Balance at 1 March 2009	69	2,274	430	223	-	244	8,031
Deferred tax on share options outstanding	-	-	219	-	-	-	-
Net loss on net investment in foreign subsidiary	-	-	-	-	-	(780)	-
Net gain on hedge of movement in foreign subsidiary	-	-	-	-	-	386	-
Total income and expense recognised directly in equity	-	-	219	-	-	(394)	-
Profit for the period	-	-	-	-	-	-	2,112
Total recognised income and expense	-	-	219	-	-	(394)	2,112
Shares issued	-	23	-	-	-	-	-
Share based payment charge	-	-	161	-	-	-	-
Transfer on exercise or lapse	-	-	(4)	-	-	-	4
Dividends to equity holders	-	-	-	-	-	-	(922)
Balance at 31 August 2009	69	2,297	806	223	-	(150)	9,225
Balance at 1 March 2010	72	3,906	983	-	174	694	10,481
Deferred tax on share options outstanding	-	-	283	-	-	-	-
Net loss on net investment in foreign subsidiary	-	-	-	-	-	318	-
Net gain on hedge of movement in foreign subsidiary	-	-	-	-	-	(206)	-
Total income and expense recognised directly in equity	-	-	283	-	-	112	-
Profit for the period	-	-	-	-	-	-	2,346
Total recognised income and expense	-	-	283	-	-	112	2,346
Shares issued	5	3,373	-	-	-	-	-
Share based payment charge	-	-	294	-	-	-	-
Transfer on exercise or lapse	-	-	-	-	-	-	-
Dividends to equity holders	-	-	-	-	-	-	(975)
Balance at 31 August 2010	77	7,279	1,560	-	174	806	11,852

Consolidated statement of financial position

	As at 31 August 2010 (unaudited) £'000	As at 31 August 2009 (unaudited) £'000	As at 28 February 2010 (audited) £'000
Property, plant and equipment	18,350	18,270	17,938
Intangible assets	24,551	11,423	22,278
Other financial assets	7,527	1,872	7,710
Deferred tax asset	922	481	518
Total non-current assets	<u>51,350</u>	<u>32,046</u>	<u>48,444</u>
Current assets			
Trade and other receivables	8,573	6,544	9,725
Cash and cash equivalents	4,163	1,608	1,711
Total current assets	<u>12,736</u>	<u>8,152</u>	<u>11,436</u>
Total assets	<u>64,086</u>	<u>40,198</u>	<u>59,880</u>
Current liabilities			
Interest bearing borrowings	(4,342)	(945)	(4,574)
Trade and other payables	(6,432)	(5,110)	(8,319)
Current tax payable	(1,387)	(1,320)	(1,417)
Employee benefits	(2,005)	(1,128)	(1,714)
Contingent deferred consideration	(6,872)	(1,204)	(5,147)
Total current liabilities	<u>(21,038)</u>	<u>(9,707)</u>	<u>(21,171)</u>
Non-current liabilities			
Interest bearing borrowings	(17,015)	(12,971)	(17,703)
Deferred tax liability	(820)	(87)	(679)
Contingent deferred consideration	(2,138)	(4,963)	(2,395)
Provisions	(350)	-	(645)
Trade and other payable	(977)	-	(977)
Total non-current liabilities	<u>(21,300)</u>	<u>(18,021)</u>	<u>(22,399)</u>
Total liabilities	<u>(42,338)</u>	<u>(27,728)</u>	<u>(43,570)</u>
Net assets	<u>21,748</u>	<u>12,470</u>	<u>16,310</u>
Equity			
Share capital	77	69	72
Share premium	7,279	2,297	3,906
Shares option reserve	1,560	806	983
Fair value reserve	-	223	-
Revaluation reserve	174	-	174
Currency translation adjustment reserve	806	(150)	694
Retained earnings	11,852	9,225	10,481
Total equity	<u>21,748</u>	<u>12,470</u>	<u>16,310</u>

Consolidated statement of cashflows

	6 months ended 31 August 2010 (unaudited) £'000	6 months ended 31 August 2009 (unaudited) £'000	12 months ended 28 February 2010 (audited)
Cashflows from operating activities			
Profit before taxation	3,237	3,056	5,645
Associate income	(423)	-	-
Finance income	(2)	(258)	(8)
Finance expense	309	222	709
Operating profit	3,121	3,020	6,346
Depreciation	285	220	336
Amortisation of intangible assets	575	181	619
Equity settled share-based payment transactions	180	110	197
	4,161	3,531	7,498
Change in trade and other receivables	1,152	(210)	(2,990)
Change in trade and other payables	(1,818)	1,346	5,454
	3,495	4,667	9,962
Corporation tax paid	(507)	(1,115)	(1,648)
Net cash from operating activities	2,988	3,552	8,314
Cash flows from investing activities			
Interest received	2	5	8
Acquisition of subsidiary	(614)	(1,482)	(5,443)
Acquisition of property, plant and equipment	(459)	(893)	(1,099)
Acquisition of associate	-	-	(4,189)
Acquisition of intangible assets	(958)	(241)	(1,323)
Received from associates	654	-	-
Net cash used in investing activities	(1,375)	(2,611)	(12,046)
Cash flows from financing activities			
Proceeds from issue of share capital	3,379	23	47
Receipt of new long term loan	-	539	9,726
Repayment of borrowings	(889)	(642)	(1,354)
Payment of finance lease liabilities	(31)	(47)	(70)
Interest paid	(274)	(222)	(475)
Effects of exchange rate changes on cash and cash equivalents	(250)	639	(423)
Dividends paid	(975)	(922)	(1,314)
Payment of deferred consideration	(121)	-	(1,993)
Net cash from financing activities	839	(632)	4,144
Net increase in cash and cash equivalents	2,452	309	412
Cash and cash equivalents at start of period	1,711	1,299	1,299
Cash and cash equivalents at end of period	4,163	1,608	1,711

Notes to the Interim Results

1 Basis of Preparation

The results for the six months ended 31 August 2010 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 2010.

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 2010 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 2010 have been delivered to the Registrar of Companies.

2 Segmental Reporting

Revenue by division

	Consulting division		Software division		Total	
	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
Total Segment Revenue	11,062	8,773	6,674	2,585	17,736	11,358

Revenue by geographical location

	Europe		America		APAC		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	£000	£000	£000	£000	£000	£000	£000	£000
Revenue from external customers	8,914	4,948	7,484	5,966	1,338	444	17,736	11,358

3 Dividends

An Interim Dividend of 2.9p per share is proposed for the six months to 31 August 2010. This will be paid to shareholders on 8 December 2010 to shareholders on the register on 12 November 2010. The shares will be Ex-Dividend on 10 November 2010.

4 Earnings per Share

The earnings per share for the six months ended 31 August 2010 has been calculated on the basis of the profit after taxation of £2.346m. Earnings per share of 15.4 pence have been calculated based on the weighted average number of ordinary shares for the period being 15,042,374.

5 Interim Report

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