

9 October 2008

First Derivatives plc
(AIM:FDP.L, IEX:GYQ.I)

Interim results for the six months ended 31 August 2008

The principal activities of First Derivatives plc (“First Derivatives”, “FDP” or the “Company”) are the provision of a range of support services to the investment banking market and the derivatives technology industry and the provision of its own range of niche banking applications.

Financial Highlights

- Turnover £6.828 m (2007: £5.641 m) +21%
- Operating profit £2.424m (2007: £2.009m) +21%
- Operating margins of 36.4% (2007: 35.6%)
- Pre-tax profit £2.240 m (2007: £1.849 m) +21 %
- Earnings per share 10.8p (2007: 10.4p) +4%
- Net Assets £8.923m (2007: £6.574m) +36%
- Interim dividend 2.35p per share (2007: 2.3p) +2%

Business Highlights

- Trading performance remains robust
- Increase in Capital Markets Consulting activity
- Further sales of FDP software products
- Number of employees currently 144

David Anderson, Chairman of First Derivatives commented

“We are extremely pleased to report further progress in the first half of the year and the Company expects to be able to report further progress at the end of the year.”

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CHAIRMAN'S STATEMENT

Despite reporting in a period of turbulent financial markets and significant global concerns, I am pleased to again report further progress for the Company in the six months to 31 August 2008. First Derivatives announces a 21% increase in interim pre-tax profit of £2.240 million compared with £1.849 million in the corresponding period of the previous year. Revenues were £6.828 million (2007: £5.641 million) and earnings per share increased by 4% to 10.8p (2007:10.4p).

The Company generated operating cashflow of £3.341 million in the six months to August and had retained cash of £1.377 million at the 31 August. Net assets have risen from £6.574 million at 31 August 2007 to £8.923 million at the period end.

The Board announces the payment of an interim dividend of 2.35p per share (2007: 2.3p) an increase of 2%. This will be paid on 31 October 2008 to those shareholders on the register on 17 October 2008. The shares will be marked ex-dividend on 15 October 2008.

We continue to experience increased demand for our consulting services from both existing and new customers. We have secured a number of new contracts in the last six months. Most of our assignments are long-term and rolling in nature and we maintain a high revenue visibility for this year. Strong interest has also been shown in our "near shore support services" and we anticipate that further contracts will be agreed during the second half of the financial year.

First Derivatives announced on 9 July that it has signed the Company's first global contract for its qAlgo algorithmic trading product. The Company continues to invest in the development of qAlgo and other trading, risk, Complex Event Processing and market data focused software. These sales are on an annual recurring licence basis which further increases our revenue visibility. The sales pipeline is developing well and further sales are expected in the second half of the year. The Company continues to identify additional client product needs, consequently we have, and will continue to, strengthen the development team.

Following exceptionally strong revenue in the second half of last year, new sales of Partner products during the first half of the current year returned to normal levels. The pipeline remains healthy and we expect to maintain this level in the coming six months. The demand for services in this area remains strong.

On 15 September FDP announced the acquisition of MRP for an initial consideration of \$6.0 million. \$4.5 million was paid in cash and the balance by the issue of 436,644 ordinary shares. Additional consideration of up to a maximum of \$14 million is payable over the next two years, linked to the performance of MRP.

MRP designs and executes marketing strategies for clients in the technology industry. This acquisition will provide a springboard for First Derivatives to consolidate and expand its presence in North America and will allow the replication of its near shore model there. With a presence in Europe, North America and Asia it will be able to offer 24/7 global support to its customers on a "follow the sun" model which should enable it to bid for larger contracts. MRP is expected to be earnings enhancing in the current year further adding to shareholder value.

Graham Ferguson joined the Board as Finance Director on 1 September and is already actively involved in the integration of MRP into First Derivatives. The Board anticipates that it will make further additions to the management team over the next year in line with the continuing development of business. Staff levels have now risen to 144, compared with 102 this time last year. The acquisition of MRP has resulted in an additional 95 employees joining the FDP workforce.

The Company is now firmly established in its new head office at Canal Quay in Newry. The space that was originally earmarked for sub-letting is now being fitted out to accommodate additional nearshore support teams as this business expands.

The current turbulence in the financial markets is characterised by increased trading volumes, a move towards consolidation, and probable increased oversight and regulation. The Board continues to look forward with confidence as the Company is trading strongly, has increasing levels of revenue visibility and expects to report further progress in the full financial year. The Company considers that its expertise and product base is well placed to take advantage of opportunities emerging from this shifting landscape.

Income statement (unaudited)

	6 months ended 31 August 2008 £'000	6 months ended 31 August 2007 £'000
Revenue	6,828	5,641
Cost of sales	(3,672)	(3,159)
Gross profit	<u>3,156</u>	<u>2,482</u>
Administrative expenses	(808)	(496)
Other income	134	23
Results from operating activities	<u>2,482</u>	<u>2,009</u>
Financial income	2	1
Financial expenses	(244)	(149)
Net financing costs	<u>(242)</u>	<u>(148)</u>
Share of (loss)/profit of equity accounted associates	-	(12)
Profit before tax	<u>2,240</u>	<u>1,849</u>
Income tax expense	(807)	(496)
Profit for the period	<u><u>1,433</u></u>	<u><u>1,353</u></u>
	Pence	Pence
Earnings per Share		
Basic	<u>10.8</u>	<u>10.4</u>

Statement of changes in equity

	Share capital £'000	Share premium £'000	Shares option reserve £'000	Available for sale reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2007	65	1,020	535	190	3,616	5,426
Deferred tax on share options outstanding	-	-	-	-	5	5
Total income and expense recognised directly in equity	-	-	-	-	5	5
Profit for the year	-	-	-	-	1,353	1,353
Total recognised income and expense	-	-	-	-	1,353	1,353
Shares issued	-	86	-	-	-	86
Share based payment charge	-	-	172	-	-	172
Dividends to equity holders	-	-	-	-	(468)	(468)
Balance at 31 August 2007	65	1,106	707	190	4,506	6,574
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 year	-	-	-	-	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 Sheet (unaudited)

	As at 31 August 2008 £'000	As at 31 August 2007 £'000	As at 29 February 2008 £'000
Intangible assets	250	140	125
Property, plant and equipment	17,073	11,327	16,786
Investments accounted for using the equity method	-	243	-
Other investments	1,872	209	520
Deferred tax asset	277	567	541
	<u>19,472</u>	<u>12,486</u>	<u>17,972</u>
Current assets			
Trade and other receivables	2,534	3,798	4,126
Cash and cash equivalents	1,377	1,077	396
	<u>3,911</u>	<u>4,875</u>	<u>4,522</u>
Current liabilities			
Interest bearing borrowings	(1,820)	(2,415)	(1,834)
Trade and other payables	(2,203)	(1,491)	(2,453)
Current tax payable	(1,315)	(1,260)	(1,228)
Employee benefits	(866)	(711)	(625)
	<u>(6,204)</u>	<u>(5,877)</u>	<u>(6,140)</u>
Net current liabilities	<u>(2,293)</u>	<u>(1,002)</u>	<u>(1,618)</u>
Total assets less current liabilities	<u>17,179</u>	<u>11,484</u>	<u>16,354</u>
Non-current liabilities			
Interest bearing borrowings	(8,256)	(4,910)	(7,965)
Deferred tax liability	-	-	(87)
	<u>8,923</u>	<u>6,574</u>	<u>8,302</u>
Net assets	<u>8,923</u>	<u>6,574</u>	<u>8,302</u>
Equity			
Issued capital	67	65	66
Share premium account	1,285	1,106	1,278
Shares to be issued	894	707	719
Available for sale reserve	223	190	223
Retained earnings	6,454	4,506	6,016
	<u>8,923</u>	<u>6,574</u>	<u>8,302</u>
Total equity	<u>8,923</u>	<u>6,574</u>	<u>8,302</u>

Cash Flow Statement (unaudited)

	6 months ended 31 August 2008 £'000	6 months ended 31 August 2007 £'000
Cashflows from operating activities		
Cash receipts from customers	8,226	6,813
Cash paid to suppliers and employees	(4,643)	(4,470)
Cash generated from operations	3,583	2,343
Interest paid	(242)	(333)
Net cash from operating activities	3,341	2,010
Cashflows from investing activities		
Interest received	1	1
Acquisition of property, plant and equipment	(396)	(484)
Acquisition of other financial assets	(1,352)	-
Acquisition of intangibles	(125)	(50)
Net cash from investing activities	(1,872)	(533)
Cash flow from financing activities		
Repayment of borrowings	(910)	(372)
New borrowings	1,187	-
Proceeds from issue of share capital	8	87
Dividends paid	(773)	(468)
Net cash from financing activities	(488)	(753)
Net increase in cash and cash equivalents	981	724
Cash and cash equivalents at 1 March	396	353
Cash and cash equivalents at 31 August	1,377	1,077

Notes to the Interim Results

1 Basis of Preparation

The results for the six months ended 31 August 2008 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 29 February 2008.

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 29 February 2008 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 29 February 2008 have been delivered to the Registrar of Companies.

2. Dividends

An Interim Dividend of 2.35p per share is proposed for the six months to 31 August 2008. This will be paid to shareholders on 31 October 2008 to shareholders on the register on 17 October 2008. The shares will be Ex-Dividend on 15 October 2008.

3. Earnings per Share

The earnings per share for the six months ended 31 August 2008 has been calculated on the basis of the profit after taxation of £1.433m. Earnings per share of 10.8 pence has been calculated based on 13,280,523 shares outstanding.

4. Post Balance Sheet

On the 15 September 2008 the Company announced the acquisition of Market Resource Partners ("MRP") a US based technology marketing company headquartered in Philadelphia, PA, for a total consideration of up to \$20 million (£11.3m) (the "Acquisition"). The Acquisition comprised an initial cash payment of \$4.5m (£2.5m) and a further \$1.5m (£0.8m) through the issue of 436,644 First Derivatives new ordinary shares (the "Consideration Shares"). The Consideration Shares were allotted and accepted to the AIM and IEX Markets on 2 October 2008. An additional deferred consideration of up to a maximum of \$14m (£7.9m) will be payable, subject to MRP achieving certain profit goals during the two years ending 31 August 2010.

5. 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.