

18 October 2011

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

**Interim results for the six months ended 31 August 2011**

**First Derivatives (AIM: FDP.L, IEX:FDP.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 2011.

**Financial Highlights**

- Turnover £22.4m (2010: £17.7m) +26.2%
- EBITDA £5.0m (2010: £4.2m) +21.1%
- Operating profit £3.6m (2010: £3.1m) +14.3%
- Profit before tax and associate income £3.3m (2010: £2.8m) +16.2%
- Pre-tax profit £3.4m (2010: £3.2m) +5.1%
- Earnings per share 16.3p (2010: 15.6p) +4.5%
- Net Assets £29.0m (2010: £21.7m) +33.4%
- Interim dividend of 3.00p per share (2010: 2.90p) +3.4%

**Business Highlights**

- Growth across all parts of the business
- Significant increase in Software transactional/recurring revenue streams (+51.6%)
- Increasing pipeline for Software products with additional new products in development
- Three new Consulting initiatives launched in period contributing to strong performance

**David Anderson, Chairman of First Derivatives commented:**

"We have continued to invest in the Group's activities, the benefits of which are starting to show through. We have signed a number of contracts during the period which will start to become revenue generating in the second half and we have a healthy pipeline of prospects. Despite a background of market turbulence we have made a strong start to the second half and expect to report 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 over 15 years experience working with leading financial institutions, it continues to deliver technologically advanced, award winning products and services that anticipate and respond to evolving needs of global capital markets.

First Derivatives currently employs over 650 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, Tokyo, Toronto, Sydney, Dublin, Newry and Hong Kong.

## **CHAIRMAN'S STATEMENT**

### **Financials**

Revenues for the six months ended 31 August 2011 increased 26.2% to £22.4m from £17.7m in the corresponding period of the previous year. Earnings before interest, depreciation, amortisation and share option costs were £5.0m, up 21% from £4.2m in the same period last year, reflecting a period of robust underlying trading. Pre-tax profit for the period was £3.4m, (H1 2010: £3.2m), up by 5%. Earnings per share for the period were 16.3p, an increase of 4% (H1 2010: 15.6p).

### **Dividend**

The group continues to generate a strong operating cash flow and the Board is pleased to announce the payment of an interim dividend of 3p per share (H1 2010: 2.9p), an increase of 3%. This will be paid on 8 December 2011 to those shareholders on the register on 11 November 2011. The shares will be marked ex-dividend on 9 November 2011.

### **Software**

Software sales at £7.0m (H1 2010: £6.7m) were up 5% on the corresponding period of the previous year with transactional/recurring license revenues up 52%. We are continuing to invest heavily in the Delta suite and have a number of new products in an early stage of development. The products are all developed on the common Delta technology platform – this strategy makes it easier to add new product lines and facilitates cross-selling to the installed customer base. We have made a significant investment in establishing the physical infrastructure necessary to operate the software in the “cloud” or on a software as a service model (“SaaS”). We are also actively looking for partners to help bring the products to new markets and new industries. This continuing investment in our platform, increasing the channels to market and the successful deployment of our solutions, allied with our flexible licensing and service model, gives us confidence in our ability to deliver continued growth in software revenues.

#### *Delta Stream*

Delta Stream, our tick data management and Complex Event Processing (“CEP”) engine has a myriad of potential uses across all asset classes in the Capital Markets and other industry sectors. We have continued to secure sales this year with wins in both Asia and Europe. These wins and subsequent implementations continue to prove the established nature of this product and we are developing a healthy pipeline of prospects.

#### *Delta Algo*

Delta Algo is targeted at hedge funds and proprietary trading desks. Following preliminary single site sales of the product at the start of this year we secured a major new sale with a large investment bank for the implementation of the Delta Algo software as part of a new programme. This major implementation has now gone live, showcasing the ability of the product on an enterprise level. With this strong reference site in place we have been steadily building our pipeline and have a number of proofs of concept of the software underway with other institutions.

#### *Delta Data Factory*

The management of data in the face of increasing volumes and complexity is a constant challenge in the Capital Markets arena. At the start of the financial year we referred to a large SaaS win with a major data provider to manage and distribute their reference data. We are pleased to advise this service is now live and in production use. We have added market data and time series management capability to our offering which allows us to pitch it not only to the finance industry, but to other sectors as well. To support the product

initiative we also announced the formation of a dedicated data management team, bringing together a group of highly experienced and respected professionals from the data management industry. We now have a growing pipeline for our data management products.

#### *Delta Flow*

At the time of the 2011 results we outlined our intention to make significant investment in this product during the period. Following the successful launch and deployment of the legacy RealStream product last year, feature enhancements and redeploying to the Delta platform leave us in a position to deliver a ground breaking and disruptive technology to the various participants in the massive and growing retail and institutional FX market. We will be launching the latest release of Delta Flow to new customers (and migrating existing customers) in the coming months and we have generated a lot of interest in the market. The benefits of this will not be felt until the financial year 2013. At the half year 14 customers had signed contracts of which 9 are already trading, albeit some in the early stages of implementation, and we have a good pipeline of prospects.

#### **Consulting**

Consulting revenues at £15.4m (H1 2010: £11.1m) were up 39% on the corresponding period of the previous year and accounted for 69% of total revenues (H1 2010: 62%). The first half has been a period of continued growth, both in our client base and in expansion of the number of assignments undertaken with existing customers.

In the period we have launched three major initiatives. As well as the launch of the data management unit mentioned above we have also undertaken a new legal consulting initiative aimed at providing resources to banks in areas such as non-core asset disposal, compliance and securitisation, where personnel with a combination of IT, finance skills, and legal are in short supply. In addition, we have launched a strategic vendor service practice focused on the delivery of global, large scale implementation and support services for leading third party trading technology platforms. The initial rollout has focused on the service to Calypso global customers. Initial market reaction has proven positive with a number of engagements already underway under these initiatives. As well as increasing the breadth of our range of services these initiatives will allow us to pitch for larger scale projects.

#### **Properties**

In my Chairman's statement accompanying the annual accounts for the year ended 28<sup>th</sup> February 2011 I indicated that disposals of individual properties in our accommodation portfolio would be made when suitable profitable opportunities arise. I am pleased to report that sales of 2 properties were completed during the period. The net proceeds of these disposals have been applied toward the reduction of our borrowings.

#### **Outlook**

We have continued to invest in the Group's activities, the benefits of which are starting to show through. We have signed a number of contracts during the period which will start to become revenue generating in the second half and we have a healthy pipeline of prospects. Despite a background of market turbulence we have made a strong start to the second half and expect to report profits for the year in line with market expectations.

## Consolidated Statement of Comprehensive Income (unaudited)

	6 months ended 31 August 2011 £'000	6 months ended 31 August 2010 £'000
Revenue	22,384	17,736
Cost of sales	(14,363)	(11,081)
<b>Gross profit</b>	<u>8,021</u>	<u>6,655</u>
Administrative expenses	(3,663)	(3,052)
Other income	683	558
<b>Earnings (EBITDA)</b>	<u>5,041</u>	<u>4,161</u>
Depreciation and Amortization and share option expense	(1,473)	(1,040)
<b>Results from operating activities</b>	<u>3,568</u>	<u>3,121</u>
Financial income	-	2
Financial expenses	(202)	(274)
Finance translation (charge)/credit	(96)	(35)
<b>Net financing costs</b>	<u>(298)</u>	<u>(307)</u>
<b>Profit before tax and associate income</b>	<u>3,270</u>	<u>2,814</u>
Income from associates	132	423
<b>Profit before tax</b>	3,402	3,237
Income tax expense	(738)	(891)
<b>Profit for the period</b>	<u>2,664</u>	<u>2,346</u>
	<b>Pence</b>	<b>Pence</b>
<b>Earnings per Share</b>		
Basic	<u>16.3</u>	<u>15.6</u>

## Consolidated Statement of changes in equity

	Share capital	Share premium	Shares option reserve	Revaluation reserve	Currency translation adjustment	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 March 2010</b>	72	3,906	983	174	694	10,481	16,310
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	2,346	2,346
<b>Other comprehensive income</b>							
Deferred tax on share options outstanding	-	-	283	-	-	-	283
Net gain on net investment in foreign subsidiary and associate	-	-	-	-	318	-	318
Net loss on hedge of net investment in foreign subsidiary and associate	-	-	-	-	(206)	-	(206)
<b>Total other comprehensive income</b>	-	-	283	-	112	-	395
<b>Total comprehensive income for the period</b>	-	-	283	-	112	2,346	2,741
<b>Transactions with owners, recorded directly in equity</b>							
Exercise or issue of shares	5	3,373	-	-	-	-	3,378
Share based payment charge	-	-	294	-	-	-	294
Dividends to equity holders	-	-	-	-	-	(975)	(975)
<b>Total contributions by and distributions to owners</b>	5	3,373	294	-	-	(975)	2,697
<b>Balance at 31 August 2010</b>	77	7,297	1,560	174	806	11,852	21,748

Consolidated Statement of changes in equity (continued)

	Share capital	Share premium	Shares option reserve	Revaluation reserve	Currency translation adjustment	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 March 2011</b>	80	7,846	2,384	174	197	14,207	24,888
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	2,664	2,664
<b>Other comprehensive income</b>							
Deferred tax on share options outstanding	-	-	74	-	-	-	74
Net gain on net investment in foreign subsidiary and associate	-	-	-	-	195	-	195
Net loss on hedge of movement in foreign subsidiary and associate	-	-	-	-	(100)	-	(100)
<b>Total other comprehensive income</b>	-	-	74	-	95	-	169
<b>Total comprehensive income for the period</b>	-	-	74	-	95	2,664	2,833
<b>Transactions with owners, recorded directly in equity</b>							
Exercise or issue of shares	3	2,295	-	-	-	-	2,298
Share based payment charge	-	-	186	-	-	-	186
Dividends to equity holders	-	-	-	-	-	(1,187)	(1,187)
<b>Total contributions by and distributions to owners</b>	3	2,295	186	-	-	(1,187)	1,297
<b>Balance at 31 August 2011</b>	83	10,141	2,644	174	292	15,684	29,018

**Consolidated statement of financial position (unaudited)**

	<b>As at 31 August 2011 £'000</b>	<b>As at 31 August 2010 £'000</b>	<b>As at 28 February 2011 £'000</b>
<b>Assets</b>			
Property, plant and equipment	17,143	18,350	18,292
Intangible assets	27,672	24,551	26,732
Other financial assets	6,926	7,527	7,447
Deferred tax asset	2,147	922	1,860
<b>Non-current assets</b>	<u>53,888</u>	<u>51,350</u>	<u>54,331</u>
Trade and other receivables	11,345	8,573	12,563
Cash and cash equivalents	1,007	4,163	3,501
<b>Current assets</b>	<u>12,352</u>	<u>12,736</u>	<u>16,064</u>
<b>Total assets</b>	<u>66,240</u>	<u>64,086</u>	<u>70,395</u>
<b>Equity</b>			
Share capital	83	77	80
Share premium	10,141	7,279	7,846
Shares option reserve	2,644	1,560	2,384
Revaluation reserve	174	174	174
Currency translation adjustment reserve	292	806	197
Retained earnings	15,684	11,852	14,207
<b>Equity attributable to shareholders</b>	<u>29,018</u>	<u>21,748</u>	<u>24,888</u>
<b>Liabilities</b>			
Interest bearing borrowings	19,114	17,015	21,544
Deferred tax liability	1,412	820	1,319
Contingent deferred consideration	1,926	2,138	1,993
Provisions	357	350	344
Trade and other payable	2,053	977	2,034
<b>Non-current liabilities</b>	<u>24,862</u>	<u>21,300</u>	<u>27,234</u>
Interest bearing borrowings	2,239	4,342	1,124
Trade and other payables	6,346	6,432	7,955
Current tax payable	1,773	1,387	1,176
Employee benefits	1,441	2,005	2,401
Contingent deferred consideration	561	6,872	5,617
<b>Current liabilities</b>	<u>12,360</u>	<u>21,038</u>	<u>18,273</u>
<b>Total liabilities</b>	<u>37,222</u>	<u>42,338</u>	<u>45,507</u>
<b>Total equity and liabilities</b>	<u>66,240</u>	<u>64,086</u>	<u>70,395</u>



**Consolidated statement of cashflows (unaudited)**

	<b>6 months ended 31 August 2011 £'000</b>	6 months ended 31 August 2010 £'000
<b>Cashflows from operating activities</b>		
Profit before taxation	<b>3,402</b>	3,237
Associate income	<b>(132)</b>	(423)
Finance income	-	(2)
Finance expense	<b>202</b>	309
Depreciation	<b>405</b>	285
Amortisation of intangible assets	<b>808</b>	575
(Profit)/Loss on disposal of fixed assets	<b>(154)</b>	-
Equity settled share-based payment transactions	<b>260</b>	180
	<b>4,791</b>	4,161
Change in trade and other receivables	<b>1,298</b>	1,152
Change in trade and other payables	<b>(2,370)</b>	(1,818)
Corporation tax paid	<b>(261)</b>	(507)
<b>Net cash from operating activities</b>	<b>3,458</b>	2,988
<b>Cash flows from investing activities</b>		
Interest received	-	2
Acquisition of subsidiary	-	(614)
Acquisition of property, plant and equipment	<b>(649)</b>	(459)
Acquisition of intangible assets	<b>(1,894)</b>	(958)
Disposal of property, plant and equipment	<b>1,467</b>	-
Received from associates	<b>573</b>	654
Payment of deferred consideration	<b>(3,040)</b>	(121)
<b>Net cash used in investing activities</b>	<b>(3,543)</b>	(1,496)
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital	<b>215</b>	3,379
Repayment of borrowings	<b>(1,289)</b>	(889)
Payment of finance lease liabilities	<b>(26)</b>	(31)
Interest paid	<b>(202)</b>	(274)
Dividends paid	<b>(1,187)</b>	(975)
<b>Net cash from financing activities</b>	<b>(2,489)</b>	1,210
<b>Net increase in cash and cash equivalents</b>	<b>(2,574)</b>	2,702
Cash and cash equivalents at 1 March 2011	<b>3,501</b>	1,711
Effects of exchange rate changes on cash and cash equivalents	<b>80</b>	(250)
<b>Cash and cash equivalents at 31 August 2011</b>	<b>1,007</b>	4,163

## Notes to the Interim Results

### 1 Basis of Preparation

The results for the six months ended 31 August 2011 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 2011.

The financial statements contained in this report do not constitute statutory accounts within the meaning of Section 477 of the Companies Act 2006. The results for the period ended 28 February 2011 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 2011 have been delivered to the Registrar of Companies.

### 2 Segmental Reporting

#### Revenue by division

	Consulting division		Software division		Total	
	2011	2010	2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Total Segment Revenue	<b>15,355</b>	11,062	<b>7,029</b>	6,674	<b>22,384</b>	17,736

#### Revenue by geographical location

	UK		Rest of Europe		America		Australasia		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue from external customers	<b>10,189</b>	7,815	<b>1,776</b>	1,296	<b>8,684</b>	7,341	<b>1,735</b>	1,284	<b>22,384</b>	17,736

### 3 Dividends

An Interim Dividend of 3.0p per share is proposed for the six months to 31 August 2011. This will be paid to shareholders on 8 December 2011 to shareholders on the register on 11 November 2011. The shares will be Ex-Dividend on 9 November 2011.

### 4 Earnings per Share

The earnings per share for the six months ended 31 August 2011 has been calculated on the basis of the profit after taxation of £2.7m. Earnings per share of 16.3 pence have been calculated based on the weighted average number of shares for the period being 16,375,816.

### 5 Interim Report

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](http://www.firstderivatives.com).