

DATE: Embargoed until 07.00 – 08 February 2011

CONTACTS: David Webber, Chief Executive
Martin Thorneycroft, Finance Director
Patsystems Plc +44 (0) 20 7940 0490

Graham Herring / Josh Royston
Threadneedle Communications +44 (0) 20 7653 9844

Michael Meade (as Nominated Adviser)
David Poutney (Corporate Broking)
Numis Securities +44 (0) 20 7260 1000

PATSYSTEMS PLC

RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010

Financial Highlights

- Total revenue £22.1 million (2009: £22.1 million)
- Adjusted pre-tax profit at £3.8 million (2009: £3.9 million)*
- Cash and cash equivalents increased to £9.3 million (2009: £8.9 million)
- Proposed full year dividend increased 29% to 0.55p per share (2009: 0.425p per share)

*adjusted for share option costs, marking to market of derivatives used to hedge cash flows and amortisation of intangibles other than internally developed software

Operational Highlights

- Continued expansion into new growth markets with sales success for exchange offering in Argentina and Vietnam
- Hosting centres established in Chicago, Hong Kong, Tokyo, Singapore and Sydney to deliver a fully-managed Application Service Provider ("ASP") to existing and new customers
- Business' global ASP offering promoted as Patsystems XConnect making anticipated contribution to trading systems revenue growth in 2011
- Bursa Malaysia Derivatives selected Patsystems as the provider of its new order management system

Richard Last, Chairman, of Patsystems, commented:

"2010 was a year with a mixed performance across the business. We saw some notable sales successes, such as the new customers for our exchange system offering, tempered against deferred sales opportunities for our risk product and marginal growth within our trading systems business.

The Group continues to demonstrate continued cash generation and profit resilience and we expect this to continue in 2011 and beyond. The continued payment and growth in the level of the dividend is an important statement by the Board of our continued confidence in the growth prospects for the business.

Patsystems commences 2011 with an encouraging sales pipeline that will provide opportunity to expand our geographical presence and grow the revenues for each of our product offerings."

Chairman's Statement

2010 was a year with a mixed performance across the business. We saw some notable sales successes, such as the new customers for our exchange system offering, tempered against deferred sales opportunities for our risk product and marginal growth within our trading systems business. I am pleased that the business has continued to expand into new growth markets with sales success for our exchange offering in Argentina and Vietnam.

In 2010, Patsystems established hosting centres in Chicago, Hong Kong, Tokyo, Singapore and Sydney in order to deliver a fully-managed Application Service Provider ("ASP") offering to both existing and new customers. Further investment will be made in 2011 in establishing hosting centres in London and Sao Paulo and implementing a global wide area network between the centres.

The business' global ASP offering is being promoted as Patsystems XConnect and is expected to be an important contributor to trading systems revenue growth in 2011.

Financial Results

Adjusted pre-tax profit (being profit before tax after adjusting for share option costs, marking to market of derivatives used to hedge cash flows and amortisation of intangibles other than internally developed software) for the full year ended 31 December 2010 was £3.8 million compared to £3.9 million in 2009. Adjusted pre-tax profit is the definition of profit used by analysts to measure the performance of the Group.

Diluted EPS on this basis was 2 pence per share, the same as last year. Details of these calculations are set out in the Earnings per Share section of the Finance Director's Review.

Profit before income tax for the full year ended 31 December 2010 was £3.2 million compared to £4.5 million in 2009. Diluted EPS was 1.4 pence per share (2009: 1.8 pence).

Turnover for the year amounted to £22.1 million (2009 £22.1 million) of which £13.7 million (2009: £13.2 million) is annuity revenue that derives from a combination of the provision of trading screens and market access on a "software-as-a-service" rental model. When combined with revenue from contracted support and maintenance of our order routing technology, this means 77% of the turnover is on a recurring annual basis (2009: 82%).

Geographical Review

Asia Pacific

The Asia Pacific region had a positive year with several significant new sales wins. The Patsystems' Exchange and Trading System was adopted by the newly launched Vietnamese Commodity Exchange (VNE) in Ho Chi Minh City and Bursa Malaysia Derivatives selected Patsystems as the provider of its new order management system. In addition NewEdge, a major existing customer and a number of new customers across the region adopted the Patsystems XConnect ASP solution. Sales in Asia Pacific account for 39% (2009: 37%) of Group revenues.

Europe

In Europe, we continued to grow the business during the year despite the increasingly long sales cycles. The long term project to replace the exchange, risk and trading systems for TurkDEX continued throughout 2010 and is progressing to plan. Macquarie Bank Limited in Europe selected Patsystems' post trade risk system, Risk Informer, for their exchange traded derivatives business. Sales in Europe account for 35% (2009: 34%) of Group revenues.

Americas

The Americas region had a challenging year with the revenue contribution from existing clients failing to recover from 2008 levels and the loss of £0.8 million revenue from Lehman Brothers Inc. The sales campaign into South America was rewarded by Mercado a Término de Buenos Aires (MATba) selecting Patsystems as its key technology provider as it prepares to extend electronic trading capability to its existing open outcry operations. Sales in the Americas account for 26% (2009: 29%) of Group revenues.

Dividend

Patsystems has demonstrated continued cash generation and profit resilience and we expect this to continue in 2011 and beyond. As a result of this, together with our strong year end cash position, the Board is recommending the payment of a second interim dividend of 0.35p based on the results for 2010 as a whole, bringing the total dividend for the year to 0.55p per share, compared to a total of 0.425p for 2009. This gives a year on year growth of 29% in our dividend and the dividend remains well covered at 4 times. The continued payment and growth in the level of the dividend is an important statement by the Board of our continued confidence in the growth prospects for the business.

The second interim dividend will be paid on 8 April 2011 to shareholders on the register as at 8 March 2011.

Board, Management and Staff

On behalf of the non-executive Directors, I would like to thank the Executive Directors, the senior management team and all the Patsystems' staff for all their hard work and dedication during the year.

Steve Sparke resigned from the Board during the year due to increasing time commitments from his other executive business interests and on behalf of the Board I would like to thank Steve for his support and contribution since he joined the Board in 2006.

I am delighted to welcome Stewart Douglas-Mann back to the Board; Stewart retired from the Board in 2007 but has been operating as a consultant to the Board for the intervening period. On a personal note I should also like to thank John Priestley for his support during the year, his commitment and dedication to the business has been greatly appreciated.

Customers and shareholders

Many of our customers have endured significant market and business change during 2009 and 2010 and as such I am grateful for their ongoing support and for providing opportunities that enabled Patsystems to continue develop and grow its product and service propositions.

I would also like to thank our shareholders for their continued support during 2010.

Future

In 2011, Patsystems expects that the significant investment in our global ASP offering, Patsystems XConnect, will stimulate recurring revenue growth within our trading systems business. We expect to see further opportunities to grow our exchange systems business across the globe with the additional functionality we developed as part of the project with TurkDEX. A number of opportunities exist to sell our risk product into major global banks, but as was experienced in 2010 a degree of caution must be exercised due to the long decision timescales and the change of strategic priorities that can take place within global banks during the product procurement process.

With offices in Singapore, Hong Kong, Sydney and Tokyo Patsystems is well placed in the Asian and emerging market areas to provide end-to-end solutions for commodity futures exchanges and promoting the Patsystems XConnect offering for trading system adoption. Within established markets promotion of our post-trade risk offering will continue and offering our trading solutions by way of Patsystems XConnect.

Patsystems commences 2011 with an encouraging sales pipeline that will provide opportunity to expand our geographical presence and grow the revenues for each of our product offerings.

Chief Executive's Report

I am particularly delighted by the exchange system sales to both MATba and VNE, demonstrating the transformation of our exchange systems business from being materially dependent on small Japanese exchanges to a business with global appeal. With the integration of our matching engine, risk offerings and trading solution, I believe there will be significant opportunities for exchange solution sales in 2011 and beyond.

It was disappointing that a material Risk Informer opportunity that was significantly progressed through the procurement process did not conclude in 2010 and as such, risk system sales did not achieve the level we had targeted. However, we continue to have a number of exciting sales opportunities for the product and a range of new add-on modules to sell in 2011.

Though it was detrimental to the 2010 results, I believe it is the correct strategy for revenue from exchange system sales to include a volume related charge rather than a sole upfront perpetual licence, thereby allowing Patsystems to share in the benefits of the exchange's future growth. If new and developing electronic trading exchanges enjoy the growth that established exchanges have enjoyed in recent years, then this judgment will be vindicated by an anticipated increase to Patsystems' recurring revenues in 2012 onwards.

2010 Business Objectives

At the start of 2010, we set four objectives for the business and overall I am satisfied with our progress against these objectives, these are reported on as follows.

Solidify our position as the premier provider of risk margin systems within the world's top global banks

In 2010, we partially achieved this objective, with Macquarie Bank Limited adopting the product and J. P. Morgan extending its use of the product. As previously reported a well progressed opportunity with a third Global Bank did not progress, to the detriment of our 2010 results.

Extend our sales penetration in new countries with additional sales in Malaysia, Indonesia and Brazil

The business had sales success in Malaysia, to Bursa Malaysia Derivatives, and also in Vietnam and Argentina. The Indonesian Commodity and Derivative Exchange which adopted the Patsystems exchange solution in 2009 has enjoyed a successful first period of trading in 2010 with traded volumes growing steadily. We expect that the anticipated success in Brazil will be achieved once our Patsystems XConnect hub is deployed in Sao Paulo.

Deliver hosted services to new and existing customers within all regions that we operate

Patsystems XConnect hubs in Tokyo and Hong Kong are live with a total of 6 customers. Patsystems XConnect hubs in Singapore and Chicago went live in the autumn of 2010 with NewEdge, one of our existing major customers.

Continue the 2009 sales success for our exchange systems offering

The exchange system sales to MATba and VNE during 2010 continue to demonstrate the global potential of our exchange systems offering.

Revenue Streams

The Group operates in one product line, that of the supply of software to financial institutions and consists of the following revenue streams:

Trading systems

The investment in Patsystems XConnect is a key strategy in supporting the growth plan for increasing revenues from our trading systems business. Patsystems XConnect will leverage Patsystems XLink technology, which allows for seamless exchange connectivity and order routing between Patsystems XConnect hubs or client sites.

The Patsystems XConnect hubs planned for deployment in 2010 were all implemented on schedule apart from Sao Paulo where local procurement challenges have deferred this to 2011.

To support the deployment of Patsystems XConnect in North America, Patsystems has selected Interactive Data 7Ticks to provide ultra-low latency networking services and exchange connectivity. A selection process is underway to identify a partner to provide global WAN infrastructure connectivity.

It is expected that capital investment in excess of £0.5 million will be made in 2011 to support Patsystems XConnect deployment globally.

Our replacement order management system, Global Trading and Risk Alert, has been deployed to a number of customers. It is expected that further deployments of our new core trading system, Global Trading, will take place throughout 2011, commencing with the Patsystems XConnect hub in London.

Exchange systems

As previously stated, we saw continued success for sales of our exchange systems business in 2010 and it is our opinion that Patsystems currently has a unique proposition in the global marketplace with our ability to provide exchange matching, clearing, trading and risk capability as an integrated package.

We believe that there are opportunities across the globe for smaller or newly established commodity or financial futures exchanges that want a complete end-to-end technology solution and wish to source this from a single supplier.

Based in Buenos Aires, MATba is a futures and options commodity exchange specialising in wheat, corn and soya. While the exchange has experienced steady demand over the past few years, MATba recognise the Exchange could experience increased volume by extending electronic trading to its current open out cry offering.

In addition to the Patsystems Matching Engine, MATba will also utilise and Patsystems' J-Trader deployed to MATba participants over the internet.

VNE was officially introduced at a ceremony in Ho Chi Minh City on 20 October 2010 by the SME Securities Joint Stock Co and by Trieu Phong Gold International Joint Stock Co. VNE will initially trade in steel, rubber, and coffee which are some of Vietnam's biggest exports. It will also provide an additional financial tool for producers and traders to protect themselves against price fluctuation risks.

Patsystems' exchange solution will facilitate the integration of electronic trading between domestic producers and traders and provide access to international customers interested in Vietnam's commodity markets.

Our project with TurkDEX continued during 2010 and phase 1 is expected to go live in the first half of 2011; a subsequent phase 2 will be deployed later in 2011 or early in 2012. During the year the Indonesian Commodity and Derivatives Exchange successfully launched their second product, a crude palm oil contract, which will act as a reference point for Indonesia's local commodity producers. Indonesia is one of the world's largest producers of crude palm oil.

Risk systems

During 2010, Prudential Bache, J. P. Morgan and Macquarie Bank Limited deployed Patsystems post-trade risk margining product, Risk Informer. Risk Informer is also a key component of a feature-rich clearing and risk solution that will be implemented at TurkDEX's clearing bank in Turkey as part of the overall project with TurkDEX.

In 2011 we expect to sell Risk Informer services and license new modules to existing customers, as well as sell new Risk Informer licences to other global and local financial institutions.

The new modules that will be promoted in 2011 include scenario analysis with the capability to simulate possible market or price shocking conditions as well as new options risk capability that will provide a view of option positions, prices and Greeks based upon the movement of the underlying contract.

Staff and operating structure

Overall staff numbers have remained broadly similar to 2009 with 161 employees at the 31 December 2010 compared to 162 on 1 January 2010.

During the first quarter of 2011, the operating structure of Patsystems will be completely reviewed with the objective of removing hierarchy, improving information dissemination and increasing operating margins.

As a first part of this process the management structure of the operations functions has been revised and the revised team will now review the remainder of the operations department.

The objective for the business is to improve operating margin by 2% based on our 2010 results.

Business strategy

Patsystems' business objective is to be the external partner of choice for investment banks, futures clearing merchants, and exchanges for the provision of electronic trading, trade matching and risk management technology.

The growth strategy of the business has four components:

- Reduce the business' reliance on one-off project and licence sales
- Provide matching technology directly to exchanges to extend the breadth Patsystems global connectivity.
- Continue the extension of geographical coverage to growth markets

- Identify complimentary add-on acquisitions to leverage the existing sales and support infrastructure investment

The acquisition strategy is to identify and acquire businesses that provide complimentary technology and where shareholder value can be created by selling that technology through the Patsystems global sales organisation.

A number of appropriate targets were identified in 2010, but an appropriate acquisition price could not be agreed that would have created value for Patsystems' shareholders.

Business objectives and outlook

Our key objectives for 2011 are as follows:

- Grow the recurring revenue base by growth of the Patsystems XConnect ASP offering
- Extend the Risk Informer customer base and licence the new modules to existing customers
- Continue the 2010 sales success for our futures exchange system product in all markets
- Revise our internal structure to increase the operating margin

Trading subsequent to the year end has progressed in line with our expectations and we remain confident of fulfilling our growth aspirations across all areas of the business.

Finance Director's Review

Adjusted profit at £3.8 million is consistent with that achieved in 2009 and operating cash flow reduced to £2.8 million from £4.3 million in 2009. Cash at bank stood at £9.3 million on 31 December compared to £8.9 million the previous year.

Adjusted profit removes volatile or potentially volatile non-cash items to show an underlying level of profitability that enables the results for the business to be compared on a consistent basis for each accounting period. The most volatile and material item over the past three years has been the adjustment in respect of the marking-to-market of derivatives that are used to hedge overseas foreign currency cash flows. This year the adjustment is a credit to the profit and loss account of £0.3 million whilst in 2009 the adjustment was a reduction of £1.0 million, a change between the years of £1.3 million.

The other adjustments made to the reported pre-tax profit on ordinary activities are to add back the charge or credit for; (i) share option costs; and (ii) amortisation of intangibles other than those charges for internally developed software. The table in the Earnings per Share section below details the adjustments made to operating profit in both this and the prior year.

REVENUE

Total revenue was £22.1 million (2009: £22.1 million).

Regional Analysis

Asia Pacific

Revenue in this region grew by 4% from the prior year to £8.5 million. Underlying revenue growth in this region remains strong at 25% after adjusting for the revenue lost as a result of the Tokyo Grain Exchange winding down.

Europe

Revenue in Europe grew by 4% to £7.8 million from £7.5 million in the prior year.

Americas

Revenue declined in the Americas by 9% to £5.8 million from £6.4 million in the prior year.

Revenue Stream Analysis

Trading Systems

Trading systems revenue was consistent with that achieved in 2009 at £17.5 million compared to £17.6 million.

Exchange Systems

Exchange systems revenue was also consistent with the 2009 performance at £2.9 million compared to £3.0 million.

Risk Systems

Revenue from the Risk Systems business at £1.7 million was up £0.2 million from £1.5 million last year.

OPERATING EXPENSES

Reported operating expenses of £18.4 million were £1.2 million more than in 2009. However, included in operating costs for 2009, and as noted above, was a gain in the mark to market value of the derivatives used to hedge the Group's cash flow of £1 million compared to a charge of £0.3 million this year. Underlying total costs therefore reduced by £0.1 million. The movement between 2009 and 2010 for the significant cost categories are detailed below:

Staff costs decreased by £0.6 million as a result of a reduction in our London head count and no bonus payments being made to the Group's senior management. The reduction in direct staff costs was some what offset by an increase of £414k in the costs of our Chinese Development Centre as the number of contractors working for us there has grown over the year from 17 to 30.

At 31 December 2010 the Group had 161 permanent staff (2009: 162), 4 contractors (2009: 3) and 30 staff in the Chinese Development Centre (2009: 17).

Property costs decreased by £0.1 million primarily because the 2009 costs included the costs associated with the relocation of the London Office from the Cottons Centre to Riverside House.

Depreciation and amortisation costs increased by £0.15 million comprising of an increase of £0.15 million in amortisation of capitalised software and an increase of £0.1 million in the depreciation of tangible assets offset somewhat by a reduction in the amortisation of other intangibles of £0.1 million

RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010

PROFIT BEFORE INCOME TAX

Profit before income tax was £3.2 million (2009: £4.5 million).

TAXATION

The Group has tax losses carried forward of £16.6 million and will not be paying tax on its UK profits for a number of years. Small amounts of withholding tax may or may not arise from time-to-time depending on the geographical locations of customers with whom the Group does business.

The current tax charge shown on the face of the income statement of £0.10 million comprises a corporation tax charge in Japan of £0.02 million (2009: £0.22 million), a minimum tax payment in the US of £0.02 million (2009: £0.02 million) and withholding tax of £0.06 million (2009: £0.01 million). The deferred taxation charge of £0.59 million (2009: £0.88 million) arises largely in respect of the use of trading losses in the year net of R&D tax credits relating to prior years recognised as deferred tax assets this year.

RETAINED PROFIT FOR THE YEAR

Retained profit for the year was £2.6 million (2009: £3.4 million).

EARNINGS PER SHARE

Basic EPS has fallen to 1.4p from 1.9p and diluted EPS has fallen to 1.4p from 1.8p last year.

The Board monitors the Group's EPS performance by reference to adjusted pre-tax profit less current tax. Deferred tax is excluded from this measure because of its potential volatility. The adjusted EPS calculations on this basis are as follows:

	<u>2010</u> £'000	<u>2009</u> £'000
Profit for the year attributable to equity holders of the Company	2,551	3,362
Income tax expense	687	1,124
Profit before income tax	<u>3,238</u>	4,486
Share option costs	60	261
Movement in fair value of hedging instruments	338	(1,029)
Amortisation of intangibles	117	203
Adjusted Pre-Tax profit	<u>3,753</u>	3,921
Current Taxation	(99)	(249)
Adjusted Post-tax Profit	<u>3,654</u>	3,672
	Number	Number
Weighted average number of shares	186,146,310	180,628,990
Effect of dilutive share options	1,170,581	1,628,191
	<u>187,316,891</u>	<u>182,257,181</u>
Adjusted EPS	<u>2.0p</u>	2.0p
Adjusted diluted EPS	<u>2.0p</u>	2.0p

INTANGIBLE AND TANGIBLE FIXED ASSETS**Goodwill**

Goodwill remains unchanged from 2009 at £3.3 million. The majority of this balance (£3.0 million) relates to the acquisition of Tamesis in 2005. As previously discussed Risk Systems continue to be a key element of our business.

Intangible Assets

During the year the Group expended £0.8 million on intangible assets (2009: £0.7 million). This spend included £0.6 million of capitalised development costs in respect of new products that will generate revenues in future years. These costs will be amortised over three to five years from the date of completion. The amortisation period reflects the expected life of the particular asset capitalised.

Property Plant and Equipment

During the year the Group purchased fixed assets totalling £0.9 million (2009: £0.6 million). The additions comprised mainly of computer equipment for the establishment of our ASP offerings in Singapore, Hong Kong, Sydney and Chicago.

CURRENT ASSETS

Trade Receivables

Trade receivables have increased marginally by £0.3 million to £2.9 million from £2.6 million. During the year the Group has not suffered any significant bad debt write-offs.

Prepayments and accrued income have grown by £1.4 million to £3.7 million mainly as a result of the Turkdex project where revenue is recognised on the basis of percentage completion of the project and two new contracts that were entered into in the last quarter of the year.

Financial assets/liabilities – derivative financial Instruments

Financial assets represent the “marked-to-market” value of derivatives used to hedge the Group currency exposures. The derivatives used are forward contracts and currency options. These derivatives are marked-to-market monthly and the resulting “profit or loss” is taken to the income statement. In the current year a total cost of £0.3 million was charged to the income statement. (2009: £1.0 million credit).

CURRENT LIABILITIES

Current liabilities at £3.0 million compared to £3.2 million in the prior year are broadly similar.

CASH AND TREASURY

Cash and cash equivalents increased to £9.3 million from £8.9 million in 2009.

The Group generated net cash inflows from operating activities of £2.8 million (2009: £4.3 million). £1.7 million (2009: £1.3 million) was invested in intangible and tangible assets, with dividends of £0.9 million (2009: £0.7 million) being paid during the year.

The Group is exposed to foreign currency risk on sales, purchases and cash balances that are denominated in a currency other than Sterling. The principal currency giving rise to this risk is the US Dollar. In order to smooth the impact of significant movements in exchange rates the Group has a policy to carry forward cover for 75% of US\$/£ net anticipated exposure for 12 months forward. That level of cover is in place and is comprised of a mixture of forward contracts and options. The average US\$/£ exchange rate used in the 2010 income statement was 1.54 (2009: 1.57). The average rate of the hedges in place for 2011 is 1.58. The year end US dollar / sterling exchange rate was 1.55 (2009: 1.59).

Consolidated income statement

for the year ended 31 December 2010

	Notes	<u>2010</u> £'000	<u>2009</u> £'000
Revenue		22,111	22,097
Cost of sales		(628)	(555)
Gross profit		21,483	21,542
Operating expenses	4	(18,390)	(17,196)
Operating profit		3,093	4,346
Finance income		145	140
Profit before income tax		3,238	4,486
Current tax charge		(99)	(249)
Deferred tax charge		(588)	(875)
Taxation - total	5	(687)	(1,124)
Profit for the year attributable to equity holders of the Company		2,551	3,362
Earnings per ordinary share	6		
- basic		1.4p	1.9p
- diluted		1.4p	1.8p

The income statement has been prepared on the basis that all operations are continuing operations.

Consolidated statement of comprehensive income

for the year ended 31 December 2010

	<u>2010</u> £'000	<u>2009</u> £'000
Profit for the year	2,551	3,362
Other comprehensive income:		
Foreign exchange adjustment on foreign currency net investments	267	(162)
Total comprehensive income for the year	2,818	3,200

Consolidated balance sheet

at 31 December 2010

	Notes	<u>2010</u>	<u>2009</u>
		£'000	£'000
ASSETS			
Non-current assets			
Goodwill		3,251	3,251
Intangible assets		3,403	3,426
Property, plant and equipment		1,148	689
Deferred tax assets		4,467	4,945
Trade and other receivables	7	427	326
		12,696	12,637
Current assets			
Inventories		-	1
Trade and other receivables	7	6,632	5,006
Financial assets – derivative financial instruments		46	176
Income tax		-	8
Cash and cash equivalents		9,344	8,896
		16,022	14,087
LIABILITIES			
Current liabilities			
Trade and other payables	8	(3,023)	(2,793)
Current income tax liabilities		(8)	(98)
Provisions		-	(317)
		(3,031)	(3,208)
Net current assets		12,991	10,879
Non-current liabilities			
Provisions		(32)	(8)
		(32)	(8)
Net assets		25,655	23,508
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		1,866	1,853
Share premium account		4,641	4,493
Other reserves		20,862	20,862
Retained earnings		(1,714)	(3,700)
Total equity		25,655	23,508

Consolidated statement of changes in equity

for the year ended 31 December 2010

	Share Capital	Share Premium Account	Other Reserves	Retained Earnings	
	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	1,853	4,493	20,862	(3,700)	23,508
Profit for the year	-	-	-	2,551	2,551
Other comprehensive income:					
- Foreign exchange movement	-	-	-	267	267
Total comprehensive income for the period	-	-	-	2,818	2,818
Shares issued in the year	13	148	-	-	161
Dividends paid	-	-	-	(892)	(892)
Share compensation expense	-	-	-	60	60
At 31 December 2010	1,866	4,641	20,862	(1,714)	25,655

Of the other reserve at 31 December 2010 £20,812,000 relates to a merger reserve.

	Share Capital	Share Premium Account	Other Reserves	Retained Earnings	
	£'000	£'000	£'000	£'000	£'000
At 1 January 2009	1,795	3,869	20,862	(6,472)	20,054
Profit for the year	-	-	-	3,362	3,362
Other comprehensive income:					
- Foreign exchange movement	-	-	-	(162)	(162)
Total comprehensive income for the period	-	-	-	3,200	3,200
Shares issued in the year	58	624	-	-	682
Dividends paid	-	-	-	(689)	(689)
Share compensation expense	-	-	-	261	261
At 31 December 2009	1,853	4,493	20,862	(3,700)	23,508

Of the other reserve at 31 December 2009 £20,812,000 relates to a merger reserve.

Consolidated cash flow statement

for the year ended 31 December 2010

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Cash flows from operating activities		
Cash flows from operations	2,843	4,292
Interest received	145	140
Tax paid	(186)	(149)
Net cash flows from operating activities	2,802	4,283
Cash from investing activities		
Purchase of intangible assets	(812)	(653)
Purchase of property, plant and equipment	(932)	(596)
Net cash flows used in investing activities	(1,744)	(1,249)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	161	682
Dividends paid to Company's shareholders	(892)	(689)
Net cash flows used in financing activities	(731)	(7)
Net increase in cash and cash equivalents	327	3,027
Cash and cash equivalents at beginning of the period	8,896	5,929
Effect of exchange rates on cash and cash equivalents	121	(60)
Cash and cash equivalents at end of the period	9,344	8,896

Reconciliation of net profit to net cash flows from operating activities

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Net profit	2,551	3,362
Tax	687	1,124
Depreciation of property, plant and equipment	508	419
Amortisation of intangible assets	807	753
Write off of intangible assets	29	-
Share compensation expense	60	261
Finance income	(145)	(140)
Decrease in inventories	1	2
(Increase) / decrease in trade and other receivables	(1,605)	1,123
Decrease / (increase) in financial assets	130	(1,029)
Increase / (decrease) in trade and other payables	113	(1,687)
(Decrease) / increase in provisions	(293)	104
Cash flows from operating activities	2,843	4,292

Notes to the Financial Statements

1. Approval of results

The financial statements for the twelve months ended 31 December 2010 were approved by the Board of Directors on 7 February 2011.

2. Basis of preparation

The financial information set out in this announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2010 but is taken from those financial statements, which have received an unqualified report by the auditors and will be delivered to the Registrar of Companies.

The financial statements for the year ended 31 December 2010 have been prepared in accordance with accounting policies based on International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 1985/2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, with the exception of financial instruments which are stated in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010

3. Segmental analysis

The Chief Operating Decision Maker is the Board of Directors. The Board reviews the Company'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 perspective, monitoring performance by Europe, the Americas and Asia Pacific.

The Group operates in one product line, that of the supply of software to financial institutions.

The Board assesses the performance of the business based on a measure of adjusted profit. Adjusted profit is defined as 'profit before tax after adjusting for share option costs, marking-to-market of derivatives used to hedge cash flows and amortisation of intangibles other than internally developed software.' A reconciliation of adjusted profit to profit before tax is detailed below.

	Europe	Americas	Asia Pacific	Total
2010	£'000	£'000	£'000	£'000
Revenue from external customers	8,325	6,056	7,730	22,111
Revenue by destination	7,773	5,800	8,538	22,111
Adjusted profit	2,966	121	666	3,753
Depreciation and amortisation	1,037	60	218	1,315
Finance income	139	3	3	145
Income tax expense	358	155	174	687
Total assets	22,531	2,274	3,913	28,718
Total liabilities	(1,791)	(430)	(842)	(3,063)

	Europe	Americas	Asia Pacific	Total
2009	£'000	£'000	£'000	£'000
Revenue from external customers	7,788	6,745	7,564	22,097
Revenue by destination	7,518	6,353	8,226	22,097
Adjusted profit	2,515	391	1,015	3,921
Depreciation and amortisation	1,065	31	76	1,172
Finance income	130	7	3	140
Taxation expense	829	16	279	1,124
Total assets	21,953	1,569	3,202	26,724
Total liabilities	(2,035)	(211)	(970)	(3,216)

A reconciliation of adjusted profit to profit before tax is provided as follows:

	2010	2009
	£'000	£'000
Adjusted profit for reportable segments	3,753	3,921
Share compensation expense	(60)	(261)
Movement in fair value of hedging instruments	(338)	1,029
Amortisation of intangibles	(117)	(203)
Finance income	(145)	(140)
Operating profit	3,093	4,346
Finance income	145	140
Profit before income tax	3,238	4,486

RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010

4. Operating expenses	Year ended	Year ended
	31-Dec-10	31-Dec-09
	£'000	£'000
Comprises:		
Depreciation and amortisation		
Depreciation of tangible fixed assets	508	419
Amortisation of intangible assets	118	203
Amortisation of capitalised development costs	689	550
	1,315	1,172
Foreign exchange loss / (gain)		
Movement in fair value of hedging instruments	338	(1,029)
Other exchange gains and losses	(64)	455
	274	(574)
Share compensation expenses	60	261
Other operating expenses	16,741	16,337
Total operating expenses	18,390	17,196

5. Tax on profit on ordinary activities

	2010	2009
	£'000	£'000
United Kingdom		
Withholding tax	9	12
Foreign tax		
Corporation tax - current year	72	177
Corporation tax - in relation to prior year	(30)	60
Withholding tax	48	-
Total current tax	99	249
Deferred tax		
Movement in deferred tax	588	875
Taxation charge	687	1,124

From 1 April 2011 the UK Corporation Tax rate will change from 28% to 27%. Deferred tax assets have been remeasured at the rate of 27%.

Future tax balances will be affected by the proposed changes in the Corporation Tax rates: from 1 April 2012: 26%, 1 April 2013: 25% and 1 April 2014: 24%.

The Group made successful claims for R&D tax credits in relation to 2007 and 2008 which has resulted in additional tax losses being available in Patsystems (UK) Limited.

Factors that may affect future tax charges

The Group has unrelieved tax losses of £16,640,000 (2009: £18,128,000) that are available for offset against future taxable profits in their respective territories. A deferred tax asset amounting to £145,000 (2009: £156,000) has not been recognised in respect of these losses as their future recovery is uncertain.

RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010

6. Earnings per ordinary share

In accordance with IAS 33, the calculation of earnings per ordinary share is based upon:

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year:

	<u>2010</u>	<u>2009</u>
Profit for the year attributable to equity holders of the company	<u>£2,551,000</u>	£3,362,000
Weighted average number of shares	<u>186,146,310</u>	180,628,990
Basic earnings per share	<u>1.4p</u>	1.9p

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversions of all dilutive potential ordinary shares.

The Group has one category of dilutive potential ordinary shares: share options.

For share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Group's shares) based on the monetary value of the subscription rights attached to the outstanding options.

The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	<u>2010</u>	<u>2009</u>
Profit for the year attributable to equity holders of the Company	<u>£2,551,000</u>	£3,362,000
Weighted average number of shares	<u>186,146,310</u>	180,628,990
Effect of dilutive share options	<u>1,170,581</u>	1,628,191
	<u>187,316,891</u>	182,257,181
Diluted earnings per share	<u>1.4p</u>	1.8p

7. Trade and other receivables

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Trade receivables	2,996	2,737
Less: provision for impairment of receivables	(120)	(107)
Trade receivables – net	<u>2,876</u>	2,630
Other receivables	438	392
Prepayments and accrued income	<u>3,745</u>	2,310
	<u>7,059</u>	5,332
Less non-current portion – accrued income	(427)	(326)
Current Portion	<u>6,632</u>	<u>5,006</u>

RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2010

Non-current receivables are due as follows:

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Within between one and two years	142	84
Within between two and five years	285	225
After more than five but less than ten years	-	17
Non-current receivables	427	326

8. Trade and other payables

	<u>2010</u>	<u>2009</u>
	£'000	£'000
Current liabilities		
Trade payables	779	418
Other tax and social security	509	562
Other creditors	2	15
Accruals	1,477	1,535
Deferred income	256	263
	3,023	2,793

9. Copies of this statement

Copies of this statement are available from the Company Secretary at the Company's registered office at Riverside House, 2A Southwark Bridge Road, London SE1 9HA, or from the investor relations section of the Company's website at www.patsystems.com