



DATE: Embargoed until 07.00 – 26 July 2011

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PATSYSTEMS PLC

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Financial Highlights

- Turnover £9.7m (H1 2010: £10.0m)
- Adjusted pre-tax profit* £0.6m (H1 2010: £1.0m)
- Net cash inflow from operating activities for the period £1.1m (H1 2010: £1.3m). Cash balance at 30 June 2011 £8.9m (£9.2m at 30 June 2010)
- Interim dividend increased by 10% to 0.22p per share (H1 2010: 0.2p)

* profit before tax after adjusting for restructuring costs, share option costs, marking to market of derivatives used to hedge cash flows, acquisition costs and amortisation of intangibles other than internally developed software

Operational Highlights

- £12.5m strategic acquisition of US based equity trading systems provider Mixit Inc.
- 9 customers added to the Patsystems global hosted solution Patsystems XConnect with hosted revenues rising to £1.7m (H1 2010: £0.7m)
- Recurring revenues in Asia rose 17% compared to the first half 2010
- Sales success for exchange systems with the US based Trend Exchange selecting Patsystems as a technology partner

Richard Last, Chairman, of Patsystems, commented:

“I am delighted with the acquisition of the Mixit Inc. business and the addition of new customers to our global hosted solution Patsystems XConnect during this period of strategic transition for Patsystems.

I believe that we have laid strong foundations for reducing the businesses dependence on one-off licence revenues for 2012 and beyond.

The business enters the second half of this year with a strong sales pipeline and a significantly strengthened recurring revenue base.

The evolving business model provides an excellent foundation for organic revenue growth in 2012 as the combined Mixit Inc. and Patsystems businesses leverage the opportunities for revenue and cost synergy.”

Commentary

Introduction

2011 is a year of transition for the Patsystems business as we look to move from a dependence on profitability from one-off licence revenues to delivering increased shareholder value from a broader range of complementary product offerings delivered on a hosted basis on a recurring revenue model.

Within the first half of the year our capital investment in the Patsystems XConnect hosted service has delivered excellent growth in hosted revenues and established the foundation for additional revenue growth in the second half of the year and for 2012.

In addition to the increased percentage of recurring revenues our strategy for growth, detailed within our Report and Accounts for the year ended 31 December 2010, also highlighted the importance of additional exchange sales and further geographical expansion. Our exchange sale to the Trend Exchange and growth of revenues in countries such as Korea are in line with those objectives.

Mixit Acquisition

The reduction of our reliance on one-off revenues has been an important strategic objective. Equally important has been the broadening of the product range within our business and creating the opportunities for improved operational leverage and long term margin improvement.

The Mixit acquisition represents an important step in delivering on that strategy. Once completed the acquisition will:

- increase the number of asset classes that the enlarged group can support;
- increase the overall percentage of recurring revenue;
- increase the business scale to take advantage of operational leverage and positioning in a structurally growing market;
- provide the potential for significant revenue synergies through the distribution of Mixit product and services through Patsystems' global sales network;
- create opportunities for Patsystems products and services within the Mixit customer base; and
- position Patsystems in the equities and options market place.

Revenue

Revenue for the first six months of 2011 was £9.7m (H1 2010: £10.0m).

Revenues grew by 4% in the Americas and 3% in Asia but declined by 17% in Europe. The key reason for the European decline is a reduction in revenues from the TurkDEX project as it draws towards a close, with Patsystems spending less time on development work in this half of the year.

The foundation for further recurring revenue growth has been laid during the first half of the year with the ongoing development of our global hosted offering, Patsystems XConnect. Recurring revenue will be further increased in 2012 by the exchange systems contracts we have signed that have additional recurring revenue based on exchange traded volume.

Revenue growth within the Americas is mainly due to a new contract entered into with The Trend Exchange. The challenge to grow our trading systems revenues within the North American market place continues. However the ability to provide our technology on a hosted basis has been well received and we believe will address this challenge. Subsequent to the half year end a new US customer has signed to join our hosted service and will contribute to revenue growth in the USA in the second half of the financial year.

The Asia Pacific region saw a significant increase in recurring revenues of 17% resulting from a combination of growth in existing clients and new business from our hosted service. There were no one-off revenues in the Asia Pacific region in the first half of 2011 compared to the same period last year when we executed a major project for Bursa Malaysia.

Costs

Cost of sales has increased from £0.25m in H1 2010 to £0.5m for the first six months of 2011 due to costs associated with the hosted solution.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Operating expenses for the first half of 2011 were £9.1m (H1 2010: £9.2m). Excluding the impact of the marking to market of financial instruments £61k (H1 2010: £291k) and restructuring costs of £305k, underlying operating costs amount to £8.7m (H1 2010: £8.9m).

Restructuring costs comprise the redundancy costs of a number of senior managers. They were made redundant in order to streamline the management structure following a re-organisation in the development and delivery function. These changes are expected to deliver an annualised cost saving of approximately £500k.

Operating Profit

The Company made an operating profit before interest and taxation of £0.1m for the first half of 2011 compared to a profit of £0.55m in H1 2010.

Adjusted Pre-Tax Profit

The adjusted pre-tax profit for the six months was £0.6m (H1 2010: £1.0m). A reconciliation of operating profit to adjusted pre-tax profit is given in note 3.

Taxation

The taxation charge for the period is £248k (H1 2010: £368k). This comprises £237k (H1 2010: £367k) in relation to the movement in the deferred tax asset and £11k (H1 2010: £1k) in relation to foreign corporation tax. The reduction in the deferred tax asset is due to the utilisation of taxation losses and the revaluation of this asset to the new lower UK corporation tax rate of 26% (27% 2010.)

Cash

During the first six months of 2011 the Company generated operating cash flows of £1.1m (H1 2010: £1.3m). The major non-operating cash expenses were capital expenditure of £1.0m and a dividend payment of £0.7m. The Company had a cash balance of £8.9m at 30 June 2011 (30 June 2010: £9.2m) and no borrowings.

Foreign Exchange Rates

The average rate used to translate the US dollar during the period was 1.62 (H1 2010: 1.52). This has had a resulting £59k negative impact (net of gains on currency hedges) on the result for the period and reduced revenue for the period by £204k compared to 2010.

Trading Systems

The revenue generated from trading systems accounted for £8.2m of total revenue. (H1 2010: £8.7m). The reduction in trading systems revenue compared to H1 2010 of £0.5m is mainly due to the revenue from the Bursa Malaysia project that was recognised last year. Overall trading systems' revenues were expected to grow during the first half of the financial year but one of our investment bank customers decided at the start of the financial year to rationalise their use of external trading platforms. The loss of this revenue negated the healthy trading systems revenue growth we had achieved elsewhere in the business.

On 18 May 2011 trading commenced on the Hong Kong Mercantile Exchange, ("HKMEX") HKMEX is deploying a white label version of Patsystems J-Trader application to all its market participants. In June 2011, HKMEX's first full month of trading, the Exchange traded over \$2.3 billion in its gold futures contract.

On 31 May 2011 Patsystems announced a global partnership with Interactive Data to provide their Market-Q charting and news package integrated within the Patsystems J-Trader application. The new charting and news capability is being rolled out on a country by country basis across the globe during July, August and September 2011. For the first time Patsystems customers will be able to access a market-leading charting and news package as well as real-time streaming data providing further revenue opportunities for the company.

- Hosted Services

On 6 June 2011 Patsystems announced the launch of the Patsystems XConnect hosted hub in London. We are now able to offer a hosted solution worldwide which has improved strongly our competitive proposition. Both new and existing customers are able to benefit from reduced internal costs by adopting this service. In the last financial year and the first six months of this year we have invested £0.9m in the infrastructure to deliver the Patsystems XConnect service.

Patsystems XConnect generated revenue of £1.7m for the first six months of 2011 compared to £0.7m in the same period in 2010.

During the period, Advantage Futures joined the Patsystems XConnect hub in Chicago and both Sanyko Securities and Philip Securities Japan joined the Tokyo hub. This brings the total number of hosted customers globally to 16.

Subsequent to the launch of the London hosted hub, Patsystems has signed one new customer, a major European Bank, and an existing customer, also a European Bank, to join the service. Both of new customers will go live during the second half of the financial year and contribute to recurring revenue growth during that period. In addition a new customer in North America has signed a contract to join the US Patsystems XConnect hub subsequent to the half year-end.

Patsystems' next generation Global Trading platform has been deployed through Patsystems XConnect and has been operating in a live environment for a number of months.

Risk Systems

Risk systems revenue was £0.5m (H1 2010: £0.4m).

In the report for the financial year ended 31 December 2010 we planned to develop two new modules for the Risk Informer product. The first being a "what-if scenario" analysis with the capability to simulate possible market or price shocking conditions and the second, "the Greeks", to provide a broader range of risk and return metrics.

The new modules were completed in April 2011 and licensed to an existing customer in June 2011.

Risk Informer licence opportunities with new customers are being pursued and offer good potential for signature early in the second half of the year.

Exchange Systems

Revenue generated from exchange systems accounted £1m (H1 2010: £0.9m).

We are delighted to have been selected as a technology partner by the Trend Exchange and look forward to working with them towards their launch in 2012. We have continued our project with TurkDEX during the period and after the successful provision of remote member access to the production environment we look forward to supporting their planned full conversion to the new system in the autumn of 2011.

Our implementation project with MATba in Argentina has also progressed well.

We have several opportunities with commodity and future exchanges across the globe and look forward to commencing one of these opportunities in the second half of our financial year.

Interim Dividend

The continuing cash generation from the business has led the Board to decide that a further increase in our interim dividend compared to that paid last year is appropriate. A dividend of 0.22p per share (H1 2010: 0.2p) is to be paid on 23 September 2011 to shareholders on the register as at 26 August 2011.

Business Objectives and Outlook

Our key objectives for the remainder of 2011 are to:

- Increase the recurring revenue base by growth of the Patsystems XConnect hosted 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
- Revise our internal operating structure to increase the operating margin
- Deliver on Mixit Inc. integration plans and cross selling opportunities

I am pleased there has been positive progress on the first four objectives in the first half of 2011 and will comment on all of the objectives fully in our annual report for 2011.

I believe we have built the foundation for less dependence on one-off revenues in future years and the Patsystems XConnect platform is showing sales traction in each region where we have established hubs.

Patsystems Plc

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The breadth of sales opportunities provide confidence that the business will achieve its targets for 2011 and further organic growth in 2012. In addition the acquisition of the Mixit Inc. business will provide a breadth of revenue and cost synergy opportunities in 2012.

David Webber
Chief Executive

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

Consolidated Income Statement

		6 months ended	6 months ended	Year ended
		30-Jun	30-Jun	31-Dec
	Notes	2011	2010	2010
		£'000	£'000	£'000
		Unaudited	Unaudited	Audited
Revenue		9,647	10,013	22,111
Cost of sales		(490)	(244)	(628)
Gross profit		9,157	9,769	21,483
Operating expenses	4	(9,059)	(9,219)	(18,390)
Operating profit		98	550	3,093
Finance income		61	79	145
Profit before income tax		159	629	3,238
Current taxation charge		(11)	(1)	(99)
Deferred taxation charge		(237)	(367)	(588)
Taxation - total	8	(248)	(368)	(687)
(Loss) / profit for the period attributable to equity holders of the Company		(89)	261	2,551
(Loss) / earnings per ordinary share	5			
- basic		(0.1)p	0.1p	1.4p
- diluted		(0.1)p	0.1p	1.4p

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

Consolidated Statement of Comprehensive Income

		6 months ended	6 months ended	Year ended
		30-Jun	30-Jun	31-Dec
		2011	2010	2010
		£'000	£'000	£'000
		Unaudited	Unaudited	Audited
(Loss) / profit for the period		(89)	261	2,551
Other comprehensive income:				
Foreign exchange adjustment on foreign currency net investments		(35)	174	267
Total comprehensive (loss) / income for the period		(124)	435	2,818

Consolidated Balance Sheet

	Notes	30-Jun 2011 £'000 Unaudited	30-Jun 2010 £'000 Unaudited	31-Dec 2010 £'000 Audited
ASSETS				
Non-current assets				
Goodwill		3,251	3,251	3,251
Intangible assets		3,397	3,437	3,403
Property, plant and equipment		1,323	834	1,148
Deferred tax assets		4,245	4,608	4,467
Trade and other receivables	6	434	274	427
		12,650	12,404	12,696
Current assets				
Trade and other receivables	6	6,189	4,695	6,632
Financial assets – derivative financial instruments		59	26	46
Income tax		-	9	-
Cash and cash equivalents		8,866	9,178	9,344
		15,114	13,908	16,022
LIABILITIES				
Current liabilities				
Trade and other payables	7	(2,773)	(2,621)	(3,023)
Current income tax liabilities		(61)	(27)	(8)
		(2,834)	(2,648)	(3,031)
Net current assets		12,280	11,260	12,991
Non-current liabilities				
Provisions		(44)	(70)	(32)
		(44)	(70)	(32)
Net assets		24,886	23,594	25,655
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		1,867	1,864	1,866
Share premium account		4,648	4,609	4,641
Other reserves		20,862	20,862	20,862
Retained earnings		(2,491)	(3,741)	(1,714)
Total equity		24,886	23,594	25,655

Consolidated Statement of Changes in Equity

	Share Capital	Share Premium Account	Other Reserves	Retained Earnings	£'000
	£'000	£'000	£'000	£'000	£'000
At 1 January 2011	1,866	4,641	20,862	(1,714)	25,655
Loss for the period	-	-	-	(89)	(89)
Other comprehensive income:					
- Foreign exchange movement	-	-	-	(35)	(35)
Total comprehensive income for the period	-	-	-	(124)	(124)
Shares issued in the period	1	7	-	-	8
Dividends paid	-	-	-	(653)	(653)
At 30 June 2011	1,867	4,648	20,862	(2,491)	24,886

	Share Capital	Share Premium Account	Other Reserves	Retained Earnings	£'000
	£'000	£'000	£'000	£'000	£'000
At 1 January 2010	1,853	4,493	20,862	(3,700)	23,508
Profit for the period	-	-	-	261	261
Other comprehensive income:					
- Foreign exchange movement	-	-	-	174	174
Total comprehensive income for the period	-	-	-	435	435
Shares issued in the period	11	116	-	-	127
Dividends paid	-	-	-	(519)	(519)
Share compensation expense	-	-	-	43	43
At 30 June 2010	1,864	4,609	20,862	(3,741)	23,594

Consolidated Statement of Cash Flows

	6 months ended	6 months ended	Year ended
	Jun-11 2011	Jun-10 2010	Dec-10 2010
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Cash flows from operations	1,082	1,336	2,843
Interest received	61	79	145
Tax received / (paid)	42	(81)	(186)
Net cash flows from operating activities	1,185	1,334	2,802
Cash from investing activities			
Purchase of intangible assets	(519)	(376)	(812)
Purchase of property, plant and equipment	(456)	(360)	(932)
Net cash flows used in investing activities	(975)	(736)	(1,744)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	8	127	161
Dividends paid to Company's shareholders	(653)	(519)	(892)
Net cash flows used in financing activities	(645)	(392)	(731)
Net (decrease) / increase in cash and cash equivalents	(435)	206	327
Cash and cash equivalents at beginning of the period	9,344	8,896	8,896
Effect of exchange rates on cash and cash equivalents	(43)	76	121
Cash and cash equivalents at end of the period	8,866	9,178	9,344

Reconciliation of net (loss) / profit to net cash flows from operating activities

	6 months ended	6 months ended	Year ended
	Jun-11 2011	Jun-10 2010	Dec-10 2010
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Net (loss) / profit	(89)	261	2,551
Tax	248	368	687
Depreciation of property, plant and equipment	268	229	508
Amortisation of intangible assets	526	366	807
Write off of intangible assets	-	-	29
Share compensation expense	-	43	60
Finance income	(61)	(79)	(145)
Decrease in inventories	-	1	1
Decrease / (increase) in trade and other receivables	474	492	(1,605)
(Increase) / decrease in financial assets and liabilities	(13)	150	130
(Decrease) / increase in trade and other payables	(283)	(240)	113
Increase / (decrease) in provisions	12	(255)	(293)
Cash flows from operating activities	1,082	1,336	2,843

Notes to the Financial Statements

1. Approval of results

The financial statements for the six months ended 30 June 2011 were approved by the Board of Directors on 25 July 2011.

These financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006 and are neither reviewed nor audited by the Company's auditors.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial information for the six months ended 30 June 2011 has been prepared in accordance with International Financial Reporting Standards and the accounting policies adopted in the preparation of the accounts for the year ended 31 December 2010 and those expected to apply for the year ended 31 December 2011 for Patsystems Plc, which are set out in the Company's annual report.

As permitted, the Company has chosen not to adopt IAS 34 'Interim Financial Reporting' in preparing the interim consolidated financial statements and therefore they are not in full compliance with IFRS.

The financial information for the year ended 31 December 2010 has been extracted from the statutory accounts which have been delivered to the Registrar of Companies and on which the auditors gave an unqualified opinion.

This consolidated interim financial information has 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'.

(b) Consolidation

The results and net assets of subsidiary undertakings acquired are included in the consolidated income statement and consolidated balance sheet using the acquisition method of accounting from the effective date of acquisition.

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, America and Asia Pacific.

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, acquisition costs and amortisation of intangibles other than internally developed software and restructuring costs.' A reconciliation of adjusted profit to profit before tax is detailed below.

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2011	2010	2010
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Revenue by destination			
Europe	2,966	3,564	7,773
Americas	2,847	2,730	5,800
Asia Pacific	3,834	3,719	8,538
	9,647	10,013	22,111
Adjusted profit			
Europe	428	882	2,966
Americas	56	55	121
Asia Pacific	117	92	666
	601	1,029	3,753
Total assets			
Europe	22,478	21,775	22,531
Americas	2,409	1,441	2,274
Asia Pacific	2,877	3,096	3,913
	27,764	26,312	28,718

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

Adjusted profit for reportable segments	601	1,029	3,753
Share compensation expense	-	(43)	(60)
Movement in fair value of hedging instruments	(61)	(291)	(338)
Amortisation of intangibles	(45)	(66)	(117)
Restructuring costs	(305)	-	-
Acquisition costs	(31)	-	-
Finance income	(61)	(79)	(145)
Operating profit	98	550	3,093
Finance income	61	79	145
Profit before income tax	159	629	3,238

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

4. Operating profit

Operating profit is stated after charging / (crediting):

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2011	2010	2010
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Depreciation and amortisation			
Depreciation of tangible fixed assets	268	229	508
Amortisation of intangible assets	45	66	118
Amortisation of capitalised development costs	481	300	689
Write off of intangible assets	-	-	29
	794	595	1,344
Foreign exchange loss / (gain)			
Movement in fair value of hedging instruments	61	291	338
Other exchange gains and losses	45	(118)	(64)
	106	173	274
Share compensation expenses	-	43	60
Other operating expenses	8,159	8,408	16,712
Total operating expenses	9,059	9,219	18,390

5. (Loss) / earnings per ordinary share

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

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2011	2010	2010
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
(Loss) / profit on ordinary activities: (£000's)	(89)	261	2,551
Weighted average number of shares:			
- basic	186,678,294	185,773,582	186,146,310
- diluted	187,644,345	187,021,473	187,316,891

6. Trade and other receivables

	At 30 June	At 30 June	At 31 December
	2011	2010	2010
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Trade receivables	1,551	1,525	2,876
Other receivables	385	388	438
Prepayments and accrued income	4,687	3,056	3,745
	6,623	4,969	7,059
Non-current portion – accrued income	(434)	(274)	(427)
	6,189	4,695	6,632

7. Trade and other payables

	At 30 June	At 30 June	At 31 December
	2011	2010	2010
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Trade payables	816	574	779
Other tax and social security	403	390	509
Other creditors	6	-	2
Accruals	1,178	1,189	1,477
Deferred income	370	468	256
	2,773	2,621	3,023

8. Tax

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2011	2010	2010
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Current taxation charge	(11)	(1)	(99)
Deferred taxation charge			
Utilisation of losses against current period profits	(108)	(420)	(1,133)
Adjustments in respect of prior years	19	24	101
Impact of change in corporation tax rate	(146)	-	(151)
R&D tax losses	-	-	517
(Charges) / credits arising in the year	(2)	29	78
	(237)	(367)	(588)
Total taxation charge	(248)	(368)	(687)

9. Subsequent events

On 21 July 2011 the Company announced that it had entered into a conditional agreement to acquire Mixit Inc., a US based developer and vendor of sell-side Order Management systems (OMS) and Execution Management Systems (EMS) for equities and options trading. The acquisition is conditional upon clearance by the Competition Commission of Pakistan and Admission.

10. 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.