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## **PATSYSTEMS PLC**

### **RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2009**

#### **Financial Highlights**

- Revenue increased by 13% to £22.1 million (2008: £19.6 million)
- Adjusted pre-tax profit grew by 7% to £3.9 million (2008: £3.7 million)\*
- Cash flow from operating activities of £4.3 million (2008: £3.6 million)
- Cash balances at the year end of £8.9 million (2008: £5.9 million)
- Proposed full year dividend increased by 17% to 0.425p per share (2008: 0.363p 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**

- Trading systems most successful year to date despite collapse of Lehman Brothers Inc
- Billable Pro-Mark trading screen user numbers increased to 723 (2008: 571)
- Major installations for Indonesian Commodity and Derivative Exchange and TurkDEX

#### **Richard Last, Chairman, of Patsystems, commented:**

“2009 has underlined the strength and robust nature of the Patsystems offering and business model. In a year dominated by economic uncertainty and in the wake of the collapse of a major client, the Company has delivered double digit turnover growth, strong profit improvement and outstanding cash generation.

The Company begins the current year with a strong sales pipeline, a number of well qualified and well progressed sales prospects to new customers and the opportunity for continued growth from our existing customer base.

The management team deserve great credit for the stewardship of the Company in such turbulent times and the proposed increase in dividend is in recognition of an excellent trading performance and of our confidence in the future.”

## **Chairman's Statement**

During 2009 Patsystems demonstrated the inherent strength of its business model despite it being a tough year for the global financial business community. The robustness of the Patsystems revenue model, the spread of revenue across a breadth of complimentary product offerings and the exposure to opportunities across the globe meant Patsystems' business was resilient during a difficult market period. With turnover growth of 13% and adjusted profit growth of 7% the business has performed well during 2009 and is well placed for further growth in 2010. I am particularly pleased by the increase in turnover of our Asia Pacific business of 47% to £7.6 million.

Cash flows from operating activities amounted to £4.3 million compared to £3.6 million in 2008 an increase of 21% and we expect this level of cash generation to continue in the forthcoming year. The year end cash balance stood at £8.9 million (2008: £5.9 million) and the business remains debt free.

## **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 2009 increased to £3.9 million compared to £3.7 million in 2008. Adjusted pre-tax profit is the definition of profit used by most analysts to measure the performance of the Company.

Diluted EPS on this basis, and excluding the impact of deferred tax, grew to 2.0p per share from 1.9p per share last year. Details of these calculations are set out in the Earnings per Share section of the Finance Director's Review.

Pre-tax profit for the full year ended 31 December 2009 was £4.5 million compared to £2.1 million in 2008. Fully diluted EPS was 1.8p per share (2008: 0.3p).

Turnover for the year amounted to £22.1 million (2008 £19.6 million) of which £13.2 million (2008: £12.9 million) is an annuity revenue flow that derives from a combination of the provision of trading screens and market access on a "software-as-a-service" ("Saas") rental model. When combined with revenue from the support and maintenance of our order routing technology, this means 82% of the turnover is on a recurring annual basis (2008: 87%).

Geographical diversity of our business provides significant resilience as well as access to greater growth opportunities. Revenues from the Asia Pacific region have grown robustly in 2009 amounting to £7.6 million.

## **Dividend**

The continued payment and growth in the level of the dividend is an important goal of the business.

Following the dividend of 0.237p per share, approved by shareholders at the Annual General Meeting on 28 April 2009, relating to the results for 2008, the Board declared an interim dividend of 0.145p, payable in September 2009, based on the interim results for the year.

Patsystems has demonstrated excellent cash generation and profits resilience and we expect this to continue in 2010 and beyond. As a result of this, together with our strong year end cash position, the Board is declaring the payment of a second interim dividend of 0.28p based on the results for 2009 as a whole, bringing the total dividend for the year to 0.425p per share, compared to a total of 0.363p for 2008. This gives a year on year growth of 17% in our dividend and the dividend cover remains strong at 4 times.

The second interim dividend will be paid on 19 March 2010 to shareholders on the register as at 19 February 2010.

## **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 a challenging year.

On behalf of the Board I would like to congratulate Sean Barry on his appointment as Head of North America in October 2009, replacing Patrick Kenny who served the business admirably over many years. Sean has strengthened the North American sales team and reinvigorated the sales pipeline in a challenging North American market as well as developing opportunities in South America.

On a personal note I should also like to thank Steve Sparke and John Priestley for their support during the year. Their commitment and dedication to the business has been greatly appreciated.

## **Customers and shareholders**

I am also grateful for the ongoing support of our customers. Many of our customer relationships have strengthened over the recent years with our responsibilities extending to include new solutions that ultimately help their business succeed.

I would also like to thank our shareholders for their continued support during what have been testing economic and market conditions.

**Future**

In 2010 Patsystems is expecting that the sales focus in the USA and Europe will be on the implementation of risk systems and the provision of hosted services.

In the Asian and emerging market areas our focus will be on trading system implementations, extending market connectivity and the provision of end-to-end solutions for commodity futures exchanges. With offices in Singapore, Hong Kong, Tokyo and Sydney, a software development centre established in Beijing during summer 2009 and an investment in our communications technology across Asia in 2009; the infrastructure is in place to support our growth plans in the Asia region.

Opportunities have already been developed in Indonesia, Malaysia and Korea and further exciting prospects are expected in 2010. Additionally, Patsystems has been developing opportunities in Brazil and Malaysia, which will contribute to our expected growth in 2010.

Patsystems commences 2010 with a strong sales pipeline, a number of well qualified and well progressed sales prospects to new customers and the opportunity for continued growth from our existing customer base.

## **Chief Executive's Report**

The sales opportunities that had been progressing during the closing months of 2008 were converted into contracted sales in 2009. I am particularly delighted by the exchange system sales to the Indonesian Commodity and Derivatives Exchange and also the Turkish Derivatives Exchange, the first trading system sales in Brazil, Malaysia and Korea and the risk system sales to JP Morgan and Prudential Bache.

We have seen sales success for all of our product offerings, and in many cases the sales success has been for a combination of our products to deliver an end-to-end solution to support our customers' business growth plans.

### **Trading systems and market connectivity**

The trading systems business delivered 8% growth in revenues over 2008 and was the most successful year to date with annual sales of £17.6 million. This success was despite the collapse of Lehman Brothers Inc and the resulting loss of £0.8 million revenue contribution that we would have expected from this customer in 2009.

During the year new and existing customers installed trading systems in Brazil, Korea, Malaysia, Singapore and Tokyo.

One of Patsystems' key differentiators from our competitors is the breadth of market connectivity we offer. In 2009 BM&F (Brazil), Bursa Malaysia, EDX (London), SAFEX (South Africa), SICOM (Singapore), SMX (Singapore) and Taiwan Futures Exchange were all added as market connections.

Patsystems' trading system continues to differentiate itself in the market place in three key areas:

- The ability to distribute the J-Trader trading screen product easily and at low cost across the internet;
- The capability of Patsystems' published connection protocol which means that third parties can write to the Patsystems trading system once, but be connected to all of our available market connectivity;
- The depth of functionality within the Pro-Mark professional trading tool and its market leading spreading functionality.

Pro-Mark has continued its successful growth in 2009 with the number of billable users rising from 571 at the start of the year to 723 at the end of December 2009.

Our replacement order management system, Global Trading, has been subject to extensive validation in 2009 with its performance and capabilities tested extensively across our full range of exchanges, products and volumes. The product has been delivered into a customer for testing and will be deployed into our hosted environment and initial customer sites in 2010.

### **Exchange systems**

2009 has seen the resurgence of sales in our exchange systems business. It is our opinion that Patsystems has a unique proposition in the global market place with our ability to provide exchange matching, clearing, trading and risk capability as an integrated package and this year's success reflects that.

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.

The Indonesian Commodity and Derivative Exchange has adopted the Patsystems trading system and exchange matching products to fulfil its vision of enabling market participants to trade regional commodity products such as crude palm oil, coal, natural gas, cocoa, coffee and tin within the Asian time zone. The market will be fully operational early in 2010 in a project that commenced in summer 2009.

The Turkish Derivatives Exchange ("TurkDEX") has contracted to install the complete suite of Patsystems' products and will be allowing Takasbank, their clearing house access to the Risk Informer product to benefit their clearing services. TurkDEX has experienced substantial business growth over the last five years and in 2009 was ranked the world's 22<sup>nd</sup> largest futures exchange by volume, with ambitions for further growth. TurkDEX selected Patsystems after an extensive global selection process because they were confident that Patsystems' technology would ensure the exchange achieves its future growth plans.

The TurkDEX project commenced in autumn 2009 and the exchange will go live with the complete product suite late in 2010.

The only disappointment in 2009 was the news that the Tokyo Grain Exchange would be curtailing its business activities due to adverse trading conditions in Japan and the impact of legislative changes. This reduced our anticipated revenue from the Tokyo Grain Exchange by £0.1 million in 2009 and with a resulting impact in future years.

Revenue from the exchange systems business was £3.0 million for the year compared to £1.5 million in 2008.

### **Risk systems**

Risk Informer is our market leading risk product for providing real-time risk margin information on client, exchange or product positions regardless of asset class.

The portfolio of blue chip customers using the Risk Informer product has grown in 2009 with both JP Morgan and Prudential Bache purchasing the product. Risk Informer was licensed as part of the TurkDEX project but the product will not be installed until 2010 which is consequently when that revenue will be recognised.

Risk Informer has consistently been selected ahead of other competitors' products because of its proven scalability, ease of integration and powerful analytical tools.

We have concluded that the pre-trade risk capabilities within our recently developed product, Risk Alert, would be more valuable if they were integrated into a single risk offering spanning pre- and post-trade activity. This project will be progressed in 2010.

Revenue from our risk systems was £1.5 million compared to £1.7 million in 2008. (This does not include the contribution from the TurkDEX sale which will be recognised in 2010).

### **Geographical Review**

#### **Asia Pacific**

The Asia Pacific region has had an excellent year, both in terms of growing business with existing clients and winning new business. Business with existing clients grew by 26% and new wins in the region included the sale of our Exchange and Trading System to the Indonesian Commodity and Derivatives Exchange and sales of Trading Systems in Korea, Malaysia and Tokyo. Sales in Asia Pacific account for 37% (2008: 27%) of Group revenues.

#### **Europe**

The European region has continued to grow during 2009 despite the prevailing economic climate. Revenues from existing clients grew by 5% and new wins included the sale of our Exchange, Trading and Risk Systems to TurkDEX and our Risk System to JP Morgan. Sales in Europe account for 34% (2008: 35%) of Group revenues.

#### **North America**

The North America region has performed well against the back drop of the prevailing economic climate and the loss of one of its major customers – Lehman Brothers Inc. In 2008 Lehman Brothers contributed revenue of £0.8 million against almost nothing in 2009. Revenue from existing clients was broadly neutral compared to 2008. New wins in the region included the sale and installation of Risk Informer to Prudential Bache. Sales in North America account for 29% (2008: 38%) of Group revenues.

### **Staff**

Overall staff numbers have marginally increased with 162 employees at 31 December 2009 compared to 156 on 1 January 2009.

During the year five staff have taken the opportunity to seek personal development by way of secondment or permanent transfers between our offices.

During 2009 we moved some of our support operations from our office in Singapore to Sydney to take advantage of a greater availability of multi-lingual staff. To support our continued and anticipated growth in Asia we have established a development centre in Beijing. There are now 19 staff working in Beijing, primarily developing market connectivity for the Asia region and providing additional resources whilst staff in London work on major projects such as that for the Turkish Derivatives Exchange.

### **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 organic growth strategy of the business has four components:

- Increase the level of technology spend at existing and new customers from the existing Patsystems products
- Continue to extend the breadth of commodity types and markets supported by the trading systems by both building connectivity and providing matching technology directly to exchanges
- Extend geographical coverage to emerging growth markets

- Continue to develop technology solutions both as components and single solutions

Patsystems has demonstrated progress in all areas of the growth strategy during 2009.

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.

**Business objectives and outlook**

Our key objectives for 2010 are as follows:

- Solidify our position as the premier provider of risk margin systems within the world's top banks
- Extend our sales penetration in new countries with additional sales in Malaysia, Indonesia and Brazil
- Deliver hosted services to new and existing customers within all the regions we operate
- Continue the 2009 sales success for our exchange system offering

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 increased to £3.9 million from £3.7 million in 2008 and operating cash flow also improved by 21% to £4.3 million from £3.6 million in the prior year. As a result of the net cash increase of £3.0 million the Group ended the year with a cash balance of £8.9 million.

Adjusted profit is a measure used by the analysts that cover the Group. Adjusted profit removes 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 adjustments made to the reported pre-tax profit on ordinary activities are to add back the charge or credit for; (i) share option costs; (ii) the marking-to-market of derivatives that are used to hedge overseas foreign currency cash flows; and (iii) 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 Group revenue grew by £2.5 million (13%) to £22.1 million from £19.6 million last year.

### **Trading Systems**

Trading systems revenue grew from £16.4 million in 2008 to £17.6 million in 2009; an increase of 8%.

### **Exchange Systems**

Exchange systems revenue doubled to £3.0 million from £1.5 million in 2008.

### **Risk Systems**

Revenue from the Risk Systems business was £1.5 million compared to £1.7 million in 2008. As discussed in the Chief Executive's report this excludes the TurkDEX Risk Informer sale, which will be delivered and recognised in 2010.

## **OPERATING EXPENSES**

Operating expenses were in line with 2008 at £17.2 million. Included within operating expenses is a net foreign exchange credit of £0.6 million in 2009 and a net charge of £0.2 million in 2008. Therefore the underlying increase in operating expenses is £0.8 million.

Staff costs increased by £0.9 million as a result of the addition of new staff, less time being capitalised into development projects and the costs of establishing a new Chinese Development Centre in the second half of the year.

At 31 December 2009 the Group had 162 permanent staff (2008: 156), 3 contractors (2008: 3) and 17 staff in the Chinese Development Centre.

In addition to the increase in staff costs, property costs increased by £0.2 million primarily due to the relocation and associated costs of moving the London Office from the Cottons Centre to Riverside House.

The above cost increases were offset by a reduction in the amortisation of capitalised development costs and of intangibles of £0.3 million.

## **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

The profit on ordinary activities before taxation was £4.5 million (2008: £2.1 million).

## **TAXATION**

The Group has tax losses carried forward of £18.0 million and will not be paying tax on its profits in most taxation jurisdictions 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 £0.25 million comprises a corporation tax charge in Japan of £0.22 million, a minimum tax payment in the US of £0.02 million and withholding tax of £0.01 million. The deferred taxation charge of £0.87 million arises largely in respect of the use of trading losses in the year.

## **RETAINED PROFIT FOR THE YEAR**

Retained profit for the year rose to £3.4 million (2008: £0.6 million).

## **EARNINGS PER SHARE**

Basic EPS has risen to 1.9p from 0.3p and diluted EPS has risen to 1.8p from 0.3p last year.

## RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2009

The Board monitors the Company'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>2009</u>	<u>2008</u>
Profit for the year attributable to equity holders of the company	£3,362,000	£616,000
Taxation	£1,124,000	£1,450,000
Profit on ordinary activities before taxation	<u>£4,486,000</u>	<u>£2,066,000</u>
Share option costs	£261,000	£329,000
Movement in fair value of hedging instruments	£(1,029,000)	£883,000
Amortisation of intangibles	£203,000	£391,000
Pre-Tax Adjusted profit on ordinary activities	<u>£3,921,000</u>	<u>£3,669,000</u>
Current Taxation	£(249,000)	£(152,000)
Post-tax Adjusted Profit	<u>£3,672,000</u>	<u>£3,517,000</u>
Weighted average number of shares	180,628,990	178,982,340
Effect of dilutive share options	1,628,191	4,462,772
	<u>182,257,181</u>	<u>183,445,112</u>
Adjusted EPS	<u>2.03p</u>	<u>1.96p</u>
	+3.6%	
Adjusted diluted EPS	<u>2.01p</u>	<u>1.92p</u>
	+4.7%	

## INTANGIBLE AND TANGIBLE FIXED ASSETS

**Goodwill**

Goodwill remains unchanged from 2008 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 £0.7 million on intangible assets (2008: £0.9 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 £0.6 million (2008: £0.13 million). Of the total additions approximately £0.2 million was in connection with the move of our London office and £0.15 million for computer equipment in connection with establishing a hosted service in Japan.

## CURRENT ASSETS

**Trade Receivables**

Trade receivables have decreased by £1.8 million to £2.6 million from £4.4 million, which is mainly due to the timing of large sales around the prior year end. During the year the Group has not suffered any significant bad debt write-offs.

Prepayments and accrued income have remained relatively constant compared to the prior year at £2.3 million. (2008: £2.2 million).

**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 credit of £1.0 million was credited to the income statement. (2008: £0.9 million charge).

## CURRENT LIABILITIES

The key movement within current liabilities relates to a decrease in deferred income of £2.0 million. This is primarily due to the change in timing of billing of two large customers from annually in advance to monthly and quarterly billing.

Other elements of current liabilities have fluctuated only slightly compared to 2008, with year end balance of trade payables at £0.4 million (2008: £0.3 million), other tax and social security of £0.6 million (2008: £0.7 million) and accruals £1.5 million (2008: £1.5 million).

**CASH AND TREASURY**

Cash and cash equivalents increased to £8.9 million from £5.9 million in 2008.

The Group generated net cash inflows from operating activities of £4.3 million (2008: £3.6 million). £1.3 million (2008: £1.0 million) was invested in intangible and tangible assets, with dividends of £0.7 million (2008: £0.6 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 2009 income statement was 1.57 (2008: 1.84). The average rate of the hedges in place for 2010 is 1.60. The year end US dollar / sterling exchange rate was 1.59 (2008: 1.44).

**Consolidated income statement**

for the year ended 31 December 2009

	Notes	<u>2009</u> £'000	<u>2008</u> £'000
<b>Revenue</b>		<b>22,097</b>	19,627
Cost of sales		(555)	(485)
<b>Gross profit</b>		<b>21,542</b>	19,142
Operating expenses	4	(17,196)	(17,203)
<b>Operating profit</b>		<b>4,346</b>	1,939
Finance income		140	127
<b>Profit on ordinary activities before taxation</b>		<b>4,486</b>	2,066
Current taxation charge		(249)	(152)
Deferred taxation charge		(875)	(1,298)
Taxation - total	5	(1,124)	(1,450)
<b>Profit for the year attributable to equity holders of the Company</b>		<b>3,362</b>	616
Earnings per ordinary share	6		
- basic		1.9p	0.3p
- diluted		1.8p	0.3p

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 2009

	<u>2009</u> £'000	<u>2008</u> £'000
<b>Profit for the year</b>	<b>3,362</b>	616
<b>Other comprehensive income:</b>		
Foreign exchange adjustment on foreign currency net investments	(162)	628
<b>Total comprehensive income for the year</b>	<b>3,200</b>	1,244

**Consolidated balance sheet**

at 31 December 2009

	Notes	<u>2009</u>	<u>2008</u>
		£'000	£'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		3,251	3,251
Intangible assets		3,426	3,527
Property, plant and equipment		689	516
Deferred tax assets		4,945	5,877
Trade and other receivables	7	326	519
		<b>12,637</b>	13,690
<b>Current assets</b>			
Inventories		1	3
Trade and other receivables	7	5,006	6,476
Financial assets – derivative financial instruments		176	-
Income tax		8	3
Cash and cash equivalents		8,896	5,929
		<b>14,087</b>	12,411
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	8	(2,793)	(4,923)
Financial liabilities – derivative financial instruments		-	(853)
Current income tax liabilities		(98)	-
Provisions		(317)	(82)
		<b>(3,208)</b>	(5,858)
<b>Net current assets</b>		<b>10,879</b>	6,553
<b>Non-current liabilities</b>			
Trade and other payables	8	-	(50)
Provisions		(8)	(139)
		<b>(8)</b>	(189)
<b>Net assets</b>		<b>23,508</b>	20,054
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Share capital		1,853	1,795
Share premium account		4,493	3,869
Other reserves		20,862	20,862
Retained earnings		(3,700)	(6,472)
<b>Total equity</b>		<b>23,508</b>	20,054

**Consolidated statement of changes in equity**

for the year ended 31 December 2009

	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)	<b>20,054</b>
Profit for the year	-	-	-	3,362	<b>3,362</b>
Other comprehensive income:					
- Foreign exchange movement	-	-	-	(162)	<b>(162)</b>
Total comprehensive income for the period	-	-	-	3,200	<b>3,200</b>
Shares issued in the year	58	624	-	-	<b>682</b>
Dividends paid	-	-	-	(689)	<b>(689)</b>
Share compensation expense	-	-	-	261	<b>261</b>
<b>At 31 December 2009</b>	<b>1,853</b>	<b>4,493</b>	<b>20,862</b>	<b>(3,700)</b>	<b>23,508</b>

Of the other reserve at 31 December 2009 £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 2008	1,775	3,792	20,570	(7,443)	<b>18,694</b>
Profit for the year	-	-	-	616	<b>616</b>
Other comprehensive income:					
- Foreign exchange movement	-	-	-	628	<b>628</b>
Total comprehensive income for the period	-	-	-	1,244	<b>1,244</b>
Shares issued in the year	20	77	292	-	<b>389</b>
Dividends paid	-	-	-	(602)	<b>(602)</b>
Share compensation expense	-	-	-	329	<b>329</b>
<b>At 31 December 2008</b>	<b>1,795</b>	<b>3,869</b>	<b>20,862</b>	<b>(6,472)</b>	<b>20,054</b>

Of the other reserve at 31 December 2008 £20,812,000 relates to a merger reserve.

**Consolidated cash flow statement**

for the year ended 31 December 2009

	2009	2008
	£'000	£'000
<b>Cash flows from operating activities</b>		
Cash flows from operations	4,292	3,556
Interest received	140	127
Tax paid	(149)	(135)
<b>Net cash flows from operating activities</b>	<b>4,283</b>	<b>3,548</b>
<b>Cash from investing activities</b>		
Purchase of intangible assets	(653)	(864)
Purchase of property, plant and equipment	(596)	(126)
<b>Net cash flows used in investing activities</b>	<b>(1,249)</b>	<b>(990)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of ordinary share capital	682	86
Dividends paid to Company's shareholders	(689)	(602)
<b>Net cash flows used in financing activities</b>	<b>(7)</b>	<b>(516)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3,027</b>	<b>2,042</b>
Cash and cash equivalents at beginning of the period	5,929	3,191
Effect of exchange rates on cash and cash equivalents	(60)	696
<b>Cash and cash equivalents at end of the period</b>	<b>8,896</b>	<b>5,929</b>

**Reconciliation of net profit to net cash flows from operating activities**

	2009	2008
	£'000	£'000
Net profit	3,362	616
Tax	1,124	1,450
Depreciation of property, plant and equipment	419	409
Amortisation of intangible assets	753	1,014
Share compensation expense	261	329
Finance income	(140)	(127)
Decrease in inventories	2	9
Decrease / (increase) in trade and other receivables	1,123	(1,487)
(Increase) / decrease in financial assets and liabilities	(1,029)	883
(Decrease) / increase in trade and other payables	(1,687)	368
Increase in provisions	104	92
<b>Cash flows from operating activities</b>	<b>4,292</b>	<b>3,556</b>

## Notes to the Financial Statements

### 1. Approval of results

The financial statements for the twelve months ended 31 December 2009 were approved by the Board of Directors on 8 February 2010.

### 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 2009 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 2009 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 2009

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

	Europe	North America	Asia Pacific	Total
<b>2008</b>	£'000	£'000	£'000	£'000
Revenue from external customers	6,873	7,591	5,163	<b>19,627</b>
Revenue by destination	6,932	7,301	5,394	<b>19,627</b>
Adjusted profit	2,499	872	298	<b>3,669</b>
Depreciation and amortisation	1,349	27	47	<b>1,423</b>
Finance income	97	18	12	<b>127</b>
Taxation expense	413	496	541	<b>1,450</b>
Total assets	19,488	4,202	2,411	<b>26,101</b>
Total liabilities	(3,666)	(1,727)	(654)	<b>(6,047)</b>

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

	<b>2009</b>	2008
	£'000	£'000
<b>Adjusted profit for reportable segments</b>	<b>3,921</b>	3,669
Share compensation expense	<b>(261)</b>	(329)
Movement in fair value of hedging instruments	<b>1,029</b>	(883)
Amortisation of intangibles	<b>(203)</b>	(391)
Finance income	<b>(140)</b>	(127)
<b>Operating profit</b>	<b>4,346</b>	1,939
Finance income	<b>140</b>	127
<b>Profit on ordinary activities before tax</b>	<b>4,486</b>	2,066

## 4. Operating expenses

	<u>Year ended</u> <u>31-Dec-09</u> £'000	<u>Year ended</u> <u>31-Dec-08</u> £'000
Comprises:		
<b>Depreciation and amortisation</b>		
Depreciation of tangible fixed assets	419	409
Amortisation of intangible assets	203	391
Amortisation of capitalised development costs	550	623
	<u>1,172</u>	<u>1,423</u>
<b>Foreign exchange (gain)/ loss</b>		
Movement in fair value of hedging instruments	(1,029)	883
Other exchange gains and losses	455	(678)
	<u>(574)</u>	<u>205</u>
<b>Share compensation expenses</b>	261	329
<b>Other operating expenses</b>	16,337	15,246
<b>Total operating expenses</b>	<u>17,196</u>	<u>17,203</u>

## 5. Tax on profit on ordinary activities

	<u>2009</u> £'000	<u>2008</u> £'000
<b>United Kingdom</b>		
Withholding tax	12	12
<b>Foreign tax</b>		
Corporation tax – current year	177	46
Corporation tax – in relation to prior year	60	94
<b>Total current tax</b>	<u>249</u>	<u>152</u>
<b>Deferred tax</b>		
Movement in deferred tax	875	1,298
<b>Taxation charge</b>	<u>1,124</u>	<u>1,450</u>

From 1 April 2008 the UK Corporation Tax rate changed from 30% to 28%.

**Factors that may affect future tax charges**

The Group has unrelieved tax losses of £18,128,000 (2008: £21,230,000) that are available for offset against future taxable profits in their respective territories. A deferred tax asset amounting to £155,831 (2008: £165,000) has not been recognised in respect of these losses as their future recovery is uncertain.

**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>2009</u>	<u>2008</u>
Profit for the year attributable to equity holders of the company	<u>£3,362,000</u>	£616,000
Weighted average number of shares	<u>180,628,990</u>	178,982,340
Basic earnings per share	<u>1.9p</u>	0.3p

**(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>2009</u>	<u>2008</u>
Profit for the year attributable to equity holders of the Company	<u>£3,362,000</u>	£616,000
Weighted average number of shares	<u>180,628,990</u>	178,982,340
Effect of dilutive share options	<u>1,628,191</u>	4,462,772
	<u>182,257,181</u>	183,445,112
Diluted earnings per share	1.8p	0.3p

**7. Trade and other receivables**

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Trade receivables	2,737	4,538
Less: provision for impairment of receivables	(107)	(134)
Trade receivables – net	<u>2,630</u>	4,404
Other receivables	392	351
Prepayments and accrued income	<u>2,310</u>	2,240
	<u>5,332</u>	6,995
Less non-current portion – accrued income	(326)	(519)
<b>Current Portion</b>	<u><b>5,006</b></u>	<u>6,476</u>

Non-current receivables are due as follows:

	<u>2009</u>	<u>2008</u>
	£'000	£'000
Within between one and two years	84	193
Within between two and five years	225	239
After more than five but less than ten years	17	87
<b>Non-current receivables</b>	<b>326</b>	<b>519</b>

#### 8. Trade and other payables

	<u>2009</u>	<u>2008</u>
	£'000	£'000
<b>Current liabilities</b>		
Trade payables	418	290
Other tax and social security	562	721
Other creditors	15	58
Accruals	1,535	1,573
Deferred income	263	2,281
	<b>2,793</b>	<b>4,923</b>
<b>Non-current liabilities</b>		
Deferred income	-	50
	<b>2,793</b>	<b>4,973</b>

#### 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](http://www.patsystems.com)