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PATSYSTEMS PLC

RESULTS FOR THE SIX MONTHS AND THE PERIOD ENDED 30 JUNE 2009

Financial Highlights

- Turnover up 14.8% to £9.5m (H1 2008: £8.3m) with recurring revenue 95% of turnover (H1 2008: 96%)
- Adjusted pre-tax profit* up 82% to £752k (H1 2008: £413k)
- Operating profit of £1.4m (H1 2008: loss £0.1m)
- Net cash inflow from operating activities for the period was £2.2m compared to £977k in the first half of 2008 with a cash balance at 30 June 2009 of £7.0m (£3.4m at 30 June 2008)
- Improved interim dividend declared of 0.145p per share (H1 2008: 0.126p), reflecting strong cash generation and confidence from recurring revenue base

* 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

Operational Highlights

- Sales success for the Exchange business with the Indonesian Commodity & Derivative Exchange selecting Patsystems to provide matching, clearing and trading systems and a further exchange expected to select Patsystems
- Continued sales success for the Risk Informer product with a strong sales pipeline and contracts signed post half year end with Prudential Bache and J P Morgan to benefit the second half
- Sales success in both Malaysia and Brazil; both new markets targeted by Patsystems in 2009
- Billable Pro-Mark trading screen user numbers have risen to 751 at the end of the period from 571 at the start of 2009 with healthy growth in trading systems revenue

Richard Last, Chairman, of Patsystems, commented:

“Patsystems has continued to demonstrate the robustness of its business model with strong cash generation and continued revenue growth.

I stated at our AGM in April that the business has delivered sales success in each region in which it operates. This momentum has continued into the start of the third quarter, with growth in each of our three business units. As well as being selected as the exchange systems partner for two projects that will commence in the second half of 2009 and continue through 2010, we also continue to see revenue growth in trading systems and have secured new customer wins for our risk products.

The Board anticipates that the business will meet its expectations for 2009 and remains ideally placed for future growth.”

Commentary

Introduction

In the first six months of 2009 we have seen the conversion of sales prospects identified in 2008 into signed contracts and delivered sales success in each of our business areas: trading, exchanges and risk, although the benefit of these new business wins will be realised in our second half results.

This continued success has been coupled with strong cash generation and the robustness of our business model has been clearly demonstrated through the most challenging of economic periods.

Our strong cash position has led the Board to decide that a further increase on our interim dividend compared to that paid last year is appropriate. A dividend of 0.145p is to be paid on 25 September 2009 to shareholders on the register as at 28 August 2009.

Revenue

Revenue for the first six months of 2009 was £9.5m (H1 2008 - £8.3m), an increase of 14.8%.

Revenue generated from trading systems was in line with our expectations and accounted for £8.3m of total revenue which was an increase of 15.4% on 2008.

With new contract wins benefiting the second half of this year, Risk systems revenue remained flat at £0.3m (H1 2008 - £0.3m.)

Revenue generated from exchange systems accounted for the remaining £0.8m (H1 2008 - £0.7m).

Costs

Cost of sales was £0.32m for the first six months of 2009 against £0.20m for the corresponding period in 2008.

Operating expenses for the first half of 2009 were £7.7m (H1 2008: £8.2m). Excluding the impact of the marking to market of financial instruments, a gain of £938k and the realised loss of £405k on the settlement of forward contracts used to hedge cash flow, underlying operating costs amount to £8.3m (H1 2008: £8.2m).

Operating Profit

The Company made an operating profit before interest and taxation of £1.4m for the first half of 2009 compared to a loss of £166k in H1 2008.

Adjusted Pre-Tax Profit

The adjusted pre-tax profit for the six months was £752k (H1 2008: £413k). A reconciliation of operating profit to adjusted pre-tax profit is given in note 3.

Taxation

The taxation charge for the period of £244k (H1 2008: £249k) comprises £174k (H1 2008: £149k) in relation to the movement in the deferred tax asset and £70k (H1 2008: £100k) corporation tax, primarily in Asia.

Cash

During the first six months of 2009 the Company generated operating cash flows of £2.25m. The major non-operating cash expenses were capital expenditure of £645k and a dividend payment of £428k. The Company has a cash balance of £7.0m at 30 June 2009 (31 December 2008: £5.9m) and no borrowings.

Trading Systems

During the period exchange connectivity has been developed for the BM&FBOVESPA, the Brazilian Futures Exchange, and also Bursa Malaysia. Philip Futures was the first Patsystems customer to establish a further installation in Kuala Lumpur to take advantage of this connectivity; further adoption across the Asia region is anticipated. Flow Corretora has become our first customer in Brazil and has signed a contract for a full installation of the Patsystems trading system. In the second half of the financial year we expect to sell additional trading systems in Brazil now that we can provide local market connectivity. During the period Mizuho Securities added an additional Patsystems installation in Singapore.

Revenue has grown 15.4% when compared to the same period last year with growth in Pro-Mark user numbers from 571 billable users at the start of 2009 to 751 at 30 June 2009 being a contributing factor.

Risk Systems

Risk Informer is our market leading multi-asset post trade risk margining product that has been installed at a breadth of organisations including Deutsche Bank, MF Global and Newedge. During the period the product has been selected by both J P Morgan and Prudential Bache to risk manage their exchange traded derivatives business and GH Financials has taken the product live.

Our Risk Monitor product has been rebranded globally as Risk Alert due to a conflict in the United States of America over the use of that product name.

Risk Alert is a low latency, pre-trade risk management system designed to monitor proposed trades across a range of markets ahead of the exchange and, if necessary, prevent, restrict or provide alerts in respect of individual electronic trades.

Revenues from the Risk Informer product are constant when compared to the same period last year and we anticipate growth opportunities from the Risk Alert product in 2010 and beyond.

Exchange Systems

As we had anticipated, our exchange systems business in Asia contributed a level consistent with the corresponding period in 2008. The Tokyo Grain Exchange has provided notice that it will curtail its activities in 2010 due to their challenging trading conditions and we anticipate that this will reduce exchange revenues by £600k in 2010.

However our selection to provide the Patsystems matching engine to two exchanges, will more than compensate for the revenue reduction from the Tokyo Grain Exchange.

Operations

The marketing strategy for 2009 has been focused on using targeted online and contextual advertising. This has achieved results that can be both measured and benchmarked providing clear benefits on return on investment.

As part of the continued investment to improve customer service, the support capability within Chicago, to serve the Americas, and the support capability within Sydney, to serve Asia, has been extended. In addition there has been capital investment to improve the Patsystems internal global communications network.

An offshore development centre has been established in Beijing that will provide development capacity to support future growth plans and the flexibility to execute development work where it can most productively be executed.

Business Objectives and Outlook

Our key objectives for 2009 are to consolidate our position within our existing market, generate new revenue streams from our range of new products, identify potential acquisition targets and develop opportunities for further expansion particularly in South America and the Asia Pacific region.

I am pleased there has been positive progress on each of our objectives in the first half of 2009 and will comment on these fully in our annual report for 2009. A number of potential acquisition targets were identified during the first half of the year but none of these have concluded due diligence.

We remain confident that the business will achieve its targets for 2009 and that the opportunities for business growth for 2010 and beyond are excellent.

David Webber
Chief Executive

Consolidated Income Statement

		6 months ended	6 months ended	Year ended
		30-Jun	30-Jun	31-Dec
	Notes	2009	2008	2008
		£'000	£'000	£'000
		Unaudited	Unaudited	Audited
Revenue		9,478	8,255	19,627
Cost of sales		(322)	(204)	(485)
Gross profit		9,156	8,051	19,142
Operating expenses	4	(7,747)	(8,217)	(17,203)
Operating profit / (loss)		1,409	(166)	1,939
Finance income		49	62	127
Profit / (loss) on ordinary activities before taxation		1,458	(104)	2,066
Taxation		(244)	(249)	(1,450)
Profit / (loss) for the period attributable to equity holders of the Company		1,214	(353)	616
Earnings / (loss) per ordinary share	5			
- basic		0.7p	(0.2p)	0.3p
- diluted		0.7p	(0.2p)	0.3p

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
		2009	2008	2008
		£'000	£'000	£'000
		Unaudited	Unaudited	Audited
Profit / (loss) for the period		1,214	(353)	616
Other comprehensive income:				
Foreign exchange adjustment on foreign currency net investments		(299)	142	628
Total comprehensive income for the year		915	(211)	1,244

Consolidated Balance Sheet

	Notes	30-Jun 2009 £'000 Unaudited	30-Jun 2008 £'000 Unaudited	31-Dec 2008 £'000 Audited
ASSETS				
Non-current assets				
Goodwill		3,251	3,251	3,251
Intangible assets		3,552	3,565	3,527
Property, plant and equipment		570	649	516
Deferred tax assets		5,615	6,554	5,877
Trade and other receivables	6	386	300	519
		13,374	14,319	13,690
Current assets				
Inventories		4	35	3
Trade and other receivables	6	3,313	3,584	6,476
Financial assets – derivative financial instruments		85	-	-
Income tax		3	33	3
Cash and cash equivalents		7,043	3,401	5,929
		10,448	7,053	12,411
LIABILITIES				
Current liabilities				
Trade and other payables	7	(2,749)	(2,591)	(4,923)
Financial liabilities - derivative financial instruments		-	-	(853)
Provisions		(283)	-	(82)
		(3,032)	(2,591)	(5,858)
Net current assets		7,416	4,462	6,553
Non-current liabilities				
Trade and other payables	7	(25)	-	(50)
Provisions		-	(70)	(139)
		(25)	(70)	(189)
Net assets		20,765	18,711	20,054
SHAREHOLDERS' EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		1,807	1,793	1,795
Share premium account		3,953	3,858	3,869
Other reserves		20,862	20,862	20,862
Retained earnings		(5,857)	(7,802)	(6,472)
Total shareholders' equity		20,765	18,711	20,054

Consolidated Statement of Changes in Equity

	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 period	-	-	-	1,214	1,214
Other comprehensive income:					
- Foreign exchange movement	-	-	-	(299)	(299)
Total comprehensive income for the period	-	-	-	915	915
Shares issued in the period	12	84	-	-	96
Dividends paid	-	-	-	(428)	(428)
Share compensation expense	-	-	-	128	128
At 30 June 2009	1,807	3,953	20,862	(5,857)	20,765

	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)	18,694
Loss for the period	-	-	-	(353)	(353)
Other comprehensive income:					
- Foreign exchange movement	-	-	-	142	142
Total comprehensive income for the period	-	-	-	(211)	(211)
Shares issued in the period	18	66	292	-	376
Dividends paid	-	-	-	(376)	(376)
Share compensation expense	-	-	-	228	228
At 30 June 2008	1,793	3,858	20,862	(7,802)	18,711

Consolidated Statement of Cash Flows

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2009	2008	2008
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Cash flows from operations	2,269	1,028	3,556
Interest received	49	62	127
Tax paid	(70)	(113)	(135)
Net cash flows from operating activities	2,248	977	3,548
Cash from investing activities			
Purchase of intangible assets	(391)	(469)	(864)
Purchase of property, plant and equipment	(254)	(101)	(126)
Net cash flows used in investing activities	(645)	(570)	(990)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	96	73	86
Dividends paid to Company's shareholders	(428)	(376)	(602)
Net cash flows used in financing activities	(332)	(303)	(516)
Net increase in cash and cash equivalents	1,271	104	2,042
Cash and cash equivalents at beginning of the period	5,929	3,191	3,191
Effect of exchange rates on cash and cash equivalents	(157)	106	696
Cash and cash equivalents at end of the period	7,043	3,401	5,929

Reconciliation of net profit to net cash flows from operating activities

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2009	2008	2008
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Net profit / (loss)	1,214	(353)	616
Tax	244	249	1,450
Depreciation of property, plant and equipment	180	209	409
Amortisation of intangible assets	364	578	1,014
Share compensation expense	128	228	329
Finance income	(49)	(62)	(127)
(Increase) / decrease in inventories	(1)	(23)	9
Decrease / (increase) in trade and other receivables	3,157	853	(1,487)
(Increase) / decrease in financial assets and liabilities	(938)	30	883
(Decrease) / increase in trade and other payables	(2,092)	(693)	368
Increase in provisions	62	12	92
Cash flows from operating activities	2,269	1,028	3,556

Notes to the Financial Statements

1. Approval of results

The financial statements for the six months ended 30 June 2009 were approved by the Board of Directors on 4 August 2009.

These financial statements do not constitute statutory accounts within the meaning of the Companies Act 1985 and are neither reviewed nor audited.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial information for the six months ended 30 June 2009 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 2008 and those expected to apply for the year ended 31 December 2009 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 2008 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.

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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 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.

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2009	2008	2008
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Analysis of Turnover			
Europe	2,854	2,752	6,932
USA	3,417	3,256	7,301
Asia Pacific	3,207	2,247	5,394
	9,478	8,255	19,627
Analysis of adjusted profit / (loss)			
Europe	604	242	2,499
USA	(274)	(32)	872
Asia Pacific	422	203	298
	752	413	3,669
Analysis of total assets			
Europe	20,460	18,187	19,488
USA	1,340	1,412	4,202
Asia Pacific	2,022	1,773	2,411
	23,822	21,372	26,101

A reconciliation of adjusted profit to profit / (loss) before tax is provided as follows:

Adjusted profit for reportable segments	752	413	3,669
Share compensation expense	(128)	(228)	(329)
Movement in fair value of hedging instruments	938	(30)	(883)
Amortisation of intangibles	(104)	(259)	(391)
Finance income	(49)	(62)	(127)
Operating profit / (loss)	1,409	(166)	1,939
Finance income	49	62	127
Profit / (loss) before tax	1,458	(104)	2,066

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

4. Operating expenses and group operating profit / (loss)	6 months	6 months	Year ended
	ended	ended	31-Dec
	30-Jun	30-Jun	2008
	2009	2008	2008
Comprises:	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Depreciation and amortisation			
Depreciation of tangible fixed assets	180	209	409
Amortisation of intangible assets	104	259	391
Amortisation of capitalised development costs	260	317	623
	544	785	1,423
Foreign exchange (gain) /loss			
Movement in fair value of hedging instruments	(938)	30	883
Other exchange gains and losses	472	(98)	(678)
	(466)	(68)	205
Share compensation expenses	128	228	329
Other operating expenses	7,541	7,272	15,246
Total operating expenses	7,747	8,217	17,203

5. Earnings / (loss) per ordinary share

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

	6 months	6 months	Year ended
	ended	ended	31-Dec
	30-Jun	30-Jun	2008
	2009	2008	2008
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Profit / (loss) on ordinary activities: (£000)	1,214	(353)	616
Weighted average number of shares:			
- basic	180,147,033	178,593,596	178,982,340
- diluted	183,225,983	184,103,587	183,445,112

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

6. Trade and other receivables

	At 30 June 2009 £'000 Unaudited	At 30 June 2008 £'000 Unaudited	At 31 December 2008 £'000 Audited
Trade receivables	1,214	1,584	4,404
Other receivables	335	343	351
Prepayments and accrued income	2,150	1,957	2,240
	3,699	3,884	6,995
Non-current portion – accrued income	(386)	(300)	(519)
	3,313	3,584	6,476

7. Trade and other payables

	At 30 June 2009 £'000 Unaudited	At 30 June 2008 £'000 Unaudited	At 31 December 2008 £'000 Audited
Trade payables	418	491	290
Other tax and social security	413	384	721
Other creditors	31	-	58
Accruals	794	759	1,573
Deferred income	1,093	957	2,281
	2,749	2,591	4,923
Non-current liabilities – deferred income	25	-	50
	2,774	2,591	4,973

8. Copies of this statement

Copies of this statement are available from the Company Secretary at the Company's registered office at Cottons Centre, Hays Lane, London SE1 2QP, or from the investor relations section of the Company's website at www.patsystems.com.