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PATSYSTEMS PLC

RESULTS FOR THE SIX MONTHS AND THE PERIOD ENDED 30 JUNE 2010

Financial Highlights

- Turnover up 6% to £10.0m (H1 2009: £9.5m)
- Adjusted pre-tax profit* up 37% to £1.0m (H1 2009: £752k)
- Net cash inflow from operating activities for the period was £1.3m (2009: £2.2m). Cash balance at 30 June 2010 was £9.2m (£7.0m at 30 June 2009)
- Interim dividend increased by 38% to 0.2p per share (H1 2009: 0.145p), reflecting strong cash generation and confidence in future growth opportunities

* 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

- Bursa Malaysia selects Patsystems to provide a new order management system to support regional growth plans
- Patsystems new global ASP solution, XConnect, gains immediate traction with Terra Futuros in Brazil, Unicom and Phoenix Securities in Japan and Okachi in Hong Kong adopting the hosting service
- The number of new business opportunities and the overall value of the sales pipeline is significantly ahead of the prior year

Richard Last, Chairman, of Patsystems, commented:

“I am delighted by our achievements in the first half of this year. Bursa Malaysia selecting our order management system and the Indonesian Commodity and Derivatives Exchange successfully launching new contracts with our exchange solution are both testament to our strength in the Asia Pacific region.

Our continued growth in emerging markets, a strong sales pipeline and this year’s deployment of our new global ASP solution, XConnect, will support sustained growth in 2011 and beyond.”

Commentary

Introduction

In the first six months of 2010 we have seen the volume and value of sales prospects grow in all areas of our business and conversion of these into revenue opportunities in the second half of 2010 will benefit both this year and next.

It is particularly pleasing that discussions with a number of large global banking organisations are progressing well with respect to our Risk Informer product.

The continuing strong 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 0.2p is to be paid on 24th September 2010 to shareholders on the register as at 27th August 2010.

Revenue

Revenue for the first six months of 2010 was £10.0m (H1 2009: £9.5m), an overall increase of 6%. On a geographical basis revenue grew by 25% in Europe, declined by 20% in the US and grew by 16% in Asia. The main driver for growth in Europe was the Turkdex Exchange project won last year. US revenues have declined, as expected, because of the closure of one of our clients and less bespoke work than in previous years. Revenues in Asia have continued to grow despite the impact of the Tokyo Grain Exchange mainly as a result of new revenue from the Bursa Malaysia and general growth across existing clients.

On a product basis, revenue generated from trading systems was in line with our expectations and accounted for £8.7m of total revenue which was an increase of 4% on 2009.

With revenue from new contract wins in 2009 benefiting the first half of this year, risk systems revenue was £0.4m (H1 2009: £0.3m).

Revenue generated from exchange systems accounted for the remaining £0.9m (H1 2009: £0.8m).

Costs

Cost of sales was £0.2m for the first six months of 2010 against £0.3m for the corresponding period in 2009.

Operating expenses for the first half of 2010 were £9.2m (H1 2009: £7.7m). Excluding the impact of the marking to market of financial instruments, a loss of £0.3m (2009: gain £0.9m), underlying operating costs amount to £8.9m (H1 2009: £8.7m).

Operating Profit

The Company made an operating profit before interest and taxation of £0.6m for the first half of 2010 compared to a profit of £1.4m in H1 2009.

Adjusted Pre-Tax Profit

The adjusted pre-tax profit for the six months was £1,029k (H1 2009: £752k). A reconciliation of operating profit to adjusted pre-tax profit is given in note 3.

Taxation

The taxation charge for the period of £368k (H1 2009: £244k) comprises £367k (H1 2009: £174k) in relation to the movement in the deferred tax asset as the Company continues to utilise its taxation losses and £1k (H1 2009: £70k) relating to foreign corporation tax.

Cash

During the first six months of 2010 the Company generated operating cash flows of £1.3m. The major non-operating cash expenses were capital expenditure of £0.7m and a dividend payment of £0.5m. The Company had a cash balance of £9.2m at 30 June 2010 (30 June 2009: £7.0m) and no borrowings.

Foreign Exchange Rates

The average rate used to translate the US dollar during the period was 1.52 (2009: 1.50).

Trading Systems

Revenue has grown 4% overall in 2010 compared to 2009 with growth mainly driven from Asia as the new customers added in 2009 deliver recurring revenue growth and the revenue associated with Bursa Malaysia.

Further geographical expansion into emerging markets is one of our key objectives in 2010 and we were delighted in March 2010 to have been selected by Bursa Malaysia Derivatives to provide them with a complete order management system to support their growth plans in the Asia region.

Hosted Services

A key objective for the business in 2010 is to extend our existing hosting capability to deliver a global ASP proposition across all the regions in which we operate.

This global ASP proposition will leverage Patsystems' XLink technology, which allows for seamless exchange connectivity and order routing between any Patsystems' hub or client site.

This new global ASP offering is being marketed as XConnect and is already gaining significant traction.

During the first half of 2010 the existing ASP infrastructure in Tokyo was upgraded, with Unicom signing a license to utilise the service. The first XConnect infrastructure was deployed in Hong Kong, with Okachi being the first customer to sign on. New client, Phoenix Securities, also signed on for the Tokyo ASP.

During the second half of the year, XConnect hubs will be deployed at our data centres in Singapore and Sydney.

The availability of XConnect has also generated considerable interest in Brazil, with an XConnect hub scheduled for deployment in Sao Paulo in September 2010. Terra Futuros, a BM&FBOVESPA brokerage firm in Sao Paulo, has selected Patsystems' XConnect platform as the foundation of its "north-south" expansion plans.

Patsystems' next generation "Global Trading" platform will be deployed through XConnect to bring the benefits of the new trading platform to ASP customers during 2010 and 2011.

Risk Systems

During the first half of the year, we concluded the implementations of Risk Informer, our market leading real-time, multi-asset, post trade risk margining product at J.P. Morgan and Prudential Bache.

Risk Informer will also form 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 the Turkish Derivatives Exchange, TurkDEX.

The Risk Alert product, our low latency pre-trade risk product, will be deployed both in the TurkDEX project and as part of our XConnect deployment.

Revenue from the Risk Informer product is ahead of that in the same period last year as the contribution from projects sold in 2009 is realised.

Exchange Systems

As we commented in last year's preliminary announcement, the revenue earned from the exchange systems project with TurkDEX, has compensated for the loss of revenue from The Tokyo Grain Exchange curtailing its activities.

Our project with TurkDEX will continue during the remainder of 2010 and into 2011, with Phase 1 of the project scheduled to go live early in 2011.

In May 2010 the Indonesian Commodity and Derivatives Exchange successfully launched their second product - a crude palm oil contract that will act as a vital reference point for Indonesia's local commodity producers. Indonesia is one of the world's largest producers of crude palm oil.

We are continually excited by the opportunities within emerging markets for our matching engine when deployed in combination with our trading and risk system offerings.

Business Objectives and Outlook

Our key objectives for 2010 are to:

- Become the premier provider of risk margin systems within the top 10 global banks
- Extend our sales penetration in new countries with additional sales in Malaysia, Indonesia and Brazil
- Deliver hosted ASP services to new and existing customers within all the regions in which we operate
- Continue the sales success for our exchange system offering

I am pleased there has been positive progress on each of our objectives in the first half of 2010 and will comment on these fully in our annual report for 2010.

We remain confident that the business will achieve its targets for 2010 and that solid business growth opportunities exist for 2011 and beyond.

David Webber
Chief Executive

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Consolidated Income Statement

		6 months ended	6 months ended	Year ended
		30-Jun	30-Jun	31-Dec
	Notes	2010	2009	2009
		£'000	£'000	£'000
		Unaudited	Unaudited	Audited
Revenue		10,013	9,478	22,097
Cost of sales		(244)	(322)	(555)
Gross profit		9,769	9,156	21,542
Operating expenses	4	(9,219)	(7,747)	(17,196)
Operating profit		550	1,409	4,346
Finance income		79	49	140
Profit on ordinary activities before taxation		629	1,458	4,486
Current taxation charge		(1)	(70)	(249)
Deferred taxation charge		(367)	(174)	(875)
Taxation - total		(368)	(244)	(1,124)
Profit for the period attributable to equity holders of the Company		261	1,214	3,362
Earnings per ordinary share	5			
- basic		0.1p	0.7p	1.9p
- diluted		0.1p	0.7p	1.8p

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
		2010	2009	2009
		£'000	£'000	£'000
		Unaudited	Unaudited	Audited
Profit for the period		261	1,214	3,362
Other comprehensive income:				
Foreign exchange adjustment on foreign currency net investments		174	(299)	(162)
Total comprehensive income for the period		435	915	3,200

Consolidated Balance Sheet

	Notes	30-Jun 2010 £'000 Unaudited	30-Jun 2009 £'000 Unaudited	31-Dec 2009 £'000 Audited
ASSETS				
Non-current assets				
Goodwill		3,251	3,251	3,251
Intangible assets		3,437	3,552	3,426
Property, plant and equipment		834	570	689
Deferred tax assets		4,608	5,615	4,945
Trade and other receivables	6	274	386	326
		12,404	13,374	12,637
Current assets				
Inventories		-	4	1
Trade and other receivables	6	4,695	3,313	5,006
Financial assets – derivative financial instruments		26	85	176
Income tax		9	3	8
Cash and cash equivalents		9,178	7,043	8,896
		13,908	10,448	14,087
LIABILITIES				
Current liabilities				
Trade and other payables	7	(2,621)	(2,749)	(2,793)
Current income tax liabilities		(27)	-	(98)
Provisions		-	(283)	(317)
		(2,648)	(3,032)	(3,208)
Net current assets		11,260	7,416	10,879
Non-current liabilities				
Trade and other payables	7	-	(25)	-
Provisions		(70)	-	(8)
		(70)	(25)	(8)
Net assets		23,594	20,765	23,508
SHAREHOLDERS' EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital		1,864	1,807	1,853
Share premium account		4,609	3,953	4,493
Other reserves		20,862	20,862	20,862
Retained earnings		(3,741)	(5,857)	(3,700)
Total shareholders' equity		23,594	20,765	23,508

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Consolidated Statement of Changes in Equity

	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 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

	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

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

Consolidated Statement of Cash Flows

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2010	2009	2009
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash flows from operating activities			
Cash flows from operations	1,336	2,269	4,292
Interest received	79	49	140
Tax paid	(81)	(70)	(149)
Net cash flows from operating activities	1,334	2,248	4,283
Cash from investing activities			
Purchase of intangible assets	(376)	(391)	(653)
Purchase of property, plant and equipment	(360)	(254)	(596)
Net cash flows used in investing activities	(736)	(645)	(1,249)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	127	96	682
Dividends paid to Company's shareholders	(519)	(428)	(689)
Net cash flows used in financing activities	(392)	(332)	(7)
Net increase in cash and cash equivalents	206	1,271	3,027
Cash and cash equivalents at beginning of the period	8,896	5,929	5,929
Effect of exchange rates on cash and cash equivalents	76	(157)	(60)
Cash and cash equivalents at end of the period	9,178	7,043	8,896

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
	2010	2009	2009
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Net profit	261	1,214	3,362
Tax	368	244	1,124
Depreciation of property, plant and equipment	229	180	419
Amortisation of intangible assets	366	364	753
Share compensation expense	43	128	261
Finance income	(79)	(49)	(140)
Decrease / (increase) in inventories	1	(1)	2
Decrease in trade and other receivables	492	3,157	1,123
Decrease / (increase) in financial assets and liabilities	150	(938)	(1,029)
Decrease in trade and other payables	(240)	(2,092)	(1,687)
(Decrease) / increase in provisions	(255)	62	104
Cash flows from operating activities	1,336	2,269	4,292

Notes to the Financial Statements

1. Approval of results

The financial statements for the six months ended 30 June 2010 were approved by the Board of Directors on 26 July 2010.

These financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006 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 2010 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 2009 and those expected to apply for the year ended 31 December 2010 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 2009 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 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, 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
	2010	2009	2009
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Revenue by destination			
Europe	3,564	2,854	7,788
USA	2,730	3,417	6,745
Asia Pacific	3,719	3,207	7,564
	10,013	9,478	22,097
Adjusted profit / (loss)			
Europe	882	604	2,515
USA	55	(274)	391
Asia Pacific	92	422	1,015
	1,029	752	3,921
Total assets			
Europe	21,775	20,460	21,953
USA	1,441	1,340	1,569
Asia Pacific	3,096	2,022	3,202
	26,312	23,822	26,724

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

Adjusted profit for reportable segments	1,029	752	3,921
Share compensation expense	(43)	(128)	(261)
Movement in fair value of hedging instruments	(291)	938	1,029
Amortisation of intangibles	(66)	(104)	(203)
Finance income	(79)	(49)	(140)
Operating profit	550	1,409	4,346
Finance income	79	49	140
Profit before tax	629	1,458	4,486

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

4. Operating profit

Operating profit is stated after charging / (crediting):

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2010	2009	2009
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Comprises:			
Depreciation and amortisation			
Depreciation of tangible fixed assets	229	180	419
Amortisation of intangible assets	66	104	203
Amortisation of capitalised development costs	300	260	550
	595	544	1,172
Foreign exchange loss / (gain)			
Movement in fair value of hedging instruments	291	(938)	(1,029)
Other exchange gains and losses	(118)	472	455
	173	(466)	(574)
Share compensation expenses	43	128	261
Other operating expenses	8,408	7,541	16,337
Total operating expenses	9,219	7,747	17,196

5. Earnings per ordinary share

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

	6 months ended	6 months ended	Year ended
	30-Jun	30-Jun	31-Dec
	2010	2009	2009
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Profit for the period attributable to equity holders of the Company: (£000)	261	1,214	3,362
Weighted average number of shares:			
- basic	185,773,582	180,147,033	180,628,990
- diluted	187,021,473	183,225,983	182,257,181

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

6. Trade and other receivables

	At 30 June	At 30 June	At 31 December
	2010	2009	2009
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Trade receivables	1,525	1,214	2,630
Other receivables	388	335	392
Prepayments and accrued income	3,056	2,150	2,310
	4,969	3,699	5,332
Non-current portion – accrued income	(274)	(386)	(326)
	4,695	3,313	5,006

7. Trade and other payables

	At 30 June	At 30 June	At 31 December
	2010	2009	2009
	£'000	£'000	£'000
	Unaudited	Unaudited	Audited
Trade payables	574	418	418
Other tax and social security	390	413	562
Other creditors	-	31	15
Accruals	1,189	794	1,535
Deferred income	468	1,093	263
	2,621	2,749	2,793
Non-current liabilities – deferred income	-	25	-
	2,621	2,774	2,793

8. 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.