

6 November 2012

First Derivatives plc
("First Derivatives", the "Company" or the "Group")

Interim results for the six months ended 31 August 2012

First Derivatives (AIM: FDP.L, ESM:FDP.I), a leading provider of software and consulting services to the capital markets industry, today announces its results for the six months ended 31 August 2012.

Financial Highlights

- Turnover £27.6m (2011: £22.4m) +23.3%
- EBITDA £5.7m (2011: £5.0m) +12.8%
- Operating profit £4.1m (2011: £3.6m) +14.2%
- Normalised Pre-tax profit* £3.8m (2011: £3.5m) +9.8%
- Earnings per share 16.7p (2011: 16.3p) +2.5%
- Net Assets £33.5m (2011: £29.0m) +15.3%
- Interim dividend of 3.1p per share (2011: 3.0p) +3.3%

Business Highlights

- New contracts and growth across all parts of the business
- Significant increase in Software transactional/recurring revenue streams (+40.8%)
- Increasing pipeline for Software products
- Significant increase in Consulting revenue streams (+30.7%)
- Strategic new consulting initiatives launched expanding client base
- Four property disposals in period in line with stated strategy

Post-Period Highlights

- Acquisition of Redshift Horizons Ltd expanding managed services provision for data and trading systems
- Acquisition of Cowrie Financial Ltd bringing deep domain expertise in delivery of Murex technology
- Appointment of Gerry Buggy as Global Head of Software Sales

* excluding finance translation charges

David Anderson, Chairman of First Derivatives commented:

"The first six months have seen continued strong growth across the Group's activities with total revenues up over 23%. To fuel this growth we have continued to make substantial investment in the development of all the Group's activities to ensure we have a strong organisation that can react to the market through the quality of our product and service offerings. This investment has resulted in us signing a number of contracts during the period which will start to become revenue generating in the second half and we have a healthy pipeline of prospects. Despite a background of market turbulence we expect to report profits for the year in line with market expectations."

For further information please contact:

First Derivatives plc

Brian Conlon, Chief Executive
Graham Ferguson, Chief Financial
Officer

+44(0)28 3025 2242
www.firstderivatives.com

Charles Stanley Securities
Nominated Adviser and Broker

Russell Cook
Carl Holmes

+44 (0)20 7149 6000

Goodbody Corporate Finance
ESM Adviser and Broker

Diane Hodgson
Linda Hickey

+353 1 667 0420

Walbrook PR

Bob Huxford
Paul Cornelius

+44 (0)20 7933 8780
bob.huxford@walbrookpr.com
paul.cornelius@walbrookir.com

Stakeholder Communications

Jonathan King
John Hart

+44 (0) 2890 339949

About First Derivatives

First Derivatives is a global provider of software and consulting services to the financial services industry. With over 16 years experience working with leading financial institutions, it continues to deliver technologically advanced, award winning products and services that anticipate and respond to evolving needs of global capital markets.

First Derivatives currently employs over 720 people worldwide and counts many of the world's top investment banks, brokers and hedge funds as its customers. It has operations in London, New York, Stockholm, Singapore, Tokyo, Toronto, Sydney, Dublin, Newry and Hong Kong.

CHAIRMAN'S STATEMENT

Financials

I am pleased to report that revenues for the six months ended 31 August 2012 increased 23.3% to £27.6m from £22.4m in the corresponding period of the previous year. This continued growth when market trends are particularly challenging is even more satisfying given the increase in earnings before interest, depreciation, amortisation and share option costs of 12.8% to £5.7m (H1 2011: £5.0m). Pre-tax profit (before finance translation charges) for the period was £3.7m, (H1 2011: £3.4m), up by 11.3%. Earnings per share for the period were 16.7p, an increase of 2.5% (H1 2011: 16.3p). Our ability to grow in this challenging and volatile market demonstrates the underlying strength of the Group and its ability to react to market demands and meet the challenges it presents.

Dividend

The Group continues to generate strong operating cash flow and this allows the Board to recommend an interim dividend of 3.1p per share (H1 2011 3.0p), an increase of 3.3%. This will be paid on 6 December 2012 to those shareholders on the register on 16 November 2012. The shares will be marked ex-dividend on 14 November 2012.

Software

Software sales of £7.5m were up 7.2% on the previous period (H1 2011: £7.0m). This modest increase does not reflect the progress made in revenue generated from the Delta Suite. Transactional and recurring revenues were up 40.8% on the corresponding previous period showing the significant progress achieved. This increase was offset by a reduction of 16.9% in one off license fee income and a reduction of 60.7% in legacy technology income (Auto Deal+) obtained as part of the acquisition of "Cognotec" in 2010.

We continue to invest heavily in our research and development programme. Our decision to build a common technology platform for all of our applications means that our software is easier to support, deploy and upgrade. Our approach fosters rapid prototyping and innovation and allows us to convert ideas to products very quickly. From its conception we made a conscious decision to deploy Delta applications in the cloud and on mobile platforms - this decision has been validated by recent technology trends. Our software is designed to meet the "Big Data" challenge which is at the centre of the strategies of many of the world's IT giants.

We have achieved a number of contract wins for our flagship products including sales of Delta Stream and Delta Algo to some of the world's largest banks and exchanges. The latest version of our foreign exchange trading platform launched in June, Delta Flow, has a number of compelling features that have attracted very positive feedback from customers and prospects. As with any cloud application building confidence takes a period of time and this bedding down period will continue into the New Year and give us the springboard then to launch a major sales campaign.

Our sales in the current period have been on a recurring and transactional revenue basis. It should be borne in mind that revenue recognition under these licensing models is such that these sales will make a contribution to revenue in the second half with the full effect not being seen until the next financial year. We have a healthy pipeline of prospects and we are receiving inquiries from an increasing breadth of potential customers – banks, hedge funds, asset managers, brokers, exchanges and regulators. As our software applications becoming more established they provide us with an increasing number of prestigious reference customers across our flagship applications. These factors give us confidence in our ability to deliver continued growth in software revenues.

Consulting

Consulting revenues increased 30.7% to £20.0m from £15.4m in the previous six month period. The first half has continued to be a period of growth across the division, both in our client base and in the expansion of the number of assignments undertaken with new and existing clients. Along with the continued growth of our core business a key stimulus has been the three new initiatives which we launched last year. These along with the quality of our people, commitment to training and the flexibility of our service, strongly positions the Group within the markets in which we operate.

Last year we responded to the regulatory changes beginning to impact our customer base by the creation of our Legal Services Consulting Stream. The service focuses on providing resources to banks in areas such as non-core asset disposal, regulation compliance and securitisation, where personnel with a combination of IT, finance and legal skills are in short supply. Demand for these services has seen success not only in our existing consulting client base but also has enabled us to penetrate into three new banking clients to the Group.

In response to the continuation globalization of banking systems, increasing complexity and the fast moving technology innovation we launched a dedicated data management team along with commencing the development of a strategic vendor services practice. These were focused on the delivery of global, large scale implementation and support services for leading third party trading technology platforms and the ever complex issue of the management of data. Again demand for these services has been well received not only by our existing client base but also has provided the stimulus to penetrate five new banking clients to the Group.

Penetration of new clients in a market where our customers are striving to reduce the preferred supplier lists underpins the strength of our consulting service. As we undertake complex assignments for our clients each new client leads to repeat business as our inherent knowledge of their systems is key for upgrades and ongoing development. This recurring revenue business model is a core focus of our strategy and to ensure we maximize this source of income we aim to provide relevant market or domain expertise along with a competitive cost operating model.

Acquisition

On 28 September 2012 the Company announced the acquisition of Cowrie Financial Limited (“Cowrie”), Redshift Horizons Limited (“Redshift”) and Redshift Horizons LLP. These acquisitions continue our strategy in developing strategic vendor services focused on our target market segment. Cowrie brings key domain knowledge and expertise in the delivery and management of Murex Technology, a software which is widely used within the industry across asset classes for trading, risk management and processing. Redshift deepens our expertise in the provision of managed services for data and trading systems. We are pleased to have concluded these acquisitions, not only because they have further expanded our service offerings but because they have brought seasoned individuals to the management team like Tom Kozlowski and Anjum Waheed, and more latterly Gerry Buggy, all of whom will be instrumental in assisting the Group further growth.

Accommodation

The Company has made no further acquisitions of employee residential accommodation and in line with our stated strategy four further individual properties have been disposed of in the period with a resulting profit on sale of £0.5m. The net proceeds of these disposals have been applied toward the reduction of our borrowings. We will continue to dispose of properties when suitable opportunities arise.

Outlook

The first six months have seen continued strong growth across the Group's activities with total revenues up over 23.3%. To fuel this growth we have continued to make substantial investment in the development of all the Group's activities to ensure we have a strong organisation that can react to the market through the quality of our product and service offerings. This investment has resulted in us signing a number of contracts during the period which will start to become revenue generating in the second half and we have a healthy pipeline of prospects. Despite a background of market turbulence we expect to report profits for the year in line with market expectations.

David Anderson
Chairman

Consolidated Statement of Comprehensive Income (unaudited)

		6 months ended 31 August 2012 £'000	6 months ended 31 August 2011 £'000
	Notes		
Revenue	2	27,599	22,384
Cost of sales		(18,601)	(14,363)
Gross profit		<u>8,998</u>	<u>8,021</u>
Administrative expenses		(4,164)	(3,663)
Other income		856	683
Earnings (EBITDA)		<u>5,690</u>	<u>5,041</u>
Share based payments		(243)	(260)
Depreciation and Amortization and share option expense		(1,374)	(1,213)
Results from operating activities		<u>4,073</u>	<u>3,568</u>
Financial income		1	-
Financial expenses		(328)	(202)
Finance translation charge		(374)	(96)
Net financing costs		<u>(701)</u>	<u>(298)</u>
Profit before tax and associate income		<u>3,372</u>	<u>3,270</u>
Income from associates		95	132
Profit before tax		<u>3,467</u>	<u>3,402</u>
Income tax expense		(659)	(738)
Profit for the period		<u><u>2,808</u></u>	<u><u>2,664</u></u>
Earnings per Share		Pence	Pence
Basic	4	<u>16.7</u>	<u>16.3</u>

Consolidated Statement of changes in equity

	Share capital	Share premium	Shares option reserve	Revaluation reserve	Currency translation adjustment	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 March 2011	80	7,846	2,384	174	197	14,207	24,888
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,664	2,664
Other comprehensive income							
Deferred tax on share options outstanding	-	-	74	-	-	-	74
Net gain on net investment in foreign subsidiary and associate	-	-	-	-	195	-	195
Net loss on hedge of movement in foreign subsidiary and associate	-	-	-	-	(100)	-	(100)
Total other comprehensive income	-	-	74	-	95	-	169
Total comprehensive income for the period	-	-	74	-	95	2,664	2,833
Transactions with owners, recorded directly in equity							
Exercise or issue of shares	3	2,295	-	-	-	-	2,298
Share based payment charge	-	-	186	-	-	-	186
Dividends to equity holders	-	-	-	-	-	(1,187)	(1,187)
Total contributions by and distributions to owners	3	2,295	186	-	-	(1,187)	1,297
Balance at 31 August 2011	83	10,141	2,644	174	292	15,684	29,018

Consolidated Statement of changes in equity (continued)

	Share capital £'000	Share premium £'000	Shares option reserve £'000	Revaluation reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2012	83	10,502	2,673	167	290	18,521	32,236
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,808	2,808
Other comprehensive income							
Deferred tax on share options outstanding	-	-	(202)	-	-	-	(202)
Net loss on net investment in foreign subsidiary and associate	-	-	-	-	(696)	-	(696)
Net loss on hedge of movement in foreign subsidiary and associate	-	-	-	-	(18)	-	(18)
Total other comprehensive income	-	-	(202)	-	(714)	-	(916)
Total comprehensive income for the period	-	-	(202)	-	(714)	2,808	1,892
Transactions with owners, recorded directly in equity							
Exercise or issue of shares	2	547	(76)	-	-	-	473
Share based payment charge	-	-	312	-	-	-	312
Transfer or forfeiture	-	-	(10)	-	-	10	-
Dividends to equity holders	-	-	-	-	-	(1,369)	(1,369)
Total contributions by and distributions to owners	2	547	226	-	-	(1,359)	(584)
Balance at 31 August 2012	85	11,049	2,697	167	(424)	19,970	33,544

Consolidated statement of financial position (unaudited)

	As at 31 August 2012 £'000	As at 31 August 2011 £'000	As at 28 February 2012 £'000
Assets			
Property, plant and equipment	12,671	17,143	14,738
Intangible assets	30,551	27,672	30,053
Other financial assets	6,390	6,926	7,059
Trade and other receivables	-	-	437
Deferred tax asset	1,447	2,147	1,750
Non-current assets	<u>51,059</u>	<u>53,888</u>	<u>54,037</u>
Trade and other receivables	18,943	11,345	13,767
Cash and cash equivalents	2,228	1,007	1,318
Assets held for sale	1,967	-	1,598
Current assets	<u>23,138</u>	<u>12,352</u>	<u>16,683</u>
Total assets	<u>74,198</u>	<u>66,240</u>	<u>70,720</u>
Equity			
Share capital	85	83	83
Share premium	11,049	10,141	10,502
Shares option reserve	2,697	2,644	2,673
Revaluation reserve	167	174	167
Currency translation adjustment reserve	(424)	292	290
Retained earnings	19,970	15,684	18,521
Equity attributable to shareholders	<u>33,544</u>	<u>29,018</u>	<u>32,236</u>
Liabilities			
Interest bearing borrowings	18,536	19,114	18,598
Deferred tax liability	2,301	1,412	2,224
Contingent deferred consideration	-	1,926	-
Provisions	-	357	-
Trade and other payable	2,196	2,053	2,901
Non-current liabilities	<u>23,033</u>	<u>24,862</u>	<u>23,723</u>
Interest bearing borrowings	3,460	2,239	3,603
Trade and other payables	9,247	6,346	7,456
Current tax payable	1,044	1,773	702
Employee benefits	3,222	1,441	2,110
Contingent deferred consideration	648	561	890
Current liabilities	<u>17,621</u>	<u>12,360</u>	<u>14,761</u>
Total liabilities	<u>40,654</u>	<u>37,222</u>	<u>38,484</u>
Total equity and liabilities	<u>74,198</u>	<u>66,240</u>	<u>70,720</u>

Consolidated statement of cashflows (unaudited)

	6 months ended 31 August 2012 £'000	6 months ended 31 August 2011 £'000
Cashflows from operating activities		
Profit before taxation	2,808	2,664
Net finance costs	702	202
Share of profit of associate	(95)	(132)
Depreciation	367	405
Amortisation of intangible assets	1,006	808
Gain on sale of property, plant and equipment	(535)	(154)
Equity settled share-based payment transactions	243	260
Tax expenses	659	738
	<hr/> 5,155	<hr/> 4,791
<i>Changes in:</i>		
Trade and other receivables	(5,113)	1,298
Trade and other payables	2,181	(2,370)
Taxes	(135)	(261)
Net cash from operating activities	<hr/> 2,088	<hr/> 3,458
Cash flows from investing activities		
Interest received	1	-
Acquisition of property, plant and equipment	(841)	(649)
Disposal of property, plant and equipment	2,849	1,467
Acquisition of intangible assets	(1,920)	(1,894)
Dividend received from associate	776	573
Payment of deferred consideration	(233)	(3,040)
Net cash generated/(used) in investing activities	<hr/> 632	<hr/> (3,543)
Cash flows from financing activities		
Proceeds from issue of share capital	471	215
Receipt of new long term loan	2,730	-
Repayment of borrowings	(2,783)	(1,289)
Payment of finance lease liabilities	(153)	(26)
Interest paid	(328)	(202)
Dividends paid	(1,349)	(1,187)
Net cash from financing activities	<hr/> (1,412)	<hr/> (2,489)
Net increase/(decrease) in cash and cash equivalents	1,308	(2,574)
Cash and cash equivalents at 1 March 2012	1,318	3,501
Effects of exchange rate changes on cash and cash equivalents	(398)	80
Cash and cash equivalents at 31 August 2011	<hr/> 2,228	<hr/> 1,007

Notes to the Interim Results

1 Basis of Preparation

The results for the six months ended 31 August 2012 are unaudited and have not been reviewed by the Company's Auditors. They have been prepared on accounting basis and policies that are consistent with those used in the preparation of the financial statements of the Company for the year ended 29 February 2012.

The financial statements contained in this report do not constitute statutory accounts within the meaning of Section 477 of the Companies Act 2006. The results for the period ended 29 February 2012 were prepared under International Financial Reporting Standards (IFRSs) as adopted by the EU ("adopted IFRSs") and reported on by the auditors and received an unqualified audit report. Full accounts for the period ended 29 February 2012 have been delivered to the Registrar of Companies.

2 Segmental Reporting

Revenue by division

	Consulting division		Software division		Total	
	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Total Segment Revenue	20,063	15,355	7,536	7,029	27,599	22,384

Revenue by geographical location

	UK		Rest of Europe		America		Australasia		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue from external customers	9,887	10,189	3,569	1,776	11,455	8,684	2,688	1,735	27,599	22,384

3 Dividends

An Interim Dividend of 3.1p per share is proposed for the six months to 31 August 2012. This will be paid to shareholders on 6 December 2012 to shareholders on the register on 16 November 2012. The shares will be marked Ex-Dividend on 14 November 2012.

4 Earnings per Share

The earnings per share for the six months ended 31 August 2012 has been calculated on the basis of the profit after taxation of £2.8m (H1 2011: £2.7m). Earnings per share of 16.7 pence have been calculated based on the weighted average number of shares for the period being 16,823,147 (H1 2011: 16,375,816).

5 Interim Report

Copies can be obtained from the Company's head and registered office: 3 Canal Quay, Newry, Co. Down, BT35 6BP and are available to download from the Company's website www.firstderivatives.com.