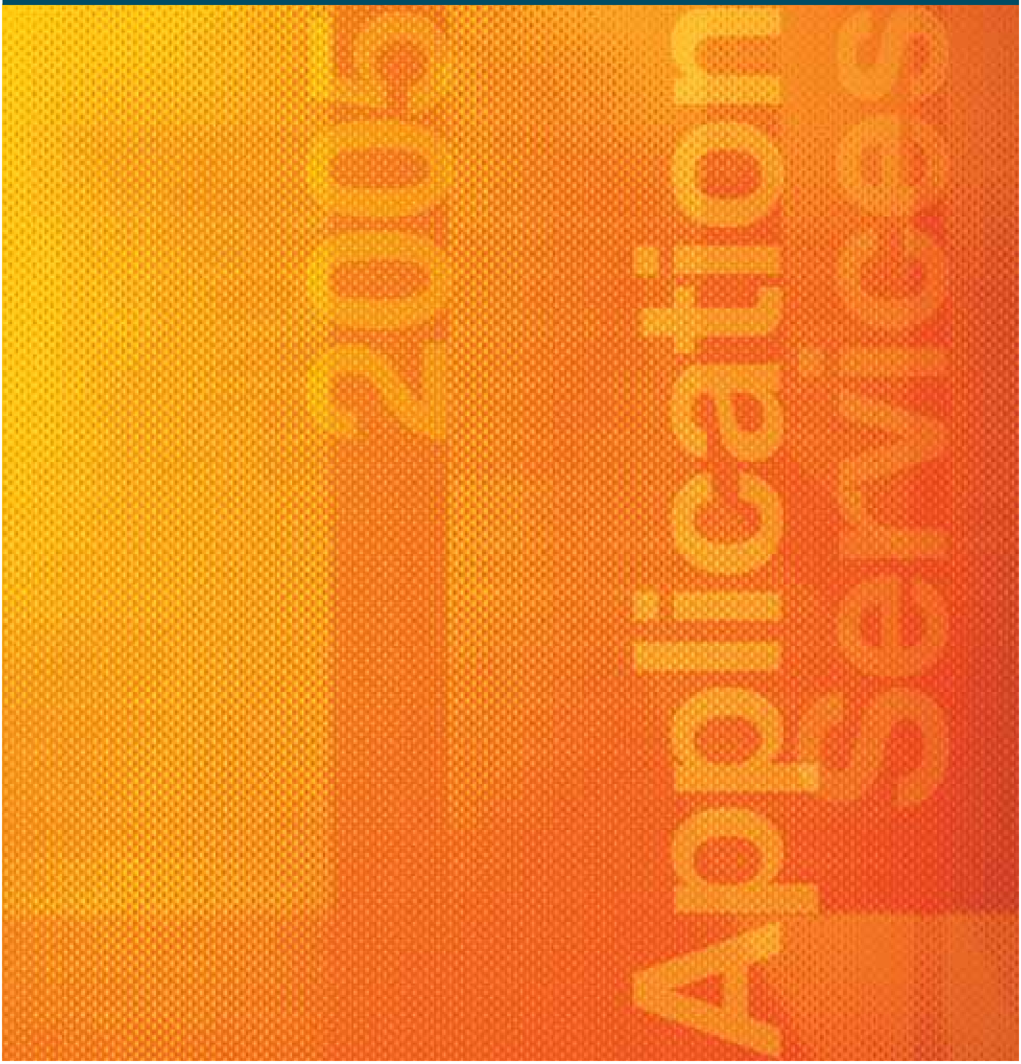
FFastFill Plc

Interim Financial Report

For the six months ended 30 September 2005



FFastFill Plc

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Chairman's statement

Introduction

It has been a period of solid progress during which we have continued to invest to consolidate our position as the leading provider of application services to the derivatives industry. We have now laid the foundations to support the sales and the financial success that we set out to achieve when we first refocused the company as an Application Service Provider.

In the six months to 30 September 2005 we have:

- Grown total revenue to £2.277m (30 September 2004: £1.867m) up 22%, with revenue from continuing operations up 44%
- Grown our application services revenue to £1.069m (30 September 2004: £342k), up 213%
- Grown the 12 months committed Revenue to £4.57m (30 September 2004: £3.764m), up 21%
- Won two new major institutional customers: Bear Stearns and JP Morgan
- Won the contract for the CBOT new order management system based on our FFastTrack system.
- Made further progress in migrating the Future Dynamics customer base to the FFastFill application service.
- Established our first partnership, with Trading Technologies, to deliver their front-end trading screen as a service, initially from our Chicago data centre.
- Increased our investment in our new software architecture and functionality to provide a modern, flexible software service platform.

Financial review

Revenue grew to £2.277m (30 September 2004: £1.867m), a growth of 22%. Our continuing operations revenue growth was 44%. The PBT loss was £1.566m (30 September 2004: £1.594m).

Operating costs were £2.981m, (30 September 2004: £2.429m) as a result of our decision to increase discretionary development cost, and also due to the addition of our data centre in Chicago, our second data centre in London, and because of the inclusion of six months of Future Dynamics costs compared with three months last year. Despite this investment, operating costs were maintained at a level slightly below the second half of last year (£3.010m). The decision to increase the discretionary development investment was to ensure that we complete the functionality transfer from our existing products and add new features to our new generation software offering.

The Future Dynamics acquisition has been fully integrated into FFastFill and has contributed a profit in the twelve months since the acquisition.

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Chairman's statement – continued

The cash balance at 30 September 2005 was £2.465m compared to £911k at 31 March 2005. A Placing of £3.1m was approved at an EGM on 23 May 2005. We also took out a finance lease (£398k) on the equipment for one of our major customers. Cash outflow from operating activities was £989k which was similar to last year. Capital expenditure, at £902k, is significantly higher than the first half of last year as we have been building our second UK data centre and installing our first major application services customer.

Operational review

Strategy: The core strategy of delivering application services has not changed. As a result of our continuing investment programme, we will soon be one of the only companies in the industry to successfully complete the development of software based on modern technology and a service-oriented architecture. This will put us in an excellent position to grow in the months and years ahead as our architecture is both scaleable and flexible.

We have established the first third party software service with the announcement of the Trading Technologies distribution agreement. We expect to announce more of these agreements in the future. We have always intended that our application service would integrate our own functionality with that of other ISVs who have a strong presence in a particular market segment.

We have expanded the role of our software development team by integrating them with our software consulting business. This enables us to provide a bespoke software development service for our key customers that is integrated with our standard functionality. This capability complements our application services offering by providing our key customers with flexible development resources that can meet their specific functionality requirements. It enhances our overall reputation with these key customers and builds up our development team's knowledge base.

Business development: We are continuing to win new business and migrate existing customers to the new FFastFill application service. It has, however, taken longer than we anticipated to sign contracts after the initial verbal agreement to proceed. This has had a short-term impact on our revenue growth. This situation is not unique to us when dealing with large institutional customers, and we are optimistic that we will improve the pace of closure as we gain more experience of the practical issues of dealing with the procurement processes of these large institutions.

We now have six institutional customers signed and are in negotiations with two more for the Reuters CME FX service. The overall project rollout has been slower than expected. Whilst some of the delays have been due to 'bedding down' issues with the new technology, there have been challenges, as institutions have needed to change their back office processes so as to exploit this new capability. Growth in this area is expected to pick up in the second half of the financial year and we are still expecting to see a good rate of return on this project over the coming years.

The CBOT order management win in October in a highly competitive bid has not only enhanced our reputation with CBOT but is opening up a new market opportunity for order management systems within other exchanges. These opportunities will not have any immediate impact on this financial year but provides us with good opportunities for 2006/7.

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Chairman's statement – continued

USA: Hamish Purdey was appointed President of FFastFill Inc in June after 4 years in FFastFill Europe and Asia. We now have the Chicago data centre fully operational and the first TT customer is 'live'. We have made the US our centre of excellence for the initial delivery of third party software services. The combination of the CBOT win, our traditional application services and the delivery of the TT service will provide the basis for the US business moving into profitability.

Asia: We are continuing to evaluate prospects in Asia including China. We are implementing plans to make available the Sydney, Singapore and Hong Kong Futures exchanges on our application service during next year. We are currently trialling our application service delivered from Chicago into Singapore and Hong Kong to assess what local infrastructure is required to optimise the service. This evaluation will be completed by 31 March 2006 and will determine the service offering in Asia for the next financial year. China is the big prize in the region and we agree with the industry view that in the medium to long term China will become a significant Futures market particularly with the moves towards a floating currency. We have invested our knowledge, experience and some limited cash in order that we can take advantage of the opportunity when it opens up.

Staff: We have continued to see remarkable commitment from our staff in support of our customers and business objectives. We continue to keep a tight reign on the numbers of staff in order to hold costs down. However, we will need to add some critical skills as we grow to cover the increasing workloads, this will include additional resources to expand shift working by our support teams. We will also be adding up to 20 additional software developers by 31 March 2006 since the demand for our software development activity is growing significantly. Contracted revenues will cover all these costs.

Corporate development: Following the successful integration of Future Dynamics, we continue to look for further value-enhancing acquisitions. The board believes there are consolidation opportunities in the sector and the management have the experience to evaluate and implement appropriate opportunities.

Outlook

The company continues to make good progress against its business goals. We have chosen to continue to invest, at the expense of short-term profitability, because of the potential increased shareholder value that is being created over the medium to long term. As a result of this investment and the timing of contract signings and user growth, we are now expecting to report a small reduction in the losses for the full year compared to last year. However, we are expecting to be able to move into profit as we exit this financial year provided we are able to grow user numbers within our existing customers and to sign a relatively few more new customers.

Keith Todd
Executive Chairman
17 November 2005

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Consolidated profit and loss account

for the period ended 30 September 2005

	Notes	Six months ended 30 September 2005 (unaudited) £'000	Six months ended 30 September 2004 (unaudited) £'000	Year ended 31 March 2005 (audited) £'000
Turnover				
– continuing operations		2,277	1,583	4,004
– discontinued operations		–	284	323
		2,277	1,867	4,327
Administrative expenses – other				
– continuing operations		(3,929)	(2,721)	(6,470)
– discontinued operations		–	(468)	(565)
		(3,929)	(3,189)	(7,035)
Administrative expenses – exceptional				
– continuing operations		–	(92)	(92)
		–	(92)	(92)
Other operating income		31	–	51
Operating loss				
– continuing operations		(1,621)	(1,230)	(2,507)
– discontinued operations		–	(184)	(242)
		(1,621)	(1,414)	(2,749)
Exceptional items -- reorganisation costs	2	–	(240)	(219)
Interest receivable and similar income		56	61	99
Interest payable and similar charges		(1)	(1)	(10)
Loss on ordinary activities before taxation		(1,566)	(1,594)	(2,879)
Tax on loss on ordinary activities	3	–	–	(7)
Loss on ordinary activities after taxation		(1,566)	(1,594)	(2,886)
Minority interest		–	3	4
Loss for the period attributable to shareholders		(1,566)	(1,591)	(2,882)
Basic and diluted loss per share	4	(0.70p)	(1.00p)	(1.60p)

Consolidated statement of total recognised gains and losses

for the period ended 30 September 2005

	Six months ended 30 September 2005 (unaudited) £'000	Six months ended 30 September 2004 (unaudited) £'000	Year ended 31 March 2005 (audited) £'000
Loss for the financial period	(1,566)	(1,591)	(2,882)
Currency translation differences on foreign currency net investments	11	1	(83)
Total recognised gains and losses relating to the period	(1,555)	(1,590)	(2,965)

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Consolidated balance sheet

as at 30 September 2005

	Notes	As at 30 September 2005 (unaudited) £'000	As at 30 September 2004 (unaudited) £'000	As at 31 March 2005 (audited) £'000
Fixed assets				
Goodwill		1,713	664	1,799
Tangible assets		1,746	752	1,139
		3,459	1,416	2,938
Current assets				
Debtors		951	1,131	2,666
Cash at bank and in hand		2,465	3,210	911
		3,416	4,341	3,577
Creditors: amounts falling due within one year		(1,564)	(1,687)	(1,978)
Net current assets		1,852	2,654	1,599
Total assets less current liabilities		5,311	4,070	4,537
Creditors: amounts falling due after more than one year		(257)	–	–
Deferred Income		(1,041)	(1,279)	(1,953)
Net assets		4,013	2,791	2,584
Capital and reserves				
Called up share capital	5	2,391	1,947	1,949
Share premium account	5	25,706	21,988	23,156
Other reserves	5	235	235	235
Merger reserve	5	890	890	890
Profit and loss account	5	(25,209)	(22,279)	(23,654)
Equity shareholders' funds		4,013	2,781	2,576
Minority interest		–	10	8
Total capital employed		4,013	2,791	2,584

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Consolidated cash flow statement

for the period ended 30 September 2005

	Notes	Six months ended 30 September 2005 (unaudited) £'000	Six months ended 30 September 2004 (unaudited) £'000	Year ended 31 March 2005 (audited) £'000
Net cash outflow from operating activities	A	(989)	(1,222)	(2,859)
Returns on investments and servicing of finance				
Interest received		56	61	99
Interest paid		(1)	(1)	(10)
Net cash inflow from returns on investments and servicing of finance		55	60	89
Taxation				
Overseas tax paid		–	–	(7)
Capital expenditure				
Purchase of tangible fixed assets		(902)	(451)	(1,138)
Acquisitions				
Purchase of subsidiary undertakings		–	(36)	(36)
Net cash acquired with subsidiary undertaking		–	75	75
		–	39	39
Financing				
Issue of ordinary shares		2,992	3,818	3,821
Sale and leaseback		398	–	–
Capital element of finance lease payments		–	(1)	(1)
Net cash inflow from financing		3,390	3,817	3,820
Increase/(decrease) in cash	B	1,554	2,243	(56)

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Notes to the cash flow statement

A. RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOW

	Six months ended 30 September 2005 (unaudited) £'000	Six months ended 30 September 2004 (unaudited) £'000	Year ended 31 March 2005 (audited) £'000
Operating loss	(1,621)	(1,414)	(2,749)
Reorganisation costs of subsidiaries acquired during the year	–	(161)	(177)
Depreciation	295	175	359
Amortisation	86	36	130
Foreign exchange movements	11	(72)	32
Decrease/(increase) in debtors	1,715	317	(1,218)
(Decrease)/increase in creditors	(1,475)	(103)	764
Net cash outflow from operating activities	(989)	(1,222)	(2,859)

B. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Six months ended 30 September 2005 (unaudited) £'000	Six months ended 30 September 2004 (unaudited) £'000	Year ended 31 March 2005 (audited) £'000
Increase/(decrease) in cash in the period	1,554	2,243	(56)
Repayment of finance leases	–	1	1
Finance lease	(398)	–	–
Net funds at beginning of period	911	966	966
Net funds at end of period	2,067	3,210	911

C. ANALYSIS OF CHANGES IN NET FUNDS

	As at 1 April 2005 (audited) £'000	Cash flows (unaudited) £'000	As at 30 September 2005 (unaudited) £'000
Cash at bank and in hand	911	1,554	2,465
Finance leases	–	(398)	(398)
	911	1,156	2,067

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Notes to the interim results

1. ACCOUNTING POLICIES

The accounts have been prepared on the basis of the accounting policies set out in the audited accounts for the year ended 31 March 2005.

Going concern

The directors have prepared the accounts on a going concern basis.

During the period, the group made losses of £1,566,000 and had net assets at 30 September 2005 of £4,013,000 (including Cash at bank and in hand: £2,465,000). As disclosed in the Chairman's Statement on pages 1 to 3, the directors have taken steps to further develop the group's range of products and services, which they expect to lead to new customer contracts and an increase in the number of users of existing contracts later this year. On this basis, the directors have prepared the accounts on the going concern basis.

2. EXCEPTIONAL ITEMS

Exceptional items relate to the reorganisation costs of integrating Future Dynamics Limited into FFastFill plc and its subsidiaries.

3. TAX ON LOSS ON ORDINARY ACTIVITIES

The group has no liability to Corporation Tax as the group made a loss for the purposes of Corporation Tax.

4. LOSS PER SHARE AND DILUTED LOSS PER SHARE

Loss per share is calculated by dividing the loss attributable to ordinary shareholders for each period by the weighted average number of ordinary shares in issue during each period, as follows:

	Six months ended 30 September 2005 (unaudited)	Six months ended 30 September 2004 (unaudited)	Year ended 31 March 2005 (audited)
Loss attributable to shareholders	£1,566,000	£1,591,000	£2,882,000
Weighted average number of shares	226,076,286	165,960,209	181,494,031

For the purposes of dilution, share options are non-dilutive.

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Notes to the interim results – continued

5. STATEMENT OF MOVEMENT ON SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium account £'000	Other reserves £'000	Merger reserve £'000	Profit and loss account £'000	Share-holders' funds £'000
At 1 April 2005 (audited)	1,949	23,156	235	890	(23,654)	2,576
Loss for the period	–	–	–	–	(1,566)	(1,566)
Issue of shares	442	2,550	–	–	–	2,992
Foreign exchange movement	–	–	–	–	11	11
At 30 September 2005 (unaudited)	2,391	25,706	235	890	(25,209)	4,013

6. FINANCIAL INFORMATION

The financial information set out in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the six month periods ended 30 September 2005 and 2004 is unaudited. Information relating to the year ended 31 March 2005 is derived from the statutory accounts for that period, which have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

7. INTERIM DIVIDEND

The directors do not wish to declare an interim dividend.

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