Fidessa group plc

Preliminary results for the year ended 31st December 2009

15th February 2010

Fidessa reports strong growth and declares 40p special dividend in volatile year

	2009	2008	Change	At constant currency
Revenue	£238.5m	£189.1m	+26%	+17%
Adjusted operating profit[1]	£36.0m	£26.8m	+34%	+23%
Operating profit	£29.9m	£22.5m	+33%	
Adjusted pre-tax profit[1]	£36.2m	£27.6m	+31%	
Pre-tax profit	£31.0m	£36.0m	-14%[2]	
Adjusted diluted earnings per share[1]	68.8p	51.8p	+33%	
Diluted earnings per share	58.9p	79.1p	-26%[2]	
Annual dividend per share	30.0p	24.5p	+22%	
Special dividend per share	40.0p	0p	-	

[1]Adjusted where relevant to remove the effect of Touchpaper gains, acquisition intangibles amortisation, patent dispute settlement, Lehman receivable write off and notional interest charge

[2]2008 includes the exceptional gain from the Touchpaper disposal

Highlights for the year ended 31st December 2009:

- Revenue up 26% to £239m.
- Recurring revenue now accounting for 81% of total revenue.
- Cash of £45m and no debt, with operating cash flow of £60.3m and 167% operating cash conversion.
- Special dividend of 40p per share declared.
- Consultancy revenue remaining solid.
- Increased market share despite difficult markets, illustrated through growth in customer numbers, users and transaction volumes, emphasising the underlying strategic strength of the business.

Commenting on these results, Chris Aspinwall, Chief Executive, said:

"Despite the challenging market conditions **Fidessa** has continued to deliver high growth for 2009 as a whole. This growth has benefited from sterling's weakness compared to the prior year but even at constant currency the underlying growth rate is still strong across the year.

Whilst stability started to return to the market during 2009, conditions remained difficult for much of the year with customers under pressure to reduce their costs and higher levels of consolidation across the industry. During 2009 we have seen a mixture of conditions within our customer base, with some expanding to take advantage of market improvements whilst others are still finding conditions extremely challenging with pressure particularly acute across our buy-side customers. Overall, we have been able to make good progress across both existing accounts and new business

lines, enabling our customers to take advantage of new opportunities that are arising whilst also helping them to control the costs of operating their core business. The strength of our business has been reflected in a number of key metrics including the number of users of our services and the transaction volumes going through our network. This strength has also been reflected in our cash balance which has enabled us to declare a special dividend of 40p, the third time we have been able to return cash to shareholders in this way."

Commenting on current trading, Chris Aspinwall, continued:

"Through the end of 2009 market conditions have steadily improved. However, we expect that the macro economic situation and the possibility of government regulation will continue to make 2010 particularly difficult to predict. On the assumption that markets remain reasonably stable we believe that we can continue to deliver good growth for 2010 as a whole. However, the impact of higher levels of consolidation and business closures within our customer base during 2009, will inevitably have some effect on our growth during 2010. As a result we do not believe that the overall rate of growth in 2010 will be as high as that seen during 2009.

Overall, we expect that 2010 will bring more clarity around the future structure of the financial industry and we are confident that **Fidessa** will continue to play an important role in providing the solutions the industry needs. As a result, we expect that we will see further significant growth opportunities and will maintain our strategy of investment in the business as we develop these solutions across all the regions in which we operate."

Financial Summary

In 2009 strong growth in revenue has been achieved, up 26% to £238.5 million (2008: £189.1 million). The growth has been assisted by sterling's weakness, especially in the early part of the year. At constant currencies the revenue growth was 17%. The global financial crisis of 2008 has resulted in some impact on the growth rate because of insolvencies, sector consolidation and cost cutting. In the absence of these events the growth in 2009 could have been at least six percentage points higher. There has been some evidence of a slowing in the frequency of these events, but the time delay in them being fully reflected in revenue means that the impact on revenue in 2010 may be slightly greater than that in 2009.

Recurring revenue continued to provide the momentum growing by 32% to be 81% of revenue (2008: 77%). Growth continued to be strong across all regions and consultancy revenue grew by 5% to £44.6 million, representing 19% of total revenue. The deferred revenue in the balance sheet at the end of the year was £47.7 million, an increase of 25% in the year and represents around a fifth of 2009 revenue which can all be recognised in the current financial year.

Looking at the breakdown of recurring revenue across **Fidessa**'s areas of focus, indicative values for the year are that £122 million (2008: £91 million) arose from sell-side trading, £14 million (2008: £12 million) from buy-side trading, £37 million (2008: £27 million) arose from connectivity and £21 million (2008: £17 million) from market data.

Strong growth in EBITDA (earnings before interest, tax, depreciation and amortisation and adjusted for capitalised product development) and operating profit has also been achieved. EBITDA has increased by 41% to £43.5 million (2008: £30.8 million). The adjusted operating profit was up 34% to £36.0 million (2008:£26.8 million). This represents an operating margin of 15.1% for the year, up from 14.2% for 2008. The profit growth has also been assisted by sterling being weaker and at constant currencies the adjusted operating profit growth was 23%. The adjusted operating profit has been measured before the amortisation of acquired intangibles and with the settlement of the patent dispute and Lehman Brothers receivable write off removed from the comparable

period. The unadjusted operating profit was up 33% to £29.9 million (2008: £22.5 million). In order to be more prudent and consistent, the estimated lives of the complete technology and marketing related intangible assets arising from the LatentZero acquisition have been reduced and as a result the amortisation of the acquisition intangibles has increased to £6.1 million (2008: £2.6 million).

In 2008 the disposal of the investment in Touchpaper provided a material gain and this, combined with the reduction in interest rates on bank and other deposits, accounts for the decrease in finance income to £1.2 million (2008: £13.9 million). In 2009 income of £1.0 million has been recognised relating to the Touchpaper disposal as one of the retentions was settled and the potential receipt from the remaining retention was reassessed.

The underlying tax rate was 33.3%, being an improvement from the 35.5% incurred in 2008. This measure excludes the affect of the majority of the Touchpaper gains being non-taxable. The effective tax rate including these gains is 32.2% (2008: 23.1%). The cash tax rate continues to be materially lower than the charge in the income statement and was 28.5% in the period.

Diluted earnings per share, adjusted for the operating profit adjustments and to exclude the notional interest charge and Touchpaper gains, which the directors believe provides a better indication of the underlying performance of the business, have increased by 33% to 68.8 pence (2008: 51.8 pence). The IFRS diluted earnings per share were 58.9 pence (2008: 79.1 pence), a decrease of 26% due to 2008 including the majority of the Touchpaper gain.

The business continues to be strongly cash generative closing the year with a cash balance of £45.5 million (2008: £33.1 million) and no debt. The market conditions impacted cash collections in the first half of the year but an improving trend has been noticeable in the second half, contributing to the positive working capital performance for the year. During the year the final part of the contingent consideration for the LatentZero acquisition was paid and capital expenditure was 6% of revenue. The net cash generated from operating activities was £60.3 million, representing an operating cash conversion rate of 167%.

A second interim dividend has been declared by the directors in place of a final dividend for 2009. The second interim dividend is 60.0p per share and comprises 20.0p per share as a replacement for a final dividend for 2009 and 40.0p per share as a special dividend, in recognition of the strong growth in the cash balance. This will be the third occasion that the Group has returned cash to shareholders in the form of a special dividend. The second interim dividend will be payable on 29th March 2010 to shareholders on the register at the close of business on 5th March 2010, with an ex-dividend date of 3rd March 2010.

Market Review[1]

Introduction

As 2009 progressed, a degree of stability returned to the financial markets. However, the effects of the events of 2008 continued to be felt with significant cost pressure throughout the industry. This resulted in higher levels of consolidation and business closure particularly amongst **Fidessa**'s buy-side and smaller sell-side customers, with a total of around 12 significant customers either ceasing trading or consolidating with another firm during 2009. **Fidessa**'s larger customers on the sell-side, where the conditions in 2008 resulted in capacity being rapidly removed from the

1The Market Review addresses the structure of the marketplace and therefore differs from the segment reporting which reflects the structure of the business operations focused on the method of delivery to the marketplace.

market, saw somewhat of a resurgence in 2009 as these firms benefited from stabilised balance sheets and were able to expand in a less competitive market.

Although there has been some negative impact from the market conditions, some of the changes have been beneficial for **Fidessa**, such as increased fragmentation of liquidity as participants search for lower cost execution. There has also been an increased requirement for automated and smart trading solutions and more focus on multi-asset class support and cross border trading as all participants seek to leverage their cost base to maximum effect.

Although there has been acute pressure across the market to reduce headcount, this has not been reflected in the number of users taking **Fidessa** solutions as any losses have been more than offset by gains from new customer wins. There has also been no reduction in the transaction volumes across **Fidessa**'s network as **Fidessa** has continued to win market share. The total number of **Fidessa** positions increased to over 24,500 (from around 22,000 at the end of 2008) and the total number of messages across **Fidessa**'s global connectivity network increased by around 40% to 250 million messages per month.

Across the market a number of trends are expected to develop further in 2010. Fragmentation of liquidity is expected to increase with more firms making use of the existing alternative trading venues and the venues themselves spreading into the regions allowing more cost effective execution across the world. Many market participants also look set to continue their regional expansion as they look to leverage their core franchise more widely and a similar driver is also likely to fuel multi-asset requirements across both the buy-side and the sell-side. There is also an expectation that there will be a closer alliance between the buy-side and sell-side from a technology perspective, as buy-side firms look at different models to fund their technology requirements, increasingly bringing this funding inside their total execution cost.

After the crisis in 2008 there was a strong expectation across the industry of increased regulation. This regulation failed to materialise in 2009 and it is now widely expected that it will start to take shape in 2010. Some of the options being publicly aired are quite radical and at the present time it is very difficult to predict what the impact of this will be on the financial industry and consequently on **Fidessa.** Many of **Fidessa**'s customers are looking closely at possible regulation and tax changes and it is expected that there may be some relocation of elements of these customers businesses as they look to optimise their locations in the light of new regulation. Overall, whilst the impact of new regulation is currently very much unknown, it is likely to result in changes to workflow, increased reporting requirements and may even lead to the break up of some firms, reversing the impact of the consolidation seen recently. All of these are likely to be positive for **Fidessa** as they result in increased demand for world class compliance and automation solutions which can operate in the new environment in an extremely cost effective way.

Buy-side Trading

During 2009 the markets have been challenging for buy-side firms with an unpredictable investment climate combined with pressure on fee income. This has resulted in a number of buy-side firms reviewing their operations and significant consolidation within the industry including at larger firms. There has, however, been a continued stream of additional projects mainly focused around reducing the total cost of ownership of the systems that are used. This has manifested in customers looking for wider asset class support within the **Fidessa LatentZero** product set so that they can maximise the value they get from these products across their business.

In anticipation of additional regulation of the financial markets, interest continues for solutions to assist with compliance and operational control. This is an area in which **Fidessa** is particularly well

positioned and **Fidessa**'s lead was once again confirmed when the **Fidessa LatentZero** compliance module, Sentinel, took Product of the Year at the Buy-Side Technology Awards as well as being named best buy-side compliance product for the second year running. **Fidessa** plans to build on this lead with further investment planned throughout 2010.

During 2009 **Fidessa** has continued to make progress with the buy-side in Asia, with LIM Advisors Limited, an Asian-based multi-strategy investment group with approximately US$900 million in assets under management, successfully going live with the full **Fidessa LatentZero** front office suite. **Fidessa** has also been successful in China, where the introduction of the QDII rules (Qualified Domestic International Investor) has enabled some larger Chinese asset managers to invest outside of China. These firms need access to the best available technology to support their international business strategy and **Fidessa** has already signed its first Chinese customers.

The focus on total cost of ownership has also driven buy-side firms to consider hosted solutions as an alternative to owning and operating their own technology. At the end of 2009 **Fidessa** launched LatentZero as a Service, giving customers the opportunity to access a comprehensive workflow solution at a very attractive price. The solution leverages the infrastructure, data centres, network and high quality data services that **Fidessa** already has in place for its sell-side operations.

The **Fidessa LatentZero** execution management workstation (EMS), which provides order routing and execution tools for non-member firms to trade financial markets, has continued to expand its customer base with the addition of over 30 customers. In addition to the new customers, the attraction of the **Fidessa LatentZero** EMS as a means for accessing brokers has resulted in an increase of more than 50% in the total number of connections taken through the product as existing customers increase their usage. During 2009 **Fidessa** has continued to invest in the EMS product adding support for program and basket trading as well as introducing support for US equity options. All of this functionality successfully went live during 2009 and is expected to contribute to further growth for this product during 2010.

Global Connectivity

Despite challenging market conditions, the rising demand for electronic connectivity for trading the world's financial markets has continued unabated. Changing regulations mean the number of new alternative trading venues is increasing and the corresponding fragmentation of liquidity across these new venues, as well as across traditional exchanges, persists. This, combined with factors such as the growing demand for high performance, low-latency trading links, has helped fuel the on-going growth of **Fidessa**'s leading global connectivity solution.

Many buy-side firms are now looking to spread their trading risk by connecting electronically to a large number of sell-side brokers instead of just a few. This, coupled with a desire to cover more asset classes as well as more international markets, means they now need connectivity to a more diverse selection of brokers and venues around the globe. The communications infrastructure needed to facilitate all this is large and complex, and their desire to outsource is helping to drive the need for comprehensive connectivity solutions such as **Fidessa**'s.

Sell-side firms too are looking to diversify the services they offer and expand their geographic reach as they strive to succeed in an increasingly competitive world. Many of their new services such as algorithmic trading systems, dark pools and smart order routing services are reliant on fast communications links, and so the desire from both the buy-side and sell-side for electronic connectivity to access these new services continues. The ever evolving market landscape presents additional challenges to the brokers too, as changing regulations drive the emergence of new venues, the launch of new services from existing venues and the ongoing fragmentation of

liquidity around the world. All this means these brokers need fast, comprehensive market connectivity to ensure they can continue to offer attractive services to their clients as well as meet their obligations to achieve best possible transaction prices for them.

Fidessa believes that the interaction between buy-side and sell-side firms will become increasingly electronic, driven by lower cost, improved compliance, a growing familiarity with electronic trading and a desire to standardise on common mechanism. As such **Fidessa** believes that over time sell-side firms will have electronic connections to virtually all their clients making this an exciting growth market for **Fidessa**. In order to encourage this **Fidessa** is at the forefront of making electronic communication more cost effective by reducing the overall cost of each link to the participants.

During 2009, the **Fidessa** network has continued to expand and now encompasses over 2,300 buy-side firms, around 500 sell-side brokers and connects to 130 trading venues around the world. Usage of the network has continued to rise too with a 40% increase in traffic to around 250 million messages per month which carries a business flow of around $640 billion dollars on a monthly basis. Advanced trading practices such as algorithmic trading and high frequency trading have helped fuel the expansion of network activity as well as drive the need for super fast, highly resilient connectivity.

In response to all this **Fidessa** has continued with its investment in its network infrastructure, with larger, faster network pipes and expanded data centre facilities. Coverage has also been extended with the addition of new venues and broker services covering more derivatives markets, such as US stock options, and further penetration into regions such as Asia, Latin America and the Middle East. This investment will continue in 2010 with new data centres and network hubs planned to support the emerging regions, and the use of high-performance market gateways co-located at trading venue premises to provide ultra-low latency market access.

Hand in hand with trading connectivity comes the need for fast and accurate market data and **Fidessa** has continued its push in this area by expanding further its global data coverage and launching new data services within its product set. As new trading venues continue to appear, the provision of instrument prices and other market information from all these new systems is an ongoing activity. Hence, **Fidessa** has continued to extend the geographic reach of its data service to match its trading venues by adding additional markets in Asia, Latin America and the Middle East as well as by adding new data sets such as unit trust coverage.

This expansion of coverage will continue in 2010 with fixed income content becoming a particular area of focus. The comprehensive market data that **Fidessa** collects and distributes across its global network is fast becoming a valuable asset in its own right, and the company is now looking to start leveraging this capability further through new product initiatives over the coming year.

As **Fidessa**'s network of buy-side and sell-side customers continues to expand, its real power and value is coming to the fore as other brokers, destinations and investment firms all clamour to become part of this important global trading community. This **Fidessa** community is now seen as a vital link for those serious about trading the world's financial markets, and the reach it gives to firms joining it provides them with a valuable asset that they can leverage to significantly grow their own business.

Sell-side Trading

Fidessa has continued to make good progress with its sell-side offerings, despite the market conditions, taking orders for around 70 new sell-side trading platforms spread across all regions. This has been driven by continued pressure for customers to implement tools to reduce their

operating costs, coupled with demand for new services to help customers leverage the operations they already have in place. In particular, there has been increased demand for **Fidessa**'s suite of advanced trading tools, increased interest in global trading services and demand developing for high frequency trading. **Fidessa'**s success has also continued within the derivative markets with 17 customers now making use of **Fidessa**'s support for derivative markets. These services range from full member trading solutions through to non-member trading solutions taking advantage of the derivative brokers now available through **Fidessa**'s global connectivity network. In the US there has also been particular success with **Fidessa**'s support for US equity options and this is an area which is expected to grow throughout 2010.

During 2009 market conditions resulted in many of **Fidessa**'s smaller hosted customers seeing continued pressure on their margins. This has had an inevitable impact on **Fidessa** with some of these customers reducing the level of service that they took or exploring alternatives. However, the same pressure also benefited **Fidessa** with some customers looking to take **Fidessa** services and switch from other suppliers in order to reduce their costs while maintaining the level of quality and reliability that they need.

Within **Fidessa**'s larger enterprise customers, an appetite for expansion developed during 2009 with many of these customers looking to extend the service that they offer or increase the support they provide within different geographies. As a result, **Fidessa** saw increased demand for support of the Latin American, Nordic and Russian markets with firms looking to support flows in these regions from within their global platform. Development of these markets is expected to continue into 2010 and will provide further growth opportunities within these regions as well as opportunity to extend the breadth of service **Fidessa** is able to offer to existing customers. Growth is also expected to continue across the Canadian market where volumes are rising as a result of increased electronic trading. In this market demand from smaller brokers is expected to grow as the market regulator ensures firms comply with market integrity rules meaning that the smaller brokers will require access to more sophisticated technology.

Fidessa's success in Asia continued with strong growth for the sell-side platform with 6 additional customers signed. Interest in the region has increased as US and European firms expand their operations to take advantage of greater growth opportunities in this area of the world and local firms respond with more robust and global solutions. A number of key central markets in the region are upgrading their systems, increasing their performance and making more complex trading strategies possible. This enables **Fidessa** to provide advanced trading tools within the region. There is also increasing interest in low touch trading with firms looking to increase their ability to support DMA (Direct Market Access) flows. Fragmentation looks likely to become an increasingly important element within the region with the launch of Chi-East scheduled for later in 2010. **Fidessa** is also seeing strong interest in India, Thailand and Indonesia as these markets develop further.

Fidessa has continued to invest in the Japanese market supporting the Tokyo Stock Exchange's (TSE) arrowhead initiative. **Fidessa** worked closely with the TSE during 2009 to test arrowhead and ensure that **Fidessa**'s trading platform made full use of all the benefits offered by the new system. **Fidessa**'s solution was independently verified to provide the lowest latency and highest throughput available for this market. The majority of the leading brokers in Japan use **Fidessa** as their execution platform and all were able to go live seamlessly on day one of the new arrowhead system. The launch of arrowhead is expected to change the landscape for trading in Japan by fuelling further the demand for algorithmic trading systems, as well as stimulating interaction between the main exchanges and alternative dark and lit trading venues.

Fidessa's strength in the US market was reaffirmed again in 2009 when **Fidessa** was voted Best Sell-side Order Management System (OMS) in the annual Waters magazine readers' rankings. This was the second straight year **Fidessa** has won top position in this category.

During 2010 **Fidessa** expects that many of the key drivers seen during 2009 will continue, with the focus on regional expansion, advanced trading tools, continued fragmentation and multi-asset class support. It is expected that competition between execution venues will continue to drive development of the core exchange platforms and we expect to see a number of major upgrades including one at the London Stock Exchange which plans to migrate its main cash market from TradElect to the new MillenniumIT platform. All of these upgrades are expected to create opportunities for new services to be offered within these markets.

Market Sizing

Following the events of 2008, **Fidessa** has conducted a further exercise to look at the potential market size for its products. The exercise was comparable to exercises carried out by **Fidessa** in 2005 and 2007. It should be noted that this exercise involves estimation of the number of potential customers in the market, estimation of customer spend and assumptions regarding the applicability of **Fidessa** products to certain markets and the results are necessarily subjective. The conclusion of the market sizing shows **Fidessa**'s estimate of its addressable market has increased to $3.7bn of annual revenue (2007: $2.3bn) despite the recent events in the markets. The primary reasons for this are the increased coverage of **Fidessa**'s products, particularly in the areas of derivative trading, and **Fidessa**'s belief that some product areas, such as execution workstations and connectivity services, have wider applicability than originally assumed.

2009 Important Events

During 2009 the key events in the Group's development have been the implementation of the Group's business plan against the background of the worst recession for several decades. The market has been unpredictable and currency movements have increased the level of risk faced by the Group compared to prior years. Despite this environment the Group has continued to deliver strong growth through focus on market requirements, most notably delivering lower cost of ownership whilst still allowing customers to maintain their position in the market and participate within the more fragmented liquidity environment.

During 2009 the Group has continued with the fit out of new datacentre space in both Europe and North America in order to provide further capacity for growth in its ability to offer software as a service (SaaS) across all its businesses. The Group believes that its range of SaaS offerings will be an increasingly important part of its service in the future.

Other important events are as noted elsewhere in this results announcement.

Risk Factors

As with all businesses, the Group is affected by certain risks, not wholly within its control, which could have a material impact on the Group's performance and could cause actual results to differ materially from forecast and historic results.

The principal risks and uncertainties facing the Group include: the current state of the world's financial markets, regulatory issues affecting **Fidessa** and/or its customers, customers' financial stability and ability to pay, M&A activity within the customer base and within the technology sector, dependence on **Fidessa**'s core technology, competition, levels of operational spending versus revenue, other economic and market conditions, volatile exchange rates, continued service

of executive directors and senior managers, hiring and retention of qualified personnel, product errors or defects, lawsuits and intellectual property claims.

In addition to the foregoing, the primary risk and uncertainty related to the Group's performance for 2010 is the challenging macroeconomic environment caused by the global financial crisis, which could have a material impact on the Group's performance over the year and could cause actual results to differ materially from expected and historical results. A continued downturn in buy-side trading or in company market valuations, or an increase in discount rates, could result in an impairment to the carrying value of goodwill from the **LatentZero** acquisition.

Outlook

Through the end of 2009 market conditions have steadily improved. However, **Fidessa** expects that the macro economic situation and the possibility of government regulation will continue to make 2010 particularly difficult to predict. On the assumption that markets remain reasonably stable **Fidessa** believes that it can continue to deliver good growth for 2010 as a whole. However, the impact of higher levels of consolidation and business closures within its customer base during 2009, will inevitably have some effect on growth during 2010. As a result **Fidessa** does not believe that the overall rate of growth in 2010 will be as high as that seen during 2009.

Overall, **Fidessa** expects that 2010 will bring more clarity around the future structure of the financial industry and is confident that it will continue to play an important role in providing the solutions the industry needs. As a result, **Fidessa** expects that it will see further significant growth opportunities and will maintain its strategy of investment in the business as it develops these solutions across all the regions in which it operates.

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Consolidated Income Statement

for the year ended 31st December 2009

	Note	**2009** **£'000**	2008 £'000
Revenue	2	**238,506**	189,102
Operating expenses before amortisation of acquisition intangibles, patent dispute settlement and Lehman receivable write off	3	**(202,885)**	(162,735)
Other operating income		**388**	392
Operating profit before amortisation of acquisition intangibles, patent dispute settlement and Lehman receivable write off		**36,009**	26,759
Patent dispute settlement		**-**	(980)
Lehman receivable write off		**-**	(626)
Amortisation of acquisition intangibles		**(6,074)**	(2,631)
Operating profit		**29,935**	22,522
Finance income – bank and other		**233**	826
Finance income – gain from Touchpaper		**976**	13,075
Total finance income	5	**1,209**	13,901
Finance cost – notional interest on contingent consideration		**(131)**	(465)
Profit before income tax		**31,013**	35,958
Income tax expense	6	**(10,001)**	(8,293)
Profit for the year attributable to owners of the Company		**21,012**	27,665
Basic earnings per share	7	**59.8p**	80.1p
Diluted earnings per share	7	**58.9p**	79.1p

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2009

	2009	2008
	£'000	£'000
Profit for the year from the income statement	**21,012**	27,665
Currency translation adjustments	**(2,418)**	5,399
Total comprehensive income for the year	**18,594**	33,064

Consolidated Balance Sheet

at 31st December 2009

	Note	**2009** £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment		**29,478**	31,317
Intangible assets		**78,158**	77,150
Deferred tax assets		**5,046**	3,184
Total non-current assets		**112,682**	111,651
Current assets			
Trade and other receivables	9	**71,418**	60,636
Income tax receivable		**1,443**	230
Cash and cash equivalents		**45,475**	33,146
Total current assets		**118,336**	94,012
Total assets		**231,018**	205,663
Equity			
Issued capital		**3,581**	3,517
Share premium		**18,219**	17,020
Merger reserve		**17,938**	13,947
Cumulative translation adjustment		**1,522**	3,940
Retained earnings		**82,055**	65,863
Total equity		**123,315**	104,287
Liabilities			
Non-current liabilities			
Other payables	10	**9,132**	553
Deferred tax liabilities		**5,496**	8,425
Total non-current liabilities		**14,628**	8,978
Current liabilities			
Acquisition consideration		**-**	9,987
Trade and other payables	10	**87,081**	80,320
Current income tax liabilities		**5,994**	2,091
Total current liabilities		**93,075**	92,398
Total liabilities		**107,703**	101,376
Total equity and liabilities		**231,018**	205,663

Consolidated Statement of Changes in Shareholders' Equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2008		3,463	16,488	9,298	(1,459)	44,147	71,937
Profit for the period		-	-	-	-	27,665	27,665
Other comprehensive income for the period		-	-	-	5,399	-	5,399
Total comprehensive income for the period		-	-	-	5,399	27,665	33,064
Issue of shares – acquisition		43	-	4,649	-	-	4,692
Issue of shares - exercise of options		11	532	-	-	-	543
Employee share incentive charges	3	-	-	-	-	1,141	1,141
Current tax recognised direct to equity		-	-	-	-	485	485
Deferred tax recognised direct to equity		-	-	-	-	(463)	(463)
Purchase of own shares by employee share trust		-	-	-	-	(473)	(473)
Sale of own shares by employee share trust		-	-	-	-	112	112
Dividends paid		-	-	-	-	(6,751)	(6,751)
Balance at 31st December 2008		3,517	17,020	13,947	3,940	65,863	104,287
Profit for the period		**-**	**-**	**-**	**-**	**21,012**	**21,012**
Other comprehensive income for the period		**-**	**-**	**-**	**(2,418)**	**-**	**(2,418)**
Total comprehensive income for the period		**-**	**-**	**-**	**(2,418)**	**21,012**	**18,594**
Issue of shares – acquisition		**36**	**-**	**3,991**	**-**	**-**	**4,027**
Issue of shares - exercise of options		**28**	**1,199**	**-**	**-**	**-**	**1,227**
Employee share incentive charges	3	**-**	**-**	**-**	**-**	**1,285**	**1,285**
Current tax recognised direct to equity		**-**	**-**	**-**	**-**	**509**	**509**
Deferred tax recognised direct to equity		**-**	**-**	**-**	**-**	**2,885**	**2,885**
Purchase of own shares by employee share trust		**-**	**-**	**-**	**-**	**(465)**	**(465)**
Sale of own shares by employee share trust		**-**	**-**	**-**	**-**	**497**	**497**
Dividends paid	11	**-**	**-**	**-**	**-**	**(9,531)**	**(9,531)**
Balance at 31st December 2009		**3,581**	**18,219**	**17,938**	**1,522**	**82,055**	**123,315**

Consolidated Cash Flow Statement

for the year ended 31st December 2009

	Note	**2009** **£'000**	2008 £'000
Cash flows from operating activities			
Profit before income tax		**31,013**	35,958
Adjustments for:			
Staff costs – share incentives	3	**1,285**	1,141
Depreciation of property, plant and equipment	3	**12,744**	9,274
Amortisation of product development	3	**11,317**	10,229
Amortisation of acquisition intangibles	3	**6,074**	2,631
Amortisation of other intangible assets	3	**1,490**	1,060
Loss on sale of property, plant and equipment	3	**20**	-
Finance cost		**131**	465
Finance income	5	**(1,209)**	(13,901)
Cash generated from operations before changes in working capital		**62,865**	46,857
Movement in trade and other receivables		**(13,937)**	(13,870)
Movement in trade and other payables		**20,188**	16,431
Cash generated from operations		**69,116**	49,418
Income tax paid		**(8,854)**	(6,731)
Net cash generated from operating activities		**60,262**	42,687
Cash flows from investing activities			
Acquisition of LatentZero		**(6,597)**	(7,753)
Purchase of property, plant and equipment		**(12,440)**	(22,724)
Proceeds from sale of property, plant and equipment		**69**	-
Purchase of other intangible assets		**(1,807)**	(1,010)
Product development capitalised		**(18,100)**	(14,916)
Interest received on cash and cash equivalents		**230**	809
Interest received on Touchpaper loan notes		**-**	488
Proceeds from capital repayment of Touchpaper loan notes	5	**-**	1,900
Proceeds from sale of Touchpaper ordinary and preferred ordinary shares		**346**	11,035
Net cash used in investing activities		**(38,299)**	(32,171)
Cash flows from financing activities			
Proceeds from shares issued		**1,224**	544
Purchase of own shares by employee share trust		**(465)**	(473)
Proceeds from sale of own shares by employee share trust		**497**	112
Dividends paid	11	**(9,531)**	(6,751)
Net cash used in financing activities		**(8,275)**	(6,568)
Net increase in cash and cash equivalents		**13,688**	3,948
Cash and cash equivalents at 1st January		**33,146**	24,820
Effect of exchange rate fluctuations on cash held		**(1,359)**	4,378
Cash and cash equivalents at 31st December		**45,475**	33,146

Notes To The Consolidated Financial Statements

1 Preparation of the Preliminary Announcement

The preliminary results announcement for the year ended 31st December 2009 has been prepared by the directors based upon the results and position which are reflected in the statutory accounts. The statutory accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS").

The financial information for the year to 31st December 2009 and 2008 do not constitute statutory accounts and has been extracted from the Company's consolidated accounts for the year to 31st December 2009.

Statutory accounts for 2008 have been delivered to the Registrar of Companies, and those for 2009 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain statements under section 237(2) or 237(3) of the Companies Act 1985 in respect of the 2008 statutory accounts or under section 498(2) or 498(3) Companies Act 2006 in respect of the 2009 statutory accounts.

2 Segment reporting

The Market Review accompanying these annual financial statements reports on the marketplace that Fidessa addresses and therefore the sub-headings within that section of the report reflect the structure of the marketplace. The segment reporting reflects the structure of the business operations which are focused on the method of delivery to the marketplace.

The business is structured into three business units; Enterprise, Hosted and LatentZero. Shared and support services such as core product development, office costs and overhead functions, are controlled and monitored centrally. The primary management and performance monitoring is undertaken by the Operating Board which comprises the heads of the business units and global functional heads.

The Enterprise business unit is focused on providing tailored solutions for large sell-side customers, packaging and integrating our products, services and consultancy and working with our customers to deliver a complete solution. The Hosted business unit is focused on the software as a service (SaaS) delivery model allowing rapid deployment of complex workflow across a wide sell-side customer base. The LatentZero business unit is focused on providing tailored solutions for large buy-side customers, packaging and integrating our products, services and consultancy and working with our customers to deliver a complete solution. All segments leverage our products in the areas of connectivity and market data across our sell-side and buy-side customer base. The Hosted business unit has responsibility for the provision of the connectivity and market data services. The inter-business unit revenue relates to the provision of the connectivity and market data services and the provision of components of the hosted service for implementation to enterprise customers.

Revenue and direct costs are reported by business unit to present a profit contribution for each unit, such revenue and costs being measured and reported to the Operating Board. The Operating Board monitors overall operating profit excluding amortisation of acquisition intangibles and product development capitalisation and amortisation, which is not an IFRS measure. Finance income, finance costs, assets and liabilities are not reported by business unit.

No single external customer accounts for 10% or more of the Group revenue. Recurring revenue reflects the periodic fees for software and related services that is charged on a rental or subscription basis. Non-

recurring revenue comprises the consultancy fees for implementation, configuration and ongoing support activity.

For the year ended 31st December 2009	Enterprise	Hosted	LatentZero	Total
	£'000	£'000	£'000	£'000
Recurring revenue	**61,117**	**118,368**	**14,450**	**193,935**
Non-recurring revenue	**31,124**	**5,534**	**7,913**	**44,571**
Total revenue from external customers	**92,241**	**123,902**	**22,363**	**238,506**
Inter-business unit revenue	**-**	**11,426**	**1,656**	**13,082**
Business unit profit contribution	**59,286**	**43,654**	**6,882**	**109,822**

A reconciliation of business unit profit contribution to profit before income tax is provided as follows:

For the year ended 31st December 2009	£'000
Business unit profit contribution	**109,822**
Core product development	**(20,874)**
Central staff costs	**(27,079)**
Building costs	**(19,355)**
Other unallocated costs	**(13,288)**
Operating profit as monitored by the Operating Board	**29,226**
Amortisation of acquisition intangibles	**(6,074)**
Product development capitalised	**18,100**
Product development amortised	**(11,317)**
Operating profit in the income statement	**29,935**
Finance income	**1,209**
Finance cost	**(131)**
Profit before income tax in the income statement	**31,013**

Other segmental disclosures:

For the year ended 31st December 2009	Enterprise	Hosted	LatentZero	Not allocated	Total
	£'000	£'000	£'000	£'000	£'000
Depreciation of property, plant and equipment	**-**	**6,422**	**-**	**6,322**	**12,744**
Amortisation of intangible assets	**-**	**-**	**6,074**	**12,807**	**18,881**
Property, plant and equipment	**-**	**13,766**	**-**	**15,712**	**29,478**
Intangibles assets	**-**	**5,544**	**46,382**	**26,232**	**78,158**

For the year ended 31st December 2009	UK	USA	Asia	Other	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	**118,472**	**80,162**	**32,692**	**7,180**	**238,506**
Property, plant and equipment	**16,590**	**10,138**	**2,127**	**623**	**29,478**
Intangibles assets	**77,982**	**94**	**42**	**40**	**78,158**

Individual countries within Asia do not meet the disclosure requirements of IFRS8 *Operating Segments* but in aggregate their revenues are sufficiently material that disclosure has been made. Revenue is attributed to a country based on the ownership of the customer contract and where the work is being performed.

The business unit structure was established during the second half of 2008. Comparable numbers for 2008 are available for revenue from external customers but not for inter-business unit revenue or business unit profit contribution. The comparable revenue from external customers for 2008 is as follows:

For the year ended 31st December 2008	Enterprise	Hosted	LatentZero	Total
Revenue from external customers	£'000	£'000	£'000	£'000
Recurring revenue	40,626	93,900	11,998	146,524
Non-recurring revenue	29,022	5,542	8,014	42,578
Total revenue from external customers	69,648	99,442	20,012	189,102

IFRS 8 *Operating Segments* requires that when the internal structure of an organisation changes and corresponding numbers for prior period cannot be produced then the segment information under the previous structure should also be presented for that period. The following tables present the segment information in the same format as reported in prior years, including the current period for information purposes.

For the year ended 31st December 2009	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'000
Segment revenue	**120,279**	**85,535**	**32,692**	**238,506**
Segment result	**18,851**	**18,912**	**12,045**	**49,808**
Amortisation of product development				**(11,317)**
Amortisation of acquisition intangibles				**(6,074)**
Central costs				**(2,482)**
Operating profit				**29,935**
Capital additions	**7,173**	**5,259**	**1,815**	**14,247**
Depreciation and amortisation	**7,984**	**4,986**	**1,264**	**14,234**
Segment assets	**88,261**	**42,538**	**17,227**	**148,026**
Unallocated assets				**85,319**
Consolidated total assets				**233,345**
Segment liabilities	**58,237**	**32,805**	**5,171**	**96,213**
Unallocated liabilities				**13,817**
Consolidated total liabilities				**110,030**

For the year ended 31st December 2008	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'000
Segment revenue	95,849	69,492	23,761	189,102
Segment result	14,149	14,192	10,104	38,445
Patent dispute settlement	-	(980)	-	(980)
Lehman receivable write off	(394)	-	(232)	(626)
Amortisation of product development				(10,229)
Amortisation of acquisition intangibles				(2,631)
Central costs				(1,457)
Operating profit				22,522
Capital additions	16,570	6,414	751	23,735
Depreciation and amortisation	5,725	3,836	772	10,333
Segment assets	72,009	38,695	15,923	126,627
Unallocated assets				79,036
Consolidated total assets				205,663
Segment liabilities	55,059	30,894	4,906	90,859
Unallocated liabilities				10,517
Consolidated total liabilities				101,376

3 Operating expenses

	2009	2008
	£'000	£'000
Staff costs – salaries	**100,537**	80,031
Staff costs – social security	**9,701**	7,399
Staff costs – pension	**1,675**	1,127
Staff costs – share incentives	**1,285**	1,141
Total staff costs	**113,198**	89,698
Amounts payable to subcontractors	**4,310**	4,773
Depreciation of property, plant and equipment	**12,744**	9,274
Amortisation of other intangible assets	**1,490**	1,060
Capitalisation of product development	**(18,100)**	(14,916)
Amortisation of product development	**11,317**	10,229
Communications and data	**36,402**	26,901
Operating lease rentals – property	**13,843**	10,014
Operating lease rentals – plant and machinery	**33**	25
Gain on sale of property, plant and equipment	**20**	-
Exchange loss/(gain)	**919**	(1,657)
Other operating expenses	**26,709**	27,334
Operating expenses before amortisation of acquisition intangibles, patent dispute settlement and Lehman receivable write off	**202,885**	162,735
Patent dispute settlement	**-**	980
Lehman receivable write off	**-**	626
Amortisation of acquisition intangibles	**6,074**	2,631
Total operating expenses	**208,959**	166,972

4 Staff numbers

The average number of people employed by the Group during the year was as follows:

	2009	2008
	Number	Number
Europe	**795**	719
North America	**467**	429
Asia	**180**	133
Total average staff numbers	**1,442**	1,281

	At 31st December 2009 Number	At 31st December 2008 Number
Technical	**801**	730
Product development	**307**	328
Sales and marketing	**155**	157
Management and administration	**212**	176
Total staff numbers at 31st December	**1,475**	1,391

5 Finance income

	2009 £'000	2008 £'000
Interest receivable on cash and cash equivalents	**148**	791
Interest received on Touchpaper "A" and "B" Loan Notes	**-**	488
Other interest receivable	**85**	35
Capital repayment of Touchpaper "A" and "B" Loan Notes	**-**	1,900
Sale of Touchpaper ordinary and preferred ordinary shares	**976**	10,687
Total finance income	**1,209**	13,901

6 Income tax expense

	2009 £'000	2008 £'000
Current tax expense:		
Current year domestic tax	**4,415**	1,204
Current year foreign tax	**7,222**	5,494
Adjustments for prior years	**607**	67
Total current tax expense	**12,244**	6,765
Deferred tax expense:		
Origination and reversal of temporary differences	**(2,067)**	1,610
Benefit and utilisation of tax losses	**(176)**	(82)
Total deferred tax expense	**(2,243)**	1,528
Total income tax expense in income statement	**10,001**	8,293

Reconciliation of effective tax rate	**2009**	**2009**	2008	2008
		£'000		£'000
Profit before tax		**31,013**		35,958
Income tax using the domestic corporation tax rate	**28%**	**8,684**	28.5%	10,248
Effective tax rates in foreign jurisdictions		**2,693**		1,586
Expenses not deductible for tax purposes		**362**		1,022
Tax incentives		**(1,302)**		(1,042)
Non-taxable items		**(1,043)**		(3,588)
Adjustment relating to prior years		**607**		67
Tax expense and effective tax rate for the year	**32%**	**10,001**	23%	8,293

Tax recognised directly in equity	**2009**	2008
	£'000	£'000
Current tax credit relating to equity settled share incentives	**(509)**	(485)
Deferred tax (credit)/debit relating to equity settled share incentives	**(2,885)**	463

7 **Earnings per share**

Earnings per share have been calculated by dividing profit attributable to shareholders by the weighted average number of shares in issue during the year, details of which are below. The diluted earnings per share have been calculated using an average share price of 1017p (2008: 765p) for the year.

	2009	2008
	£'000	£'000
Profit attributable to owners of the Company	**21,012**	27,665
Add amortisation of acquisition intangibles net of deferred tax	**4,373**	1,881
Add patent dispute settlement net of income tax	**-**	550
Add Lehman debtor write off net of income tax	**-**	514
Add notional interest on contingent consideration	**131**	465
Less gains relating to Touchpaper net of tax	**(976)**	(12,936)
Profit attributable to owners of the Company after adjustments	**24,540**	18,139

	2009	2008
	Number '000	Number '000
Weighted average number of shares in issue	**35,573**	34,994
Weighted average number of shares held by the employee share trusts	**(423)**	(477)
Shares used to calculate basic earnings per share	**35,150**	34,517
Dilution due to share options	**538**	471
Shares used to calculate diluted earnings per share	**35,688**	34,988
Basic earnings per share	**59.8p**	80.1p
Diluted earnings per share	**58.9p**	79.1p
Basic earnings per share on adjustments	**10.0p**	(27.5)p
Diluted earnings per share on adjustments	**9.8p**	(27.3)p
Basic earnings per share after adjustments	**69.8p**	52.6p
Diluted earnings per share after adjustments	**68.8p**	51.8p

Basic and diluted earnings per share have been adjusted to exclude the amortisation of acquisition intangibles, the Lava patent dispute settlement, Lehman receivable write off, notional interest charge and gains relating to Touchpaper. Management consider that earnings per share after these adjustments provide a better year to year comparison of performance.

8 **Sale of Investment in Touchpaper in 2008**

In July 2001 the royal**blue** technologies help desk and call centre software business was divested by the Company with a minority stake being retained. The business subsequently changed its name to Touchpaper Group Limited ("Touchpaper"). Following the divestment, the Company held financial assets in Touchpaper comprising preference shares, ordinary shares, warrants to subscribe for ordinary shares and loan notes. Since July 2001 the Company had no financial influence or operational involvement in the Touchpaper business and their results had not been consolidated into Fidessa's performance. In the year to 31st December 2007 Touchpaper had reported revenue of £17.5 million, profit before tax of £0.4 million and gross assets of £9.4 million under UK GAAP.

On 30th June 2008 Avocent Ireland Holdings Limited ("Avocent") acquired the entire share capital of Touchpaper and the preference shares and loan notes were redeemed. The Company recorded a gain in 2008 of £10,687,000 for the sale and redemption of the ordinary and preference shares, £1,900,000 for the redemption of the loan notes and £488,000 for the accrued interest on the loan notes. The gain for the sale and redemption of the ordinary and preference shares included £550,000 held in escrow in respect of working capital at completion and an indemnities and general warranties retention.

During 2009 payment of £346,000 has been received in respect of the working capital escrow. No further monies are due from this element of the escrow. The retention for the indemnities and general warranties reaches the end of its term on 30th June 2010. No observable market comparator is available to determine the fair value of this retention. Therefore, the directors have determined its fair value by deducting from the potential maximum receivable the items known at the time of the sale that could lead to claims against the retention. During 2009 the directors became aware that one of the material issues that could have lead to a claim had been satisfactorily resolved. Consequently, they have considered it appropriate to reassess the fair value of the amount still held in escrow. As a result of this reassessment further income of £976,000

has been recognised in 2009. The maximum additional future receipt possible from the indemnities and general warranties escrow is £3,352,000 of which £1,180,000 has been recognised as the fair value in other receivables. The final amount received is dependent on the extent of any indemnity or warranty claims that materialise and professional fees incurred in processing such claims. Any final payment is not expected until the second half of 2010 at the earliest.

9 Trade and other receivables

	2009	2008
	£'000	£'000
Trade receivables	**60,475**	49,891
Amount due from subsidiaries	**-**	-
Prepayments	**4,974**	3,981
Accrued revenue	**1,913**	2,148
Other receivables	**4,056**	4,616
Total trade and other receivables	**71,418**	60,636

10 Trade and other payables

Current liabilities	**2009**	2008
	£'000	£'000
Trade payables	**6,093**	4,094
Amount due to subsidiaries	**-**	-
Accrued expenses	**27,767**	29,982
Other liabilities	**754**	3,035
Deferred revenue	**47,666**	38,241
Other taxes and social security	**4,801**	4,968
Total trade and other payables	**87,081**	80,320

Non-current liabilities	**2009**	2008
	£'000	£'000
Accrued expenses	**2,511**	-
Other liabilities	**6,621**	553
Total trade and other payables	**9,132**	553

11 **Dividends**

On 8th June 2009 the 2008 final dividend of 17.0 pence per share, £5,988,000, (2008: final dividend for 2007 of 12.0 pence per share, £4,149,000) was paid. On 28th September 2009 an interim dividend of 10.0 pence per share, £3,543,000, (2008: 7.5 pence per share, £2,602,000) was paid.

A second interim dividend in respect of the year ended 31st December 2009 has been declared by the directors. This is in place of a final dividend for 2009. The second interim dividend will be 60.0p per share, and comprises 20.0p per share as a replacement for a final dividend for 2009 and 40.0p per share as a special dividend. The second interim dividend will be paid on 29th March 2010 to shareholders on the register at the close of business on 5th March 2010, with an ex-dividend date of 3rd March 2010.