

# Fidessa group plc

## Preliminary results for the year ended 31<sup>st</sup> December 2007

11<sup>th</sup> February 2008

### Fidessa reports strong organic growth and strong outlook

	2007	2006	Organic growth	Growth incl. LatentZero
Revenue	£135.0m	£94.6m	28%	43%
Operating profit before acquisition amortisation	£18.3m	£12.4m	38%	48%
Operating profit (IFRS)	£16.6m	£12.4m	38%	34%
Adjusted pre-tax profit*	£19.4m	£13.8m		41%
Pre-tax profit (IFRS)	£17.1m	£14.3m		20%
Adjusted diluted earnings per share*	38.7p	29.4p		32%
Dividend per share	18.0p	13.1p		37%

Numbers for 2007 include **LatentZero** for the period post completion.

\*Adjusted to remove the effect of acquisition intangibles amortisation, notional interest charge and Touchpaper loan note repayments.

Organic numbers are those for the **Fidessa** business prior to the **LatentZero** acquisition.

Highlights for the year ended 31<sup>st</sup> December 2007:

- Strong organic growth; revenue up 28% and operating profit up 38%.
- Organic recurring revenue up 34%.
- Completed the acquisition of **LatentZero** on 27<sup>th</sup> April 2007, the first major acquisition since the group floated in 1997.
- **Fidessa LatentZero** delivering good growth with integration progressing well.
- Further progress in developing the **Fidessa Connectivity Network** with 58% growth.
- Completed name change to **Fidessa**, strengthening the product branding.

**Commenting on these results and the current outlook, Chris Aspinwall, Chief Executive, said:**

“2007 has been a landmark year in the development of the **Fidessa** group. Across the business we have continued to deliver strong organic growth throughout the regions, and the acquisition of **LatentZero** at the end of April has transformed the company into a major vendor to the buy-side as well as to the sell-side community. In parallel, the investments we have been making to add derivative functionality within our sell-side product offering, coupled with the multi-asset strength of the **LatentZero** products, have firmly established **Fidessa** as a key player in cross-asset trading.

During 2007, market conditions in both the buy-side and sell-side businesses have remained strong. High levels of market activity have combined with the regulatory changes introduced as a result of RegNMS in the US (Regulation National Market System) and MiFID in Europe (Markets in Financial Instruments Directive) to generate demand for high performance products and new compliance tools. The strength of our products in delivering the required functionality, combined with the market leading levels of performance they provide, has positioned us well to benefit from these conditions.

Integration of the **Fidessa LatentZero** products has moved forward well and LTN (the **LatentZero Trading Network**), which was launched in June, is already live and supporting its first buy-side clients with orders for several hundred connections already received. In addition, the connectivity within the **Fidessa Connectivity Network** has continued to grow, and with 58% revenue growth during 2007, connectivity is now the fastest growing area within the business.

Looking ahead to 2008, we expect that demand for our services will remain strong as customers look to maximise the efficiency of their workflow in order to control costs, and further fragmentation of liquidity drives widespread use of sophisticated execution tools. In addition, we believe that the recent market changes will increase the pressure on both the buy-side and sell-side to implement the market leading compliance tools that we offer. As a result, we anticipate that performance will continue to be strong across the business in 2008. We expect that some of our customers may come under pressure during 2008 as a result of the current market conditions, but we have yet to see any impact of this within our sales pipeline. In this respect, we shall maintain a watching brief throughout 2008 and will react quickly to changes in market sentiment.

Looking further ahead, we are excited about the possibilities resulting from our vision to provide cross-asset trading, market data and connectivity across both the buy-side and sell-side. As in previous years, we will be continuing our investment programme to bring more products to market, and to increase the value we deliver to all our customers whilst developing further shareholder value within the **Fidessa** group."

## Financial Summary

The financial statements include the results of **Fidessa LatentZero** subsequent to the completion of the acquisition on 27<sup>th</sup> April 2007.

In 2007 strong growth in revenue has been achieved with organic revenue up 28% to £121.4 million, this growth being consistent across all regions. The overall revenue, including the eight month contribution from **Fidessa LatentZero**, was up 43% to £135.0 million. **Fidessa LatentZero** delivered good revenue growth, recording an annual increase of 17%. Recurring revenue continued to provide the momentum in revenue growth, and grew organically by 34% to be 76% (2006: 72%) of revenue. In **Fidessa LatentZero** the recurring revenue was approximately 50%, which for the group as a whole resulted in recurring revenue being 72% of total revenue. Looking at the breakdown of recurring revenue across our areas of focus, indicative values for the year are that £61 million (2006: £48 million) arose from sell-side trading, £10 million (2006: £0 million) from buy-side trading, £19 million (2006: £12 million) arose from connectivity and £12 million (2006: £8 million) from market data. The deferred revenue in the

balance sheet at the year end was £24.3 million (2006: £12.3 million), being 18% of 2007 revenue that can be recognised in 2008. Consultancy revenue from the existing **Fidessa** activities increased by 12% to £29.5 million. Overall, consultancy now represents 26% of total revenue.

Strong growth in operating profit has also been achieved. The organic operating profit was up 38% to £17.1 million (2006: £12.4 million). This represents an operating margin of 14.1% for 2007, up from 13.1% for 2006. **Fidessa LatentZero** has also performed well delivering an operating profit of £1.2 million with an operating margin of 9.1%, a material improvement from being loss making in recent years. The overall profit before tax growth was impacted by the amortisation of the acquisition intangibles of £1.8 million and the notional interest charge of £0.8 million, but was still strong at 20%. Excluding these acquisition adjustments and the Touchpaper repayments is considered to provide a better measure of underlying profitability and resulted in profit before tax of £19.4 million (2006: £13.8 million), an increase of 41%.

As anticipated in the interim report, the effective tax for the year has increased and is 32.1%. The notional interest charge represented 1.6% of this charge and was not deductible for tax. The group has significant tax deductibles relating to share incentives that are recognised direct to reserves, rather than through the income statement, which leads to the cash tax providing a better indication of the underlying tax rate. The cash tax rate was 18.0% for 2007, an improvement from 19.6% in 2006.

Diluted earnings per share, adjusted to exclude the notional interest charge, amortisation of acquisition intangibles and Touchpaper repayments, which the directors believe provides a better indication of the performance of the business, were 38.7 pence for the year, an increase of 32% from 29.4 pence for 2006. The IFRS diluted earnings per share were 33.5 pence (2006: 30.9 pence), an uplift of 8%. The **Fidessa LatentZero** acquisition has delivered a small increase in earnings per share in the year, compared to an expectation that the acquisition would be earnings neutral.

The total dividend is being increased by 37% to 18.0 pence. The final dividend, if approved by shareholders, will be 12.0 pence, to be paid on 2<sup>nd</sup> June 2008 to shareholders on the register on 2<sup>nd</sup> May 2008. The ex-dividend date will be 30<sup>th</sup> April 2008.

The business continues to be strongly cash generative closing the year with net cash of £24.8 million (2006: £40.0 million), with the major outflow in the year being £26.3 million for the acquisition of **Fidessa LatentZero**. The net cash generated from operating activities was £35.7 million, representing an operating cash conversion rate of almost 200%.

Staff numbers have increased through the acquisition and also to service the revenue growth and investment programmes. Over 20% of staff continues to be dedicated to product development. The average headcount for the period was 1,027, up 42% from 722 in 2006. Staff numbers at 31<sup>st</sup> December 2007 had increased to 1,160 from 850, an increase of 36%.

## Operations

### Sell-side Trading

Market conditions have remained strong for sell-side trading systems throughout 2007 with increased trading volumes and a rapidly changing market and regulatory framework. This has caused our customers to expand their capabilities into new markets, new regions and new asset-classes, whilst improving their compliance monitoring and offering more comprehensive services to their clients. As a result, we have seen strong demand for **Fidessa** around the world with nearly 50 new clients signing for our trading systems during 2007. At the same time, many existing clients have extended the services they take from us in order to meet the market demands, enabling us to develop the business further.

For sell-side firms, 2007 has been dominated by changes in market structure and compliance requirements, first with the implementation of RegNMS in the US followed closely by MiFID in Europe. Both of these changes have altered the central market structure and we believe they will continue to cause changes to the way in which the financial markets are traded for the next few years. In Europe alone, more than 40 clients took components of the **Fidessa** MiFID suite which covers compliance, client classification and smart order routing capabilities, as well as upgrades to existing exchange gateways and data feeds, and links to new trading venues. **Fidessa's** Execution Policy, Order Compliance and Handling service secured well over 30 advance sales, and this trading and market data repository will form the basis of a number of further product releases during 2008. In the US the changes caused by RegNMS resulted in the predicted increase in the number of liquidity venues, particularly with respect to dark pools, although regional markets have not benefited as much as originally expected. In Canada we have continued to make progress with four additional sales of our Canadian trading platform which was launched at the end of 2006, and we believe we are rapidly establishing a reputation as a premier supplier to this market.

Changes in the markets and the current market conditions are resulting in increased interest in Asian markets from our international customers. During 2007 we have seen a number of these customers setting up operations in the Asia region and this has resulted in increased demand for our Asian trading solutions. In response, many of the Asian markets are also updating their market regulations and central systems allowing alternative trading systems and dark pools to establish in the regions. In parallel, the volumes of trading and the level of trading sophistication on the core Asian markets, such as Tokyo, have continued to rise, further fuelling demand for the kind of products that we offer.

Derivatives remains one of the fastest growing sectors within global capital markets and has been particularly important with the volatility seen in the global markets recently. Regulatory changes have also been making it easier for investors to hold derivatives within their portfolios which has helped to accelerate asset class convergence. This has been seen among a number of the exchanges, such as NYSE/Euronext merger and Deutsche Börse/ISE, where the mergers are leading to the creation of a number of global, multi-asset exchanges. During 2007 **Fidessa's** multi-asset class sell-side solution has continued to develop with more derivatives markets connected and six new sales of derivative functionality across the sell-side customer base.

During 2007 we have seen more firms interested in taking additional consultancy around their trading platform in order to gain competitive advantage from a more customised service. We now believe that the market for this type of solution may be larger than we had previously thought and there could be over 300 firms globally that would be interested in pursuing this approach.

Looking forward to 2008, we expect that many of the themes we have seen in 2007 will continue. In particular, we expect to deliver more elements of our compliance solutions, expand our market and regional coverage and extend our multi-asset class support. These elements will work hand in hand with extensions to our connectivity network and market data services and the expansion and integration of our buy-side offerings.

### **Buy-side Trading**

The market for buy-side software continues to be strong. With the recent market volatility and increasing pressure on fund performance, many funds are looking beyond equities in search of portfolio returns. **Fidessa LatentZero's** full cross-asset class support positions the products well to take advantage of this trend. The increase in the use of OTC derivatives in particular continues, and **Fidessa LatentZero's** investment in this functionality over the past two years now differentiates the products from competitors. As a result, a number of **Fidessa LatentZero's** existing customers have also chosen to implement the derivatives module.

The introduction of MiFID in Europe is driving asset managers to review their front office processes as regulators start to enforce the new operational requirements, which took effect in November 2007. MiFID, along with **Fidessa LatentZero's** knowledge of local European markets, has resulted in a number of new sales across the European region.

The buy-side adoption of electronic trading is also accelerating, with robust connectivity between buy-side and sell-side a fundamental component. The **LatentZero Trading Network**, underpinned by the established **Fidessa Connectivity Network**, is gaining momentum, with the first customers now live, and several more in Europe and North America going into production in the first quarter of 2008. The continued adoption of algorithmic trading and DMA (direct market access) is driving demand for more trading functionality within Order Management Systems and **Fidessa LatentZero** is the only vendor with a combined "OEMS" product that provides both order management and trading capability. In addition to institutional asset managers, the OEMS has attracted the interest of hedge funds, where **Fidessa LatentZero** is now engaged in implementations in both North America and Europe. **Fidessa LatentZero** was selected as the company to watch at the Financial-i Leaders in Innovation Awards for its Minerva OEMS. A panel of independent judges concluded that "**Fidessa LatentZero** has shown an ongoing commitment to innovation that has significantly benefited clients".

### **Advanced Trading Tools**

The increasing number of trading venues offering diverse pools of liquidity coupled with the growing demand for more complex and sophisticated trading strategies has created a growing need for advanced trading tools. This market has expanded to the extent that **Fidessa** now offers a suite of advanced trading tools that integrate with our trading products and can meet the complex demands of our customers in this area.

In 2007 we continued the roll-out of **Fidessa BlueBox**, our algorithmic trading engine, with launches of the solution in Europe and Asia. **Fidessa BlueBox** supplements our existing Pairs, List and Wave trading tools to provide the world's first AMS (Algorithmic Management System) which combines an algorithmic trading solution that is fully-integrated with the client's trading and order management system. **Fidessa BlueBox** has proved very popular with the marketplace in 2007 and we now have over 30 clients contracted for it globally. We continue to see a strong pipeline for **Fidessa BlueBox** for 2008, and we may also be looking at the implementation of a partner programme where we provide an independent and flexible environment through which third-party consultants can develop and offer their own bespoke algorithms to the marketplace.

The regulatory changes of MiFID and RegNMS in Europe and the US respectively have fuelled the growth of new trading venues and pools of liquidity and as such, the need to hunt down liquidity and trade across multiple venues is now more important than ever. To facilitate this, we have continued to expand our price display and order routing capabilities to provide a comprehensive cross-market solution, leveraging off our experience in North America. This allows clients to see a virtual market encompassing all available liquidity for an instrument in one consolidated display, and then to smart-route orders to multiple venues, based on user defined criteria, in one simple action. This can also combine with the next generation of algorithms which allow sweeping of both opaque and displayed markets.

**Fidessa** is now at the forefront of providing advanced trading tools to our target marketplace, and during 2008 we expect that demand for these tools will continue to evolve and grow, and we believe we are well placed to capitalise on these new opportunities as they arise.

### **Market Data**

The ability to offer a fully integrated, low latency, market data service within our trading applications has rapidly become a key strength of our product set and differentiates us from many of our competitors around the world. The growth of advanced trading activities, such as algorithmic trading in particular, has fuelled the need for a fast and comprehensive data service that is tightly integrated into our trading solutions. These sophisticated trading strategies typically monitor and act on market price movements, which is why speed and reliability of data is so vital.

The changing market landscape is also creating new demands for market data related services and we are well placed to capitalise on these as they occur. In 2007 we saw the start of new regulations in Europe resulting from MiFID which places various obligations on participants in the financial markets in that region. In support of these we have extended our market data capabilities in several areas and launched a number of data related services. For example, one key aspect of MiFID requires brokers to seek out the best price from across multiple trading venues for an instrument and to keep evidence of resulting trades along with proof that they complied with the execution policy agreed with their clients. In support of this we now offer users a consolidated view across multiple markets allowing them to find available liquidity quickly and to identify the best price. Additionally, we offer a market data capture and storage service that records the prevailing market prices at the time the trade is done, thus allowing our customers to comply with the regulation and demonstrate adherence to their execution policy.

In 2007 we continued to invest in our market data systems to ensure they remain best of breed in terms of performance and reliability. Use of the latest technology is key to achieving this and we continue to keep our state-of-the-art solution at the forefront of what is available. As well as conducting our own tests, one of our leading clients has carried out its own extensive performance and latency tests, independently verifying that our offering is indeed a market leading solution. Our investment in our market data systems will continue in 2008 to ensure we remain a leading supplier in this area and to ensure our solution continues to scale as data volumes from world markets increase.

During the last 12 months we have also continued to expand our global breadth of coverage, extending the asset classes we cover with the addition of US derivatives and commodity markets as well as adding to the list of exchanges we cover in the Asia Pacific and Eastern European regions. Regulatory changes such as MIFID and RegNMS have fuelled the emergence of new alternative trading venues and we have added a number of these from across Europe and North America. This investment in coverage is an on going process that will continue through 2008.

Our market data service was honoured with the "Systems in the City" Best Information Service award for the third successive year in 2007, and the number of users taking market data from us grew by around 40%.

### **Connectivity**

As the level of electronic trade flow continues to increase, a comprehensive and reliable connectivity service is becoming an ever more essential part of the global trading environment. In part this is driven by the buy-side investment community looking for broader market coverage and the ability to use more asset classes, but is also driven by the sell-side brokers developing new systems to allow them to offer more services. The growth of DMA and algorithmic trading engines are just two examples of the increasingly sophisticated services that more and more brokers are now offering.

Buy-sides are also demanding the ability to trade with a broad range of brokers around the world so that they can use the services offered by the smaller niche players, who provide local expertise and specialisation, as well as the larger brokers providing global market reach. The brokers themselves want connectivity that can give them access to as large a buy-side audience as possible. Additionally, they then need links to all the exchanges and other liquidity venues on which they wish to trade.

Providing and maintaining all this connectivity whilst ensuring any solution can cope with the growth in trading volumes, is now a specialised skill and we expect that the demand for comprehensive, proven connectivity solutions will continue to grow. Based on the public domain FIX (Financial Information eXchange) protocol and operated from our dedicated data centres around the world, the **Fidessa connectivity network** has become one of the leading solutions meeting the connectivity requirements of the financial markets community. With connectivity prices starting from only \$250 a month, we also believe we have one of the most competitive connectivity solutions in the market. Following the launch of LTN for the buy-side (which is underpinned by the **Fidessa connectivity network**), we are now able to offer a managed connectivity solution which fully integrates into the buy-side and sell-side product suites. This

ability to offer integrated access to both sides is unique to our business and is a significant competitive advantage.

In 2007 we have continued to expand the number of brokers providing trading services on our network, with over 250 firms offering an increasingly diverse and sophisticated range of solutions for trading around the globe. The buy-side community on our network has grown too over the last year and now stands at around 1,500 firms. Traffic on the **Fidessa connectivity network** has increased almost threefold and we now carry close to 100 million messages a month from over 5,000 client connections. We are also seeing significant growth in the derivatives flow across our network as part of our multi-asset initiative, and a growing number of brokers now support this flow as well.

In addition to the growth in buy-side to sell-side connectivity, regulatory changes in Europe (MiFID), the US (RegNMS) and in several Asian countries have spawned a host of new liquidity venues, from crossing services to dark pools. As a result, we have added 20 new trading gateways to the **Fidessa** service in the last 12 months.

The growth in the **Fidessa connectivity network** has made connectivity the fastest growing element within our business. We expect this will continue in 2008, with further buy-side and sell-side firms joining our connectivity solution and increasing volumes of transactions being sent across our network.

## **LatentZero Acquisition**

On 27<sup>th</sup> April 2007 **Fidessa** completed the acquisition of **LatentZero**. Formed in 1999 and headquartered in the UK, **LatentZero** is a leading supplier of front-office software to the asset management industry and counts several of the world's largest asset management firms amongst its clients. With offices in London, Boston, New York and Paris, **LatentZero** provides software for fund manager decision support, order management, execution management and investment compliance. **LatentZero** has set new standards for investment systems through its unique combination of business knowledge, market vision and technology innovation and its products are used to manage more than \$8 trillion of assets, across equity, fixed income, foreign exchange and derivatives. This acquisition provides considerable strategic benefit to **Fidessa**, **LatentZero** and their respective customers by providing, for the first time, the potential for true integration of multi-asset buy-side and sell-side trading flows on a significant scale. Furthermore, with the buy-side increasingly requiring sell-side style trading tools integrated into their investment and order management processes and the sell-side striving to deliver enhanced execution solutions to their customers, both **Fidessa** and **LatentZero** will be able to leverage the other's services within their own customer base.

Integration of the businesses has progressed well with the **Fidessa LatentZero** buy-side brand already becoming established in the market. The **Fidessa LatentZero** products have continued to enjoy considerable success in the markets extending the range of customers from the largest buy-side firms to now include hedge funds. The multi-asset nature of the products has been instrumental in making progress in the hedge fund space. Building on the global base of **Fidessa** we have also launched several new areas of integration including LTN, which is rapidly becoming

established as the de-facto connectivity solution within our buy-side customer base. In addition, we have integrated our EMS technologies, allowing the provision of an integrated OEMS as well as a stand alone EMS solution and **Fidessa** market data is also available in the **Fidessa LatentZero** product set. We are continuing to look at opportunities in Asia, where we believe there is substantial potential interest in the **Fidessa LatentZero** products and where **Fidessa** already has a well established base. We are also investigating possible demand for a hosted buy-side solution, leveraging off the hosting services provided by **Fidessa**, which we believe may be an increasingly attractive option in the current market conditions.

Going forward we believe that the growing sophistication of both the buy-side and the sell-side coupled with increasing regulatory burdens will continue to fuel demand for automation of business flows on both sides. Additionally, we believe there will be a growing need for rapid communication and additional information flow between the two sides as well as increasing access to alternative liquidity venues and trading strategies. Through the strength of its products on both the buy-side and sell-side, we believe that **Fidessa** will be ideally placed to meet this demand.

## **Lava Patent Lawsuit**

The Annual Report for the year ended 31st December 2006 included a summary of the history of the patent infringement claim brought by Lava Trading Inc<sup>1</sup>. In this summary we confirmed that our view from the outset remains unchanged in that we believe the case brought by Lava is without merit and we re-affirmed that we would continue to defend our position vigorously. Our view as to the merit of the case and our defence of it are unchanged. The process of discovery, which we noted in the 2006 Annual Report had re-started, is continuing and we are advised that in cases of this nature this process can take a significant period of time.

## **Employees**

On behalf of all **Fidessa's** shareholders the Board would like to extend its sincere thanks to all employees. The strength and breadth of the **Fidessa** and **Fidessa LatentZero** product ranges and their important position in today's financial markets are a testament to their skill and dedication.

## **Outlook**

Looking ahead to 2008, we expect that demand for our services will remain strong as competition continues between market participants and customers look to maximise the efficiency of their workflow in order to control costs. We also expect that as a result of the structural changes seen within the markets in 2007, there will be further fragmentation of liquidity requiring widespread use of sophisticated execution tools within both the sell-side and buy-side. In addition, we believe that the recent market changes will increase the pressure on customers to implement the market leading compliance tools and services we offer both the buy-side and sell-side. As a result, we anticipate that performance will continue to be strong across the business in 2008. We expect that

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<sup>1</sup> Lava Trading Inc was acquired by Citigroup Inc in 2004.

some of our customers may come under pressure during 2008 as a result of the current market conditions, but we have yet to see any impact of this within our sales pipeline. In this respect, we shall maintain a watching brief throughout 2008 and will react quickly to changes in market sentiment.

Looking further ahead, we believe that our strategy of providing a global integrated solution for cross-asset trading, market data and connectivity across both the buy-side and sell-side leaves us in a unique and valuable position in the market. We remain excited about the opportunities we see in both the buy-side and sell-side as well as in the potential to develop new integrated services which touch both sides. As in previous years, we will continue our investment programme to bring more products to market, and to increase the value we deliver to all our customers whilst developing further shareholder value within the **Fidessa** group.

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**Consolidated Income Statement**  
for the year ended 31<sup>st</sup> December 2007

		2007 Brought forward activities	2007 Acquisition	2007 Total	2006 Total
	Note	£'000	£'000	£'000	£'000
Revenue	2	121,402	13,627	135,029	94,637
Operating expenses before amortisation of acquisition intangibles	3	(104,703)	(12,392)	(117,095)	(82,754)
Other operating income		376	-	376	470
Operating profit before amortisation of acquisition intangibles		17,075	1,235	18,310	12,353
Amortisation of acquisition intangibles				(1,755)	-
Operating profit				<b>16,555</b>	12,353
Finance income	5			1,393	1,941
Finance cost – bank and other				(32)	-
Finance cost – notional interest on contingent consideration				(847)	-
Total finance cost				<b>(879)</b>	-
Profit before income tax				<b>17,069</b>	14,294
Income tax expense	6			(5,472)	(3,983)
Profit for the year				<b>11,597</b>	10,311
Basic earnings per share	7			<b>34.4p</b>	31.9p
Diluted earnings per share	7			<b>33.5p</b>	30.9p
Interim dividend paid	11			<b>6.0p</b>	4.3p
Final dividend proposed	11			<b>12.0p</b>	8.8p
Total dividend proposed for the year	11			<b>18.0p</b>	13.1p

## Consolidated Balance Sheet

at 31<sup>st</sup> December 2007

	Note	2007 £'000	2006 £'000
<b>Assets</b>			
Non-current assets			
Property, plant and equipment		14,290	9,828
Intangible assets	10	77,318	9,922
Deferred tax assets		2,984	3,711
Other receivables		898	898
Total non-current assets		95,490	24,359
Current assets			
Trade and other receivables	8	36,413	20,940
Income tax receivable		304	261
Cash and cash equivalents		24,820	40,069
Total current assets		61,537	61,270
Total assets		157,027	85,629
<b>Equity</b>			
Issued capital		3,463	3,356
Share premium		16,488	15,715
Merger reserve		9,298	-
Cumulative translation adjustment		(1,459)	(1,466)
Retained earnings		44,147	36,841
Total equity		71,937	54,446
<b>Liabilities</b>			
Non-current liabilities			
Contingent consideration	10	11,759	-
Other payables		604	719
Deferred tax liabilities		6,810	931
Total non-current liabilities		19,173	1,650
Current liabilities			
Contingent consideration	10	12,447	-
Trade and other payables	9	51,527	27,686
Current income tax liabilities		1,943	1,847
Total current liabilities		65,917	29,533
Total liabilities		85,090	31,183
Total equity and liabilities		157,027	85,629

## 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 1 <sup>st</sup> January 2006		3,272	11,743	-	(51)	27,241	42,205
Profit for the period from the income statement		-	-	-	-	10,311	10,311
Currency translation adjustments		-	-	-	(1,415)	-	(1,415)
Total income and expense for the period		-	-	-	(1,415)	10,311	8,896
Issue of shares - exercise of options and warrants		84	3,972	-	-	-	4,056
Employee share incentive charges	3	-	-	-	-	735	735
Current tax recognised direct to equity	6	-	-	-	-	390	390
Deferred tax recognised direct to equity	6	-	-	-	-	1,428	1,428
Sale of own shares by employee share trust		-	-	-	-	391	391
Dividends paid	11	-	-	-	-	(3,655)	(3,655)
Balance at 1 <sup>st</sup> January 2007		3,356	15,715	-	(1,466)	36,841	54,446
Profit for the period from the income statement		-	-	-	-	11,597	11,597
Currency translation adjustments		-	-	-	7	-	7
Total income and expense for the period		-	-	-	7	11,597	11,604
Issue of shares – acquisition	10	85	-	9,298	-	-	9,383
Issue of shares - exercise of options		22	773	-	-	-	795
Employee share incentive charges	3	-	-	-	-	809	809
Current tax recognised direct to equity	6	-	-	-	-	841	841
Deferred tax recognised direct to equity	6	-	-	-	-	(871)	(871)
Purchase of own shares by employee share trust		-	-	-	-	(514)	(514)
Sale of own shares by employee share trust		-	-	-	-	482	482
Dividends paid	11	-	-	-	-	(5,038)	(5,038)
Balance at 31 <sup>st</sup> December 2007		3,463	16,488	9,298	(1,459)	44,147	71,937

## Consolidated Cash Flow Statement

for the year ended 31<sup>st</sup> December 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Profit before tax		<b>17,069</b>	14,294
Adjustments for:			
Staff costs – share incentives	3	<b>809</b>	735
Product development amortised	3	<b>7,432</b>	5,026
Depreciation of property, plant and equipment	3	<b>6,008</b>	4,458
Amortisation of acquisition intangibles	3	<b>1,755</b>	-
Amortisation of other intangible assets	3	<b>471</b>	367
(Gain)/loss on sale of property, plant and equipment	3	<b>(38)</b>	32
Finance cost		<b>879</b>	-
Finance income	5	<b>(1,393)</b>	(1,941)
Cash generated from operations before changes in working capital		<b>32,992</b>	22,971
Movement in trade and other receivables		<b>(8,715)</b>	(2,715)
Movement in trade and other payables		<b>14,475</b>	8,031
Cash generated from operations		<b>38,752</b>	28,287
Income tax paid		<b>(3,073)</b>	(2,801)
Net cash generated from operating activities		<b>35,679</b>	25,486
Cash flows from investing activities			
Acquisition of LatentZero (net of cash acquired)	10	<b>(26,261)</b>	-
Purchase of property, plant and equipment		<b>(9,318)</b>	(6,210)
Proceeds from sale of property, plant and equipment		<b>54</b>	8
Purchase of other intangible assets		<b>(1,303)</b>	(473)
Product development		<b>(11,024)</b>	(6,874)
Interest received		<b>1,152</b>	1,366
Proceeds from capital repayment of Touchpaper "B" Loan Note	5	<b>300</b>	500
Net cash used in investing activities		<b>(46,400)</b>	(11,683)
Cash flows from financing activities			
Proceeds from shares issued		<b>795</b>	4,056
Purchase of own shares by employee share trust		<b>(514)</b>	-
Proceeds from sale of own shares by employee share trust		<b>482</b>	391
Repayment of borrowings		<b>(292)</b>	-
Interest paid		<b>(32)</b>	-
Dividends paid	11	<b>(5,038)</b>	(3,655)
Net cash (used)/generated in financing activities		<b>(4,599)</b>	792
Net (decrease)/increase in cash and cash equivalents		<b>(15,320)</b>	14,595
Cash and cash equivalents at 1 <sup>st</sup> January		<b>40,069</b>	26,120
Effect of exchange rate fluctuations on cash held		<b>71</b>	(646)
Cash and cash equivalents at 31 <sup>st</sup> December		<b>24,820</b>	40,069

## Notes To The Consolidated Financial Statements

### 1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31<sup>st</sup> December 2007 or 2006. Statutory accounts for 2006 have been delivered to the registrar of companies, and those for 2007 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

### 2 Segment reporting

The Group operates in one business segment; that of supply of software to financial institutions. The operations are monitored by the geographic regions of Europe, North America and Asia. Certain activities and costs are managed and monitored centrally. Tax assets and liabilities, intangible assets resulting from acquisitions and the intangible asset for product development capitalised are excluded from segment assets and liabilities. The segment information in respect of the regions is presented below.

For the year ended 31 <sup>st</sup> December 2007	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'000
Segment revenue	<b>69,211</b>	<b>49,522</b>	<b>16,296</b>	<b>135,029</b>
Segment result	<b>12,837</b>	<b>8,578</b>	<b>7,667</b>	<b>29,082</b>
Product development amortised				<b>(7,432)</b>
Acquisition intangibles amortised				<b>(1,755)</b>
Central costs				<b>(3,340)</b>
Operating profit				<b>16,555</b>
Capital additions	<b>6,566</b>	<b>4,400</b>	<b>841</b>	<b>11,807</b>
Depreciation and amortisation	<b>3,533</b>	<b>2,445</b>	<b>501</b>	<b>6,479</b>
Segment assets	<b>44,376</b>	<b>25,799</b>	<b>7,594</b>	<b>77,769</b>
Unallocated assets				<b>79,258</b>
Consolidated total assets				<b>157,027</b>
Segment liabilities	<b>56,697</b>	<b>17,258</b>	<b>2,382</b>	<b>76,337</b>
Unallocated liabilities				<b>8,753</b>
Consolidated total liabilities				<b>85,090</b>

For the year ended 31 <sup>st</sup> December 2006	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'000
Segment revenue	48,746	32,610	13,281	94,637
Segment result	9,680	4,280	6,293	20,253
Product development amortised				(5,026)
Central costs				(2,874)
Operating profit				12,353
Capital additions	3,955	2,019	709	6,683
Depreciation and amortisation	2,664	1,791	370	4,825
Segment assets	51,985	14,078	6,190	72,253
Unallocated assets				13,376
Consolidated total assets				85,629
Segment liabilities	18,683	8,502	1,220	28,405
Unallocated liabilities				2,778
Consolidated total liabilities				31,183

### 3 Operating expenses

	2007	2006
	£'000	£'000
Staff costs – salaries	60,143	43,161
Staff costs – social security	5,639	4,355
Staff costs – pension	486	-
Staff costs – share incentives	809	735
Total staff costs	<b>67,077</b>	48,251
Amounts payable to subcontractors	4,092	2,901
Depreciation of property, plant and equipment	6,008	4,458
Amortisation of other intangible assets	471	367
Product development capitalised	(11,024)	(6,874)
Product development amortised	7,432	5,026
Communications and data	20,276	13,239
Operating lease rentals – property	4,317	3,556
Operating lease rentals – plant and machinery	57	27
(Gain)/loss on sale of property, plant and equipment	(38)	32
Exchange losses	320	626
Other operating expenses	18,107	11,145
Operating expenses before amortisation of acquisition intangibles	<b>117,095</b>	82,754
Amortisation of acquisition intangibles	1,755	-
Total operating expenses	<b>118,850</b>	82,754

Other operating income represents income from sublet office space.

Included in operating expenses are the direct costs of research and development of £20,510,000 (2006 £12,265,000), which includes the amount capitalised above.

#### 4 Staff numbers

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

	<b>2007</b>	2006
	<b>Number</b>	Number
Europe	<b>559</b>	398
North America	<b>358</b>	257
Asia	<b>110</b>	67
Total average staff numbers	<b>1,027</b>	722

	<b>At 31<sup>st</sup> December</b>	At 31 <sup>st</sup> December
	<b>2007</b>	2006
	<b>Number</b>	Number
Technical	<b>619</b>	479
Product development	<b>260</b>	175
Sales and marketing	<b>128</b>	79
Management and administration	<b>153</b>	117
Total staff numbers at 31 <sup>st</sup> December	<b>1,160</b>	850

#### 5 Finance income

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Interest receivable on cash and cash equivalents	<b>1,019</b>	1,132
Interest received on Touchpaper "A" and "B" Loan Notes	<b>70</b>	290
Other interest receivable	<b>4</b>	19
Capital repayment of Touchpaper "B" Loan Notes	<b>300</b>	500
Total finance income	<b>1,393</b>	1,941

## 6 Income tax expense

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Current tax expense:		
Current year domestic tax	<b>675</b>	1,453
Current year foreign tax	<b>3,219</b>	2,283
Adjustments for prior years	<b>(27)</b>	122
Total current tax expense	<b>3,867</b>	3,858
Deferred tax expense:		
Origination and reversal of temporary differences	<b>1,120</b>	(421)
Adjustments to UK taxation rate in respect of prior periods	<b>(40)</b>	-
Benefit and utilisation of tax losses	<b>525</b>	546
Total deferred tax expense	<b>1,605</b>	125
Total income tax expense in income statement	<b>5,472</b>	3,983

Reconciliation of effective tax rate	<b>2007</b>	2006	2006
	<b>£'000</b>	£'000	£'000
Profit before tax	<b>17,069</b>	14,294	14,294
Income tax using the domestic corporation tax rate	<b>30% 5,121</b>	30% 4,288	4,288
Effective tax rates in foreign jurisdictions	<b>901</b>	439	439
Expenses not deductible for tax purposes	<b>135</b>	195	195
Tax incentives	<b>(757)</b>	(516)	(516)
Adjustments to UK taxation rate in respect of prior periods	<b>(40)</b>	-	-
Tax credits utilised	<b>-</b>	(249)	(249)
Non-taxable items	<b>139</b>	(296)	(296)
Adjustment relating to prior years	<b>(27)</b>	122	122
Tax expense and effective tax rate for the year	<b>32% 5,472</b>	28% 3,983	3,983

Tax recognised directly in equity	<b>2007</b>	2006
	<b>£'000</b>	£'000
Current tax credit relating to equity settled share incentives	<b>(841)</b>	(390)
Deferred tax debit/(credit) relating to equity settled share incentives	<b>871</b>	(1,428)

## 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 1037p (2006 845p) for the year.

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Profit attributable to shareholders	<b>11,597</b>	10,311
Add amortisation of acquisition intangibles	<b>1,755</b>	-
Less deferred tax on amortisation of acquisition intangibles	<b>(526)</b>	-
Add notional interest on contingent consideration	<b>847</b>	-
Less gain relating to capital repayment of Touchpaper "B" Loan Notes	<b>(300)</b>	(500)
Profit attributable to shareholders excluding amortisation of acquisition intangibles, notional interest and capital repayment	<b>13,373</b>	9,811
	<b>2007</b>	2006
	<b>Number '000</b>	Number '000
Weighted average number of shares in issue	<b>34,264</b>	33,026
Weighted average number of shares held by the employee trusts	<b>(544)</b>	(711)
Shares used to calculate basic earnings per share	<b>33,720</b>	32,315
Dilution due to share options and warrants	<b>872</b>	1,037
Shares used to calculate diluted earnings per share	<b>34,592</b>	33,352
Basic earnings per share excluding amortisation of acquisition intangibles, notional interest and capital repayment	<b>39.7p</b>	30.4p
Diluted earnings per share excluding amortisation of acquisition intangibles, notional interest and capital repayment	<b>38.7p</b>	29.4p
Basic earnings per share on amortisation of acquisition intangibles, notional interest and capital repayment	<b>(5.3)p</b>	1.5p
Diluted earnings per share on amortisation of acquisition intangibles, notional interest and capital repayment	<b>(5.2)p</b>	1.5p
Basic earnings per share	<b>34.4p</b>	31.9p
Diluted earnings per share	<b>33.5p</b>	30.9p

## 8 Trade and other receivables

	2007	2006
	£'000	£'000
Trade receivables	29,637	16,739
Amount due from subsidiaries	-	-
Prepayments	3,375	1,973
Accrued revenue	1,545	1,184
Other receivables	1,856	1,044
Total trade and other receivables	<b>36,413</b>	<b>20,940</b>

## 9 Current liabilities; trade and other payables

	2007	2006
	£'000	£'000
Trade payables	4,048	2,176
Amount due to subsidiaries	-	-
Accrued expenses	20,170	11,084
Deferred revenue	24,286	12,276
Other taxes and social security	3,023	2,150
Total trade and other payables	<b>51,527</b>	<b>27,686</b>

## 10 Business combination

On 27<sup>th</sup> April 2007 the Group completed the acquisition of 100% of the equity of LatentZero Limited, a world leading solution provider for multi-asset trading systems, for a total consideration of up to £62.3 million (including £1.5 million of related costs and net of £1.6 million of discounting of the contingent consideration). Consideration of £37.4 million was paid on completion, comprising £28.0 million of cash and £9.4 million of ordinary shares in Fidessa group plc; 852,239 shares were issued at a fair value of 1101p each, being the closing mid-price on 27<sup>th</sup> April 2007. Further contingent consideration of £25.0 million is expected to be paid and is dependent on the achievement of performance objectives related to revenue, operating profit and order intake in 2007 and 2008. The total contingent consideration comprises £15.5 million of cash and £9.5 million of ordinary shares in Fidessa group plc. The contingent consideration has been discounted by £1.6 million, the unwinding of which will be charged as notional interest in the income statement over the period up to settlement.

If this acquisition had completed on 1<sup>st</sup> January 2007, the start of the period being reported in these financial statements, the consolidated results for the Group would have been revenue of £141,436,000, operating profit before share incentive charges in LatentZero and amortisation of acquisition intangibles of £18,270,000 and an operating profit of £16,248,000.

The goodwill arising on the acquisition results from the value of the assembled workforce, the synergistic nature of the acquisition due to cross-selling opportunities between the buy-side and sell-side clients, potential cost savings, and the expected future growth.

Identifiable intangibles relate to the value of LatentZero's customer relationships, brands and other marketing related intangibles and complete technology.

The investment in LatentZero has been consolidated into the balance sheet at its fair value at the date of acquisition. These fair values are provisional and will be amended as necessary in light of subsequent knowledge or events to the extent that these reflect conditions as at the date of acquisition.

	Book values	Fair value to
		Group
	£'000	£'000
Intangible assets (excluding goodwill)	2,704	17,600
Property, plant and equipment	919	1,186
Deferred tax assets/(liabilities)	892	(4,084)
Current assets	8,016	8,016
Cash and cash equivalents	3,286	3,286
Liabilities	(10,845)	(10,845)
Net assets	<u>4,972</u>	15,159
Goodwill arising on acquisition		47,129
Total consideration		<u>62,288</u>
Satisfied by:		
Cash consideration		28,023
Shares issued		9,383
Provision for future consideration payable		23,358
Directly attributable costs		1,524
		<u>62,288</u>
Net cash outflow arising on acquisition:		
Cash consideration paid		28,023
Directly attributable costs paid		1,524
Cash and cash equivalents acquired		(3,286)
		<u>26,261</u>

## 11 Dividends

On 4<sup>th</sup> June 2007 the 2006 final dividend of 8.8 pence per share, £2,993,000, (2006: final dividend for 2005 of 7.0 pence per share, £2,246,000) was paid. On 24<sup>th</sup> September 2007 the 2007 interim dividend of 6.0 pence per share, £2,045,000, (2006: 4.3 pence per share, £1,409,000) was paid.

The directors propose a final dividend for 2007 of 12.0 pence per share, £4,097,000, payable on 2<sup>nd</sup> June 2008 to shareholders on the register on 2<sup>nd</sup> May 2008, with an ex-dividend date of 30<sup>th</sup> April 2008. The dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.