

Fidessa group plc
Annual Report and Accounts 2007



Results at a glance

Highlights for the year ended 31st December 2007

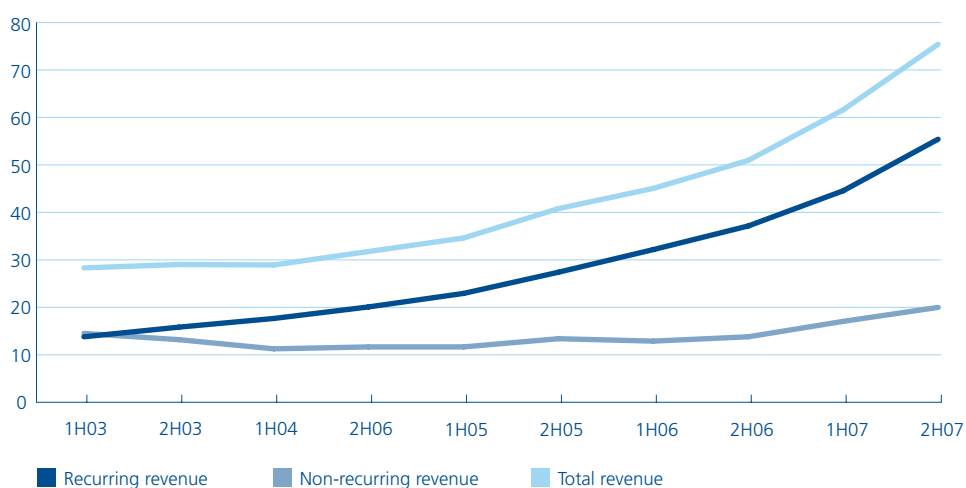
- Strong organic growth; revenue up 28% and operating profit up 38%.
- Organic recurring revenue up 34%.
- Completed the acquisition of **LatentZero** on 27th April 2007, the first major acquisition since the group floated in 1997.
- **Fidessa LatentZero** delivering good growth with integration progressing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

	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.

Recurring revenue (£m)



Overview

The acquisition of **LatentZero** has transformed the company into a major vendor to the buy-side as well as to the sell-side community.

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.

Results

The financial statements include the results of **Fidessa LatentZero** subsequent to the completion of the acquisition on 27th 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

Market conditions in both the buy-side and sell-side businesses have remained strong.

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 38.7p for the year, an increase of 32% from 29.4p for 2006. The IFRS diluted earnings per share were 33.5p (2006 30.9p), 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 18.0p. The final dividend, if approved by shareholders, will be 12.0p, to be paid on 2nd June 2008 to shareholders on the register on 2nd May 2008. The ex-dividend date will be 30th 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 31st December 2007 had increased to 1,160 from 850, an increase of 36%.

Overview continued

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.

LatentZero acquisition

On 27th 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 Inc¹. In this summary we confirmed that our view from the outset remains unchanged

¹Lava Trading Inc was acquired by Citigroup Inc in 2004.

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.

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 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.

Operations review

We have seen strong demand for **Fidessa** around the world with nearly 50 new clients signing for our trading systems during 2007.

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

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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".

Operations review continued

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.

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. 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.

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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 ongoing 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 it 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.

Operations review continued

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.

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.

Finance review

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Revenue

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.

Profits

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%.

Tax

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.

Earnings per share

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 38.7p for the year, an increase of 32% from 29.4p for 2006. The IFRS diluted earnings per share were 33.5p (2006 30.9p), 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.

Finance review continued

The business continues to be strongly cash generative closing the year with net cash of £24.8 million.

Dividends

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

Acquisition

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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.

Cash and treasury

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%.

The use of financial instruments is managed under policies and procedures approved by the Board. These are designed to reduce the financial risks faced by the Group, which primarily relate to credit, interest, liquidity and currency risks, which arise in the normal course of the Group's business.

Financial instruments which potentially expose the Group to credit risk consist primarily of cash equivalents and trade receivables. Cash equivalents are deposited only with major financial institutions that satisfy certain credit criteria. The Group provides credit to customers in the normal course of business and the amount that appears in the balance sheet is net of an allowance of £840,000 (2006 £470,000) for specific doubtful receivables, the allowance being due to age or other issues. In most situations where a receivable is aged but no specific allowance has been made for it no revenue has been taken and it forms part of the deferred revenue balance.

The Group holds net funds and hence its interest and liquidity risks are associated with short-term cash deposits. The Group's overall objective with respect to these deposits is to maintain a balance between accessibility of funds and competitive rates of return. In practice this means that no deposits are made with a maturity date greater than three months. All deposits are at current market rates.

The Company maintains a strong capital base so as to maintain employee, customer, market, investor and creditor confidence in the business.

The Company has an unsecured facility that can be drawn to meet financing needs. It can be drawn as a money market loan with an interest rate of LIBOR plus 0.75% or as an overdraft with an interest rate of base rate plus 0.75%. The maximum facility is £10.0 million and there have been no borrowings against it during the year.

The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into sterling. The currencies giving rise to this risk are primarily US dollars, Euros and Japanese Yen. The Group has both cash inflows and outflows in these currencies that create a natural hedge.

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's cash inflows and outflows in a foreign currency. The Group has not entered into hedging contracts for cash positions denominated in foreign currencies. The Group has treated £6,123,000 of the long-term funding of subsidiaries as net investment. At 31st December 2007 exchange rates the net investment equated to £5,563,000.

Over the longer term permanent changes in foreign exchange would have an impact on consolidation of foreign subsidiaries earnings. It is estimated that a general increase of one percentage point in the value of sterling against other currencies would have decreased the Group's profit before tax by approximately £104,000 for the year ended 31st December 2007 (2006 £64,000).

The Company maintains a strong capital base so as to maintain employee, customer, market, investor and creditor confidence in the business. Special dividends have been used to return surplus capital to shareholders on two occasions in the past. The Board monitors the capital position and determines the level of annual dividend and when and how a return of capital to shareholders is appropriate.

Report of the Directors

The directors present their report and the audited financial statements for the Company for the year ended 31st December 2007. These will be laid before the shareholders at the Annual General Meeting to be held on 22nd April 2008.

1 Directors

The serving directors are

John Hamer (age 48), Chairman

John Hamer joined the Group in January 1983. He has a BSc. Hons. in Computer Science from Leeds University and was Chief Executive of the Group between 1992 and July 2001 when the Group had multiple business streams, each with its own Chief Executive.

John became Chairman of the Group in July 2001 when the Group focused on the **Fidessa** business by divesting the help desk and call centre software businesses. The Board considers the Chairman role to be similar to that performed prior to July 2001 when there were multiple businesses and there to be no conflict with Chris Aspinwall, the Chief Executive, who was already the Chief Executive of the **Fidessa** business prior to July 2001. John was Chairman of Rolfe and Nolan Group Limited until May 2007. He currently has no other material business commitments.

Chris Aspinwall (age 44), Chief Executive

Chris Aspinwall joined the Group in August 1986 as a software engineer and was appointed to the Board in 1992. He became Chief Executive of the **Fidessa** business in 1992 and has grown it to its current world-leading position. In July 2001 he became Group Chief Executive. He has a BSc. Hons. in Computer Science from York University.

Andy Malpass (age 46), Finance Director

Andy Malpass joined the Group in 1995 as Finance Director and has over 20 years' experience in the software industry, with both private and public companies. He has a BA Hons. in Accounting and Finance from Lancaster University and is a fellow of the Chartered Institute of Management Accountants.

Ron Mackintosh (age 59), Senior Independent Non-Executive Director

Ron Mackintosh was appointed to the Board in June 2004. He is Chairman of both Northgate Information Solutions plc and of CSR plc. He is also Chairman of Differentis Limited. Ron was formerly President and Chief Executive of Computer Sciences Corporation Europe ("CSC"), the European arm of one of the world's largest IT services companies. During his period at CSC, revenues grew from \$180 million to \$2.5 billion. Ron is also a former director of Gemplus SA and was Chairman of Smartstream Technologies Ltd until December 2007.

Philip Hardaker (age 60), Independent Non-Executive Director

Philip Hardaker joined the Board as a Non-Executive Director in February 2005. Philip is an experienced Chartered Accountant who served 20 years as a partner in a major accounting firm in the UK (KPMG). As a partner he was responsible for leading teams providing audit, advisory and transaction due diligence services to a broad portfolio of clients. Philip also held managerial and leadership positions within KPMG both in the UK and overseas. In addition to his role at the Company, Philip is a director of The St John of Jerusalem Eye Hospital, a Trustee of Charities Aid Foundation, chairing their Audit, Risk and Compliance Committee, and an independent non-executive member of the Audit Committee of Lovells LLP.

John Hamer, Ron Mackintosh and Philip Hardaker all retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. Their biographies are set out above. Following formal performance evaluation, the Chairman confirms that the performance of Mr Mackintosh and Mr Hardaker continues to be effective and that they continue to demonstrate commitment to their roles and the Senior Independent Director, Ron Mackintosh, confirms that following formal performance evaluation the performance of Mr Hamer the Chairman continues to be effective. Directors' interests in shares and share options in the Company are detailed in the Directors' Remuneration Report.

The appointment and replacement of Directors is governed by the Articles of Association of the Company and the Nominations Committee Terms of Reference.

At the date of this Report of the Directors, indemnities are in force under which the Company has agreed to indemnify the directors to the extent permitted by law and by the Company's Articles of Association in respect of all losses arising in their capacity as officer of the Company or of any member of the Group.

2 Principal activities and business review

The Company changed its name from royalblue group plc to **Fidessa** group plc on 1 May 2007 following shareholder approval at the Annual General Meeting held in April 2007. The change to the corporate name was made to reflect the product name in order to focus the Group's marketing efforts behind a single brand and to enable the Group to deliver higher brand value throughout the market and media.

In April 2007 the Company purchased **Fidessa LatentZero** Limited (formerly **LatentZero** Limited). For further details please see the Operations Review.

The Group is a world-leading supplier of multi-asset trading, portfolio analysis, decision support, investment compliance, market data and connectivity solutions for both the buy-side and sell-side globally. Available as a simple workstation or as an integrated application suite, the **Fidessa** and **Fidessa LatentZero** product suites are built on the clear vision of providing the richest functionality, coverage and distribution to the financial markets community. Further details of the Group's primary markets and the development of the business are stated in the Overview and Operations Review.

Details of the Company's compliance with the Combined Code on Corporate Governance is set out in the Corporate Governance section of this Annual Report and a review of the Group's business, its key performance indicators, an indication of its strategy for the future and risk factors facing it are contained within the Overview, Operations Review and the Finance Review of this Annual Report satisfying the requirements of the EU Accounts Modernisation Directive.

3 Risk factors

Identification and management of risk is an integral part of the day-to-day activities of the Group; please refer to the paragraph headed "Internal Control" in the Corporate Governance section of this Annual Report for more detail on the Group's risk management systems.

There are a number of potential risk factors which could have a material adverse financial effect on the business as well as on the value and liquidity of the Company's securities some of which have been identified below although the list may not be exhaustive. Where reasonably possible the Company or the Group as applicable has taken steps to mitigate these risks but they cannot be entirely safeguarded against all of them.

Deployment schedules under the larger implementations could be delayed in the event that a customer's requirements were to change during the deployment process and this could have a negative effect on the Group's cash flow and timing of revenue. The Group tries to avoid such delays by assessing jointly with the customer what its requirements are prior to contracting with it and continuing in dialogue with the customer throughout the implementation process.

The Group's products are dependent on the rapid transmission of data either over the internet or using dedicated communications lines in order to provide financial information to its customer base and to enable customers to effect trades in financial instruments. A major power outage, network failure or network interruption whether caused by failure of the network provider, power provider or power infrastructure, interference with or destruction of one of the Group's data centres or errors in or lack of sufficient protection of its software, IT viruses, terrorist attack or sabotage could result in the failure of its hosted service, the transmission of old or incorrect data

Report of the Directors *continued*

and trades being missed, repeated or incorrectly executed. Such issues could have an adverse impact on the Group's customers and on the Group financially as well as on its reputation in its markets. The Group takes these issues very seriously and tries to take appropriate measures including investing heavily in secure data centre space, ensuring it has sufficient power supplies and protecting its systems against sabotage.

Under the Group's software testing protocols, it takes steps to prevent test trades from being executed live and to reduce the impact of such an eventuality by using a separate test site and imposing conditions on the testing such as limiting the size of test trades. It is however possible that such an error could take place and prove very costly to the Group.

The nature of financial market data is such that it needs to be constantly updated which may mean that the Group's network capacity could at some point become saturated which may adversely affect its product and network performance. While the Group has implemented measures to mitigate this risk contracting for sufficient network capacity using market-leading providers of network services, there can be no guarantees that the Group and its communications network providers will be able to accommodate rapid growth in traffic volumes or avoid network failures or interruptions.

The Group's products include tools that support investment decisions, from asset allocations through what-if scenarios to implementation. The tools are high performance but have to operate in a fast-moving environment which creates some timing risk.

Although the Group endeavours to negotiate its contracts with its data providers to the extent possible in order to limit its exposure, the Group has signed agreements with overseas exchanges for the provision of financial data. Being providers which have a monopoly, some of the exchanges refuse to provide their data on terms other than their standard terms which can contain provisions which the Group would not accept under normal circumstances including unlimited liability, liability for consequential loss and the application of local law.

The Group's staff are vital to the success of the business. If the Group were unable to attract adequate skilled staff to meet its requirements or were to lose key managerial, sales, professional or technical staff this could seriously affect its business. Succession planning is taken seriously by the Board and it is believed that long-term incentives under the share option schemes as well as the Share Bonus Plan and Exceptional Growth Rate Incentive Plan aid staff retention. The Group endeavours to ensure that staff are motivated by the nature of the business of the Group and the work that they carry out in their roles as employees. They are regularly appraised and encouraged to develop their skills and where appropriate are promoted in line with their potential.

Although careful steps are taken to minimise the risks posed by disaffected employees such as protecting the Group's systems and trying to resolve any potentially volatile human resource issues, disaffected employees with access to critical information could be inclined to harm the Group and it is possible that they could do significant damage to the business and the reputation of the Group by impairing its systems. They could also endeavour to misappropriate the Group's intellectual property by attempting to reveal its source codes or trade secrets or allocating passwords or access to its systems to third parties for financial gain or to cause financial loss to the Group.

As a software group, infringement of the Group's intellectual property rights by third parties or its failure to defend infringement claims from third parties could cause damage to the business although the Group has taken reasonable steps to ensure that its intellectual property rights are appropriately protected by law.

The Group is currently involved in patent litigation with Lava Trading Inc. which incurs legal expenses for the Group and were further litigious actions to be brought against the Group then this would cause the Group to incur further costs in legal fees and in the event of an unsuccessful defence to any litigation then it could become liable to pay damages to a third party reducing any profits made in that financial period. Please see the Operations Review for more information on the Lava Trading Inc. patent litigation.

The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into sterling. The currencies giving rise to this risk are primarily US dollars, Euros and Japanese Yen. The Group has both cash inflows and outflows in these currencies that create a natural hedge. In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's cash inflows and outflows in a foreign currency. The Group has not entered into hedging contracts for either cash or net investment positions denominated in foreign currencies. Over the longer term, however, permanent changes in foreign exchange would have an impact on consolidated earnings.

As the Group operates internationally it is subject to the tax laws and regulations of several countries. Although the Group takes careful steps to comply with applicable international tax legislation, a tax audit in one of the countries in which it operates could expose it to a challenge to its transfer pricing policies or other treatment of revenue, costs and capital expenditure and there is a possibility that the same profits could be taxed in more than one jurisdiction.

The Group's suite of products is limited in range in so far as all its products are financial software-related. It could fail to retain existing customers or attract a new client base which would reduce profits and factors beyond its control such as a material downturn in financial markets, market disruptions or suspensions, or consolidation amongst the customer base that would adversely affect the sales of the Group's products due to the consequential reduction in the budgets of financial institutions for expenditure on technology products and their reduced requirement for such products.

The Group invests heavily in research and development of new products yet it is possible that at a future date the Group may not have the resources to respond rapidly enough to changes in customer requirements in its markets. The strategy it adopts in developing new products may not be on target and resource may be channelled into products that are ineffective or surplus to market requirements. The Group faces competition in each of its markets and were its competitors to develop a more strategically focused and cost effective rival product which better met the requirements of its customer base then this would reduce sales and impact profits.

The cost of compliance by the Group with changes in laws or regulations by governments and other regulatory authorities in the countries in which it does business could have an adverse financial effect on the business as could prosecution of the Group for any breaches of such laws due to the potential resulting defence costs and penalties involved. The Group endeavours to comply with any such changes with the help of its financial and legal advisers where necessary.

Changes to financial reporting rules and accounting standards could affect the reported assets, liabilities or profits of the Group for future periods as well as periods already reported.

In the future the Group may decide to acquire new businesses or companies and/or dispose of companies and/or businesses. Any given acquisition or disposal will entail costs but has the potential to increase the profitability of the Group. Although in depth due diligence would be carried out by the Group and its advisers prior to undertaking such a transaction, an acquisition could have a negative effect on the profits of the Group in the event that a target acquired could not be successfully integrated into the Group, were unable to adapt to the Group's culture, if disaffected staff from the acquired company were to leave the Group or if the acquisition did not prove as valuable to the Group as anticipated.

The Group has grown rapidly in recent years and is expected to continue to do so. As it continues to grow, it will need to expand its existing resources and its infrastructure. The acquisition of additional office premises, the recruitment and training of new staff and the incidental expenditure that these measures will entail, will incur significant extra cost and if the Group is unable to manage such growth effectively its financial condition could be adversely affected.

Report of the Directors continued

4 Results and dividends

The financial results are shown in the Consolidated Income Statement. A fuller explanation of the results is provided in the Overview, the Finance Review and the Operations Review.

An interim dividend of 6.0p per ordinary share was paid on 24th September 2007. The directors propose a final dividend of 12.0p per ordinary share. The final dividend, if approved by shareholders, will be paid on 2nd June 2008 to shareholders on the register at the close of business on 2nd May 2008, with an ex-dividend date of 30th April 2008.

5 Change of control

The Company's share option schemes, the Share Bonus Plan and the Exceptional Growth Rate Incentive Plan, all contain change of control provisions under which on a change of control of the Company, options and awards would vest in full subject to the satisfaction of any performance conditions at the time.

6 Share capital

Details of the authorised called-up and fully paid share capital of the Company are set out in note 19 to the financial statements. The rights and obligations attaching to the Company's shares and the powers of the Directors are set out in the Articles of Association, copies of which can be obtained from Companies House. There are no restrictions on the voting rights attached to the Company's shares and no person holds securities in the Company carrying special rights with regard to control of the Company. Unless expressly specified to the contrary in the Articles of Association, the Company's Articles of Association may be amended by a special resolution of the Company's shareholders.

7 Principal shareholders

The following have notified the Company as being interested in 3% or more of the Company's issued ordinary share capital as at 8th February 2008. The last holding notified to the Company is below.

	Ordinary 10p shares	Percentage of issued share capital
Aegon UK plc Group of Companies	2,836,687	8.2%
Standard Life Investments Limited	2,706,980	7.8%
FMR Corp and Fidelity International Limited	1,768,540	5.1%
Legal & General	1,746,333	5.0%
Schroders plc	1,709,867	4.9%
CJ Sharples	1,450,352	4.2%
Lloyds TSB Group Plc	1,294,906	3.7%
DA Taylor	1,153,049	3.3%

8 Authority to purchase own shares

At the Annual General Meeting of the Company held on 24th April 2007 shareholders approved a general authority for the Company to re-purchase up to 3,355,910 ordinary shares in the market. This represented approximately 10% of the Company's issued ordinary share capital at the time. No purchase of shares has been made pursuant to this authority, and there is no present intention to use such authority, but the Directors consider it desirable that the possibility of making such purchases under appropriate circumstances remains available. A similar authority will be requested at the forthcoming Annual General Meeting, again limited to a maximum of 10% of the Company's issued share capital. The Board intends only to exercise this authority if it believes that it will lead to an increase in earnings per share for the remaining shareholders.

9 The Fidessa group plc Employee Benefit Trust

The **Fidessa** group plc Employee Benefit Trust 1997 is a discretionary trust established for the benefit of **Fidessa** staff. It has an independent, professional trustee, Abacus Corporate Trustee Limited (formerly RBC Trustees (Guernsey) Limited), and is currently financed by advances from the Company. Rights to dividends have been waived by the trust and it waives its right to vote the shares. The costs of administering the Employee Benefit Trust are charged to the Income Statement as incurred. The trust acquired its shares in the Company for use in connection with the Company's Performance Related Share Plan at the time of the placing for the flotation in June 1997. The Company Share Option Plan 2006 (further details of which are set out in the Directors' Remuneration Report) was approved by shareholders at the Extraordinary General Meeting held in February 2006 and the Company can request the trust to transfer its shares to satisfy grants made on the recommendation of the Remuneration Committee under this scheme too.

10 The Fidessa group plc Share Bonus Trust

The **Fidessa** group plc Share Bonus Trust is a discretionary trust established for the benefit of participants in the **Fidessa** group plc Share Bonus Plan. It has an independent, professional trustee, Kleinwort Benson (Jersey) Trustees Limited, and is currently financed by advances from the Company. All rights to dividends have been waived by the trust and it waives its right to vote the shares. The costs of administering the trust are charged to the Income Statement as incurred. The trust acquires its shares in the Company from the market at the same time as participants in the Share Bonus Plan acquire their participating shares. During the year the trust acquired 51,243 ordinary shares of 10p each in the Company. The trust's holding at 31 December 2007 was 101,815 ordinary shares. The trust purchases shares to match purchases and provide a National Insurance Contribution hedge against purchases of ordinary shares by participants in the **Fidessa** group plc Share Bonus Plan.

11 Research and development

The Group has continued its commitment to research and development and places a high priority on maintaining and improving the functionality, quality and competitive position of its business software products. During the year the total expenditure on research and product development was £20,510,000 (2006 £12,265,000). This is measured on a direct cost only basis with no overheads allocated.

12 Employment policies

The Group's employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate the very best staff regardless of colour, nationality, sex, marital status, sexual orientation, age, religion, disability or any other characteristic protected by law. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. Wherever possible the employment of employees who become disabled will be continued and appropriate training and career development will be offered.

The health and safety of the Group's employees, customers and visitors is of primary importance. Therefore, the Group is committed to creating and maintaining a safe and healthy working environment by managing its activities so as to avoid unnecessary or unacceptable risks. Health and safety audits and risk assessments, including fire risk assessments, are carried out regularly and workstation assessments for staff are carried out frequently throughout the year.

Good and effective employee communications and openness with staff are important and the Group promotes the understanding and involvement of all its employees in the Group's business aims and performance. The policy of providing employees with information about new products, operations, and the performance and development of the Group has continued through the Group's intranet, product seminars and through regular staff meetings at which progress updates on the Group are given by the Directors and senior management.

Any employees with questions or concerns about any type of discrimination, behaviour or practice at **Fidessa** are encouraged to bring these issues to the attention of their manager. These concerns will be investigated promptly and appropriate action taken and feedback given to the employee concerned. Any attempt to deter employees from raising proper concerns will be treated as a serious disciplinary offence. The Group has implemented an anonymous reporting box on its intranet where employees can raise any such concerns which will be copied to the Chairman of the Audit Committee and dealt with promptly.

Report of the Directors continued

13 Environmental, social and ethics policy

Fidessa group plc is a constituent company in the FTSE4Good Index Series. The purpose of the FTSE4Good Index Series is to identify companies that meet globally recognised corporate responsibility standards. The Board has identified and assessed the significant risks to the Company's value arising from social, environmental and ethical matters and the enhanced value that can arise from an appropriate response to these issues. The Group has an environmental as well as a social and ethics policy and these are regularly reviewed and communicated through the Group's website and intranet. The Group aims to apply good social, environmental and ethical practice in its business operations and meets the relevant statutory requirements.

The Group, by the nature of its business as a software product and services office-based environment, has no manufacturing facilities which pose an environmental risk. The major environmental impacts associated with daily operations are considered to be the computing requirements of our data centres and staff. There are also our daily operations which involve the use of electrical and electronic equipment, the use of paper, and the disposal of waste. The Group endeavours to have systems that reduce its environmental impact in line with its business needs.

Direct energy use from business and transport constitutes a major proportion of greenhouse gas emissions and the Group endeavours to reduce its carbon footprint. Some of the measures it has introduced to reduce its environmental impact are

- a cycle to work scheme which will be implemented during 2008;
- the use of virtual servers resulting in significant savings reducing energy usage by a factor of 25 to 1;
- commencing the roll out of a system for the automatic shutdown of non-essential computers overnight and at weekends to conserve energy;
- encouraging responsible use of energy and water as far as it is economic to do so and encouraging staff to promptly report any unnecessary wastage and to be vigilant about leaking taps and lights and air conditioning being left on;
- where practical recycling its waste products; and
- less reliance on the use of paper due to default settings on office printers to encourage duplex printing and using two page per side printing where practical as well as greater use of email rather than paper-based correspondence.

The Operations Director produces a yearly annual environmental report. The 2007 report showed that the Group's improvement targets for the year had been met. An audit covering the Company's environmental, social and ethics policy was carried out during 2007 and no risks were identified. Several improvement suggestions as a result of the audit were raised and appropriate action taken. A report on the environmental, social and ethics activities of the Group is presented each year to a meeting of the Audit Committee.

Employees are encouraged to follow good principles of social behaviour. These are reflected in the Group's social and ethics policy. The policy is regularly reviewed and when deemed appropriate revised and published to all employees. The Group continues to participate in and support the local communities where it carries out its business, as it believes this benefits the Group as well as the local communities. Employees are encouraged to participate actively in raising money for local, national and international charities through fundraising events, several of which are typically held each year. Details of these events are normally published on the Group intranet.

14 Donations

The total amount of charitable donations made by the Group during 2007 was £5,000 (2006 £6,000). Donations were made to various charities. The largest donation made to a UK charity was £750 which was made to Hope and Homes for Children. There were no political donations.

15 Payments to creditors

It is the Company's and the Group's policy to agree terms and conditions for their business transactions with their suppliers. The Company and the Group seek to abide by the payment terms agreed with suppliers whenever they are satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions. As at 31st December 2007 the number of days of annual purchases represented by the year-end creditors for the Company amounted to 27 days (2006 27 days) and for the Group amounted to 32 days (2006 23 days).

16 Disclosure of information to auditors

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

17 Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Susanna Freeman

Secretary

8th February 2008

Directors' remuneration report

Introduction

This report by the Remuneration Committee has been approved by the Board for submission to shareholders in accordance with the 2003 Combined Code on Corporate Governance, the requirements of the Listing Rules of the UK Listing Authority and the reporting requirements of the Directors' Remuneration Report Regulations 2002 ("the Regulations"). Consistent with previous years, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Regulations require the auditors to report to the Company's members on the "auditable part" of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration Committee

The Remuneration Committee comprises Ron Mackintosh and Philip Hardaker, both non-executive directors, the chairman of the committee being Ron Mackintosh. Neither of the members of the committee has any personal financial interest (other than possibly as shareholders), conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. The committee is responsible for determining the remuneration, other benefits and terms of employment, including performance-related bonus schemes and share option schemes, for the Executive Directors. The committee has access to external advisers as necessary.

Remuneration policy

The Remuneration Committee determines the remuneration of the Executive Directors after consulting with the Chairman and Chief Executive. The committee reviews the performance of the individual concerned and takes account of comparative market data from other companies in the IT sector. The Remuneration Committee believes that the Executive Directors should be rewarded fairly, competitively and at a similar level to directors in comparable companies and at a level that will attract, motivate and retain Directors of an appropriate calibre who deliver value to shareholders. The Group's policy is that a substantial proportion of the remuneration of the Executive Directors should be performance-related. Therefore, the remuneration of the Executive Directors is characterised by a lower base salary and greater weighting to performance-related bonus than for comparative companies. The overall package, which will be reviewed on a regular basis, may contain any of the following elements

- a base salary;
- performance-related bonus payments;
- other benefits; and
- share-based incentives.

Basic salary

Each Executive Director's basic salary is reviewed annually based on performance, achievement of objectives and comparative salaries.

Bonus

The Company operates a performance-related bonus scheme for Executive Directors. Chris Aspinwall is entitled to a bonus based on the Group's operating profit excluding any items that the Remuneration Committee considers to be exceptional or inappropriate. The terms of the bonus are reviewed if there is a material acquisition in any period. The bonus is subject to an upper limit of four times base salary. Andy Malpass is entitled to a bonus subject to performance against a series of financial and management objectives and also subject to the discretion of the Remuneration Committee. The bonus is capped at not more than 150% of base salary.

Other benefits

Benefits provided include the provision of a company car or a car allowance, medical insurance and life assurances. No Director is currently eligible for a pension contribution.

Service contracts

The contracts of service for Chris Aspinwall and Andy Malpass are for an indefinite term providing for 12 months' notice by either party. These contracts were entered into on 2nd June 1997 and amended on 3rd October 2003. In the event of termination the Director is eligible to salary, benefits and bonus accrued during the notice period and payable in equal monthly instalments subject to the Director using reasonable endeavours to obtain suitable alternative employment.

The contract of service for John Hamer was entered into on 2nd June 1997 and is for an indefinite term providing for six months' notice by either party. Philip Hardaker has in early February 2008 signed a new letter of appointment that provides for a further period of three years, subject to termination by either party on one month's notice. Ron Mackintosh signed a new letter of appointment during the 2007 financial year for a further term of three years also subject to termination by either party on one month's notice.

Non-executive fees

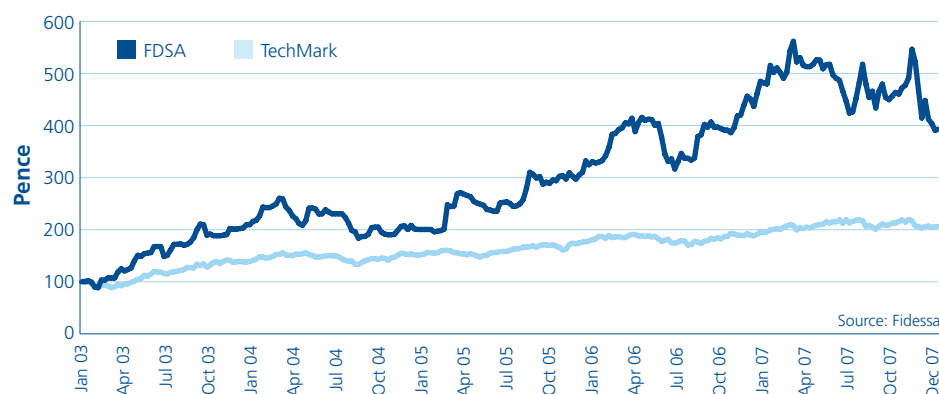
The Board determines the Non-Executive Directors' fees. The Non-Executive Directors are not involved in decisions about their own remuneration. The Chairman and Non-Executive Directors are not eligible for performance-related remuneration or participation in share-based incentives.

Interests in contracts

During the year no director had any interest in any contract of significance with the Company or its subsidiary undertakings.

Total shareholder return performance graph

The Directors' Remuneration Report Regulations 2002 require the presentation of a performance graph of total shareholder return compared to a broad equity market index for a period of five years. The total shareholder return is the share price plus dividends re-invested over the period of the graph. The Board believes that the TechMARK All-Share Index, of which Fidessa group plc is a constituent, provides the best benchmark for comparison. The Company share price and the TechMARK All-Share Index are both set to 100 at the start of the five year period.



Audited information

Directors' remuneration

Details of the remuneration of the Directors are set out below

Year ended 31st December 2007	Base fees & salaries £'000	Benefits £'000	Bonus £'000	Total £'000
Chairman				
John Hamer	120	1	–	121
Executive				
Chris Aspinwall	150	13	576	739
Andy Malpass	150	15	190	355
Non-executive				
Ron Mackintosh	40	–	–	40
Philip Hardaker	40	–	–	40
Total	500	29	766	1,295

Directors' remuneration report continued

Year ended 31st December 2006	Base fees & salaries £'000	Benefits £'000	Bonus £'000	Total £'000
Chairman				
John Hamer	90	1	–	91
Executive				
Chris Aspinwall	150	13	483	646
Andy Malpass	150	16	160	326
Non-executive				
Ron Mackintosh	37	–	–	37
Philip Hardaker	37	–	–	37
Total	464	30	643	1,137

Directors' interests

The interests of the Directors and their families in the ordinary shares of the Company, all of which were beneficial, were as follows

	31st December 2007 Number	31st December 2006 Number
John Hamer	447,918	442,771
Chris Aspinwall	823,527	801,401
Andy Malpass	120,138	110,937
Ron Mackintosh	10,000	20,000
Philip Hardaker	2,000	2,000

Between 31st December 2007 and the date of this report the interests of John Hamer, Chris Aspinwall and Andy Malpass have each increased by 17 shares as a result of a regular monthly purchase by the Fidessa group plc Share Incentive Plan.

Share options and share incentives

The Company has share option schemes whereby employees of the Group are able to subscribe for ordinary shares in the Company. The Executive Directors participated in the share option schemes in previous years but are now restricted from the grant of share options by their participation in the Share Bonus Plan and the Exceptional Growth Rate Incentive Plan. The interests of the Directors in share options are as follows

	Number at 1st January 2007	Exercised during year	Number at 31st December 2007	Option price	Date exercisable from	Expiry date
Andy Malpass	1,167	–	1,167	£12.85	17.08.2003	17.08.2010
	1,167	–	1,167	£12.85	17.08.2004	17.08.2010

The interests of the directors in the Share Bonus Plan are as follows

	Total interest in the Share Bonus Plan at 1st January 2007	Number of shares conditionally awarded during the year to match employee purchases of shares	Number of shares called during the year under the vesting of awards	Total interest in the Share Bonus Plan at 31st December 2007
Chris Aspinwall	24,058	4,033	17,946	10,145
Andy Malpass	23,283	3,672	17,270	9,685

The interests of the Directors in the EGRIP are as follows

	Total interest in the EGRIP at 1st January 2007	Award made under the EGRIP during the year	Total interest in the EGRIP at 31st December 2007
Chris Aspinwall	59,000	30,500	89,500
Andy Malpass	59,000	30,500	89,500

The mid-market price of the shares in the Company at 31st December 2007 was 830p (1,038p at 31st December 2006) and the range in the year was 825p to 1,215p.

Share options

Share options are granted on the recommendation of the Remuneration Committee on a discretionary basis. The scheme is used to provide long-term incentives to the recipients to assist in creating and sustaining growth in share value. The Company Performance Related Share Option Plan has expired and the CSOP (as defined below) is the current scheme.

Company's Performance Related Share Option Plan

This plan was introduced in 1997 on the float of the Company. The vesting of share options granted under this plan is conditional on continued employment of three and four years after the grant of the option. These share options have been granted periodically, typically once each year to eligible employees until 2005. The Company has shareholder approval under this plan for share options of up to 10% of the issued ordinary share capital subsequent to the listing on the London Stock Exchange, of which 5.8% has been used. At 31st December 2007 the outstanding share options represented 3.6% of the issued share capital.

Company Share Option Plan 2006 ("the CSOP")

Shareholders approved the implementation of the CSOP at the Extraordinary General Meeting in February 2006 with over 89% of the votes cast voting in favour of the plan. All employees and full-time working Directors of the Company or any subsidiary (determined by the Board to be a participating company under the CSOP) are eligible to receive options under the CSOP; however an employee or full-time working Director who has received an award under the Exceptional Growth Rate Incentive Plan or Share Bonus Plan in any financial year will be ineligible to receive a CSOP option in that financial year. Share options granted under this plan are subject to performance conditions set by the Board taking into account the recommendation of the Remuneration Committee. Under the rules of the CSOP the performance conditions must be objective and must relate to the overall financial performance of the Company and its subsidiaries over a period of at least four years commencing on the date of grant or the first day of the accounting period current at the date of grant. In relation to grants made under the CSOP, the performance conditions relate to diluted earnings per share ("EPS") growth and will be achieved in relation to an option if the Actual Cumulative EPS during the Measurement Period is greater than the Target Cumulative EPS during the Measurement Period. The Actual Cumulative EPS during the Measurement Period is the sum of the EPS for each financial year of the Measurement Period. The Target Cumulative EPS during the Measurement Period is the sum of the EPS figures obtained by increasing the Base Year EPS at the rate of 5% per annum for each financial year of the Measurement Period. EPS under the scheme means the diluted earnings per share of the Company for any financial year before exceptional items (being such items which the grantor determines to be exceptional in relation to any financial year) and shall be calculated by reference to the Group Annual Report and Financial Statements for the financial year ended immediately prior to the Date of Grant (the Base Year EPS) and those calculated from the four subsequent preliminary results announcements. The Measurement Period is the period commencing at the beginning of the 2007 financial year and ending on the last day of the fourth consecutive financial year including the 2007 financial year. The performance conditions can be waived or amended if the Board determines (after consultation with the Remuneration Committee) that a change of circumstances means that the performance conditions cannot be fairly and reasonably met. The number of shares that may be the subject of options granted under the CSOP is limited such that no option to subscribe shares can be granted under the CSOP if the number of shares subject to the option when added to the number of shares issued on the exercise of or remaining capable of being issued on the exercise of options granted under the CSOP during the period of 10 years ending on the proposed date of grant would exceed 8% of the issued share capital of the Company immediately prior to the proposed date of grant. For the purpose of the 8% limit

Directors' remuneration report continued

no account will be taken of rights to acquire shares which have been released, lapsed or otherwise become incapable of being exercised or of options or awards granted under any other **Fidessa** employee share scheme. In addition, account will be taken of any shares which a trustee has a right to subscribe to satisfy options and of any treasury shares used, or to be used, to satisfy options or awards. At 31st December 2007 the used and outstanding share options under the CSOP represented 2.3% of the issued share capital.

The Remuneration Committee believes that the use of share options has been a material contributor to the growth and success of **Fidessa**. Executive Directors participate in the Share Bonus Plan and the EGRIP and do not receive grants of share options under the CSOP in a given financial year if they have participated in the Share Bonus Plan or the EGRIP in that financial year.

Share Bonus Plan

At the 2003 Annual General Meeting shareholders approved the creation of the **Fidessa** group plc Share Bonus Plan. In summary, the plan allows the Company to make awards to Executive Directors and senior managers ("a participant"). An award provides that, should a participant purchase ordinary shares in the Company, then they have the opportunity to receive a share bonus. A share bonus constitutes the right, subject to certain vesting conditions, to call for free matching shares. The maximum number of free matching shares comprised in a share bonus is equal to the number of shares purchased by the participant. The maximum value of shares which any one participant is permitted to acquire is limited to the value of the award. The plan rules limit the maximum value of individual awards to £100,000.

Initial awards in 2003 from the plan were made to senior managers, but not to Directors, and the only performance condition on these awards was continued employment for a period of three years.

Following feedback from discussions with major shareholders, an Extraordinary General Meeting was held in October 2003 to propose the addition of performance conditions to the Share Bonus Plan. The Extraordinary General Meeting overwhelmingly approved the proposals with 99% of votes cast approving the changes and 67% of the issued shares casting a vote. For all awards from the Share Bonus Plan subsequent to the Extraordinary General Meeting a participant's right to a share bonus will vest subject to and to the extent that a combination of four performance conditions are satisfied as follows

- the Company achieving compound annual growth in earnings per share in excess of defined hurdles over a period of three financial years, commencing with the financial year in respect of which an award is made. In relation to awards made in any financial year, the specified hurdle rates were
 - (i) if compound annual growth in EPS is equal to or greater than UK retail price index ("RPI") plus 3% but less than RPI plus 4% then 6.25% of the Share Bonus shall vest;
 - (ii) if compound annual growth in EPS is equal to or greater than UK RPI plus 4% but less than RPI plus 5% then 12.5% of the Share Bonus shall vest;
 - (iii) if compound annual growth in EPS is equal to or greater than UK RPI plus 5% but less than RPI plus 6% then 18.75% of the Share Bonus shall vest;
 - (iv) if compound annual growth in EPS is equal to or greater than UK RPI plus 6% then 25% of the Share Bonus shall vest;
- the Company achieving an objective business development target. The nature of this target will not, necessarily, be a measure of the financial performance of the Company and will be determined by the Remuneration Committee from time to time. If this condition is fully satisfied, then 25% of the Share Bonus will vest;
- the Company achieving compound annual growth in total shareholder return ("TSR"), the share price plus the cumulative dividends over the period, in excess of defined hurdles over a period of three financial years commencing with the financial year in respect of which an award has been made. In relation to awards made the specified hurdle rates have been
 - (i) if compound annual growth in TSR is more than 3% but less than or equal to 5% then 6.25% of the Share Bonus shall vest;
 - (ii) if compound annual growth in TSR is more than 5% but less than or equal to 7% then 12.5% of the Share Bonus shall vest;
 - (iii) if compound annual growth in TSR is more than 7% but less than or equal to 9% then 18.75% of the Share Bonus shall vest;
 - (iv) if compound annual growth in TSR is more than 9% then 25% of the Share Bonus shall vest; and
- continued employment within the Group until the third anniversary of the date on which the participant purchased the shares relating to a particular award. If this condition is satisfied, then 25% of the Share Bonus shall vest.

The final performance condition is an overriding performance condition. Therefore, it must be satisfied in order for any of the other performance conditions to be satisfied. The Remuneration Committee will set performance conditions in accordance with the structure set out above at the time awards are made to participants. Performance conditions relating to awards made in relation to each subsequent financial year cannot be less challenging than those relating to the immediately preceding financial year.

In exceptional circumstances, where events occur which cause the Remuneration Committee to reasonably believe that some or all of the performance condition(s) relating to an award are no longer fair (taking into account the original purpose of the performance condition(s)), then the Remuneration Committee may procure that a recommendation be made to the trustee of the plan for the performance condition to be amended or waived in such manner as the Remuneration Committee believes to be fair and reasonable provided that the amended performance condition is not easier or more difficult to achieve than the original performance condition was considered to be when it was first set.

Where a change of control event occurs prior to the vesting of a share bonus, the Remuneration Committee shall procure that a recommendation is made to the trustee in relation to the extent to which a share bonus should vest on the occurrence of the change of control event. The Remuneration Committee must make such recommendation taking into account the amount of progress made by the Company towards achieving the performance conditions as at the time of the change of control, the extent and likelihood of the performance conditions being satisfied by the date on which the share bonus would have vested in the absence of the change of control event occurring and any other relevant factors which the Remuneration Committee considers, in its absolute discretion, to be relevant (such as time elapsed since an award was made).

The operation of the Share Bonus Plan has been reviewed during the year by the Remuneration Committee and the level of grants and the performance conditions attached to the plan are considered by the Remuneration Committee to be appropriate to the Company's current situation and in line with the remuneration policy recommended by the Company's external independent remuneration advisers.

Exceptional Growth Rate Incentive Plan

In 2005 the Remuneration Committee and its external advisers reviewed the Company's share incentive schemes as a whole and as a result they formulated the Exceptional Growth Rate Incentive Plan ("the EGRIP") which was voted on by the shareholders at the Extraordinary General Meeting of the Company in February 2006 with over 88% of the votes cast approving the adoption of the plan. All Executive Directors of the Company are eligible to receive awards under the EGRIP as are any employees of the Group selected by the Remuneration Committee. However, an executive director or selected employee who has received an award under the CSOP in any financial year will be ineligible to receive an EGRIP award in that financial year. An EGRIP award ("Award" or "Awards") represents a right to acquire (i.e. "call" for) shares in the Company at the call price subject to the terms and conditions of the EGRIP. Awards may be made by the Board or the trustee of an employee benefit trust (if the Company has established one at the relevant time). It is the current intention that all Awards will be made by the Board. In either case Awards may be made to individuals selected at the relevant grantor's absolute discretion, but after consultation with the Remuneration Committee. No consideration is payable for the making of an Award. Under the rules of the EGRIP, Awards may only be made in relation to the financial years ending 31st December 2006, 2007, 2008, 2009 and 2010. Awards may only be made prior to 31st December 2010 during the following periods (i) within 42 days of the plan (or any amendment to the plan) being approved by shareholders, (ii) within 42 days of the announcement by the Company of its final or interim results, (iii) within 42 days of the commencement of an eligible employee's employment within the Group and (iv) within 42 days of an event relating to or affecting the Group that the grantor considers to be exceptional. If for any reason the grantor is restricted from making Awards during these periods, then it may make Awards within 42 days of such restriction being removed. A call in relation to all Awards will be subject to the achievement of the following performance conditions

Share price target

The first performance condition requires the average Company share price plus dividends reinvested over the five-year period commencing on the date on which an Award is made (calculated using the daily closing price on each trading day over the five years) to be greater than the average derived if the share price were to increase on a uniform basis of 20% per annum compound growth over the same five-year period. The starting share price is the average share price plus dividends reinvested for the 12 months prior to the date on which the Award is made.

Directors' remuneration report continued

EPS target

The second performance condition requires the Company's cumulative diluted earnings per share before any items which are deemed to be exceptional (EPS) over the five financial years commencing with the financial year in which an Award is made to be greater than the equivalent total achieved over a five-year period by applying a growth rate of 10% per annum to the EPS achieved in the year prior to the Award.

TSR sector-relative underpinning

The third performance condition requires the Company's annualised total shareholder return (TSR) over the five-year period commencing on an Award date to be greater than the annualised equivalent achieved by the FTSE techMARK All-Share Index TSR, during the same five-year period, plus 5%.

Each Award is personal to the participant and may not be transferred, assigned or charged and shall become immediately void on the bankruptcy of the participant.

Call price

The call price per share subject to an Award is the nominal value of a share (or such higher price as set by the grantor). In the Awards made during the current financial year the call price of a share is the nominal value of a share, i.e. 10p and it is anticipated that the call price will be the same under future Awards.

Plan limits

The maximum number of shares subject to Awards made to any one participant in a financial year will be limited to 15% of the maximum share allocation for that year.

The maximum share allocation (being the maximum number of shares in relation to which Awards may be made) for each financial year will be

Year ended	Maximum Allocation	Awards made
31st December 2006	1.6% of the total issued share capital of the Company	523,512
31st December 2007	1.4% of the total issued share capital of the Company	483,940
31st December 2008	1.2% of the total issued share capital of the Company	N/A
31st December 2009	1.0% of the total issued share capital of the Company	N/A
31st December 2010	0.8% of the total issued share capital of the Company	N/A

The maximum share allocation in relation to each financial year will be adjusted, at the absolute discretion of the Remuneration Committee, to reflect any variation in the total issued share capital of the Company (for example, any capitalisation issue or offer by way of rights (including an open offer) or upon any subdivision, reduction or consolidation of the Company's share capital) which occurs. For the purposes of calculating the usage of the maximum share allocation in relation to any financial year, the following shall be included Shares subject to Awards made in relation to that financial year whether they subsist, have been released, have lapsed or are otherwise incapable of exercise; Shares which the trustee of any Company employee benefit trust has a right to subscribe in order to satisfy Awards made in relation to that financial year; and treasury shares used, or to be used, to satisfy Awards made in relation to that financial year.

Vesting and calls under Awards

Shares subject to Awards may only be called for if Awards have vested. The vesting of Awards will be subject to the related performance conditions having been achieved. Where the performance conditions relating to Awards have been satisfied, Awards will vest with effect from the date on which participants are notified of this. Where the performance conditions relating to Awards have not been satisfied, subsisting Awards will lapse on the fifth anniversary of the date on which the Award is made.

Other than in limited circumstances a call in relation to an Award may only be made in the period of 90 days commencing on the date on which the Award vests. Calls will be conditional upon payment of the call price and payment of (or entering into arrangements relating to the payment of) any tax and relevant social security liability (including, to the extent permitted by law, employers' social security liability) relating to the call or related acquisition of shares.

Cessation of employment

If a participant ceases to be an employee of the Group prior to the end of the period over which the performance conditions are measured in relation to any of his subsisting Awards, those Awards will lapse upon such cessation. However, where a participant ceases to be an employee after the end of the period over which the performance conditions are measured in relation to any of his subsisting Awards, those Awards will not lapse and will continue to subsist under the terms and conditions of the EGRIP.

Change of control

If a change of control of the Company occurs (including a takeover, scheme of arrangement or voluntary winding-up of the Company) subsisting unvested Awards will become vested subject to the satisfaction of modified performance conditions which take into account the period of time which has elapsed since the relevant date of Award and the Company's performance up to the time of the change of control. The extent to which Awards vest will be pro-rated to reflect the time that has elapsed from the date of the Award to the date on which a change of control event occurs.

All vested Awards will become exercisable within specified periods of time following the relevant change of control event.

Variation of share capital

In the event of any variation in the share capital of the Company including by way of rights issue, capitalisation, reduction, sub-division or consolidation, the number of shares which may be allotted or transferred to a participant pursuant to the EGRIP and the call price shall be adjusted in such manner as the Company's auditors shall in their opinion consider to be fair and reasonable.

Rights attaching to shares

All shares allotted to a call in relation to an Award will rank *pari passu* with fully paid up shares for the time being in issue (save as regards any rights attaching to such shares by reference to a record date before the date on which a call notice is received) and application will be made for such shares to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. Awards are not pensionable.

Amendment, assignability and termination

The Board may make amendments to the EGRIP rules, but certain amendments to the advantage of existing or new participants cannot be made without the prior approval of shareholders in general meeting unless the alteration is, in the opinion of the Board, minor and to benefit the administration of the EGRIP or to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for existing or new participants or any member of the Group.

The Board can, at any time, terminate the EGRIP so that no further Awards are made but any subsisting Awards made before such termination shall not be affected.

International

The Board may adopt sub-plans to the EGRIP for the purposes of making Awards to employees in a particular jurisdiction. The EGRIP rules may be varied in such manner as the Board believes is necessary or desirable in relation to such sub-plan in order to comply with or take account of relevant overseas legal, taxation or securities laws provided that such variation is in accordance with provisions set out under the sub-heading "Amendment, Assignability and Termination", above.

Approval

This report was approved by the Board on 8th February 2008 and signed on its behalf by

Susanna Freeman

Secretary

8th February 2008

Corporate governance

Compliance with the Combined Code

Fidessa is committed to high standards of corporate governance. In respect of the year ended 31st December 2007 the Company has complied with the requirements of Section 1 of The Combined Code on Corporate Governance.

The Board

The Company is controlled through the Board, which at 31st December 2007 comprised the Chairman, two Executive Directors and two Non-Executive Directors whose Board and Committee responsibilities are set out in the table below

		Board	Audit	Remuneration	Nominations
John Hamer	Chairman	Chairman	–	–	Chairman
Chris Aspinwall	Chief Executive	Member	–	–	–
Andy Malpass	Finance Director	Member	–	–	–
Ron Mackintosh	Senior Independent Non-Executive Director	Member	Member	Chairman	Member
Philip Hardaker	Independent Non-Executive Director	Member	Chairman	Member	Member

After formal review the Board has concluded that Ron Mackintosh and Philip Hardaker are independent. In coming to this opinion the Board considered the character and judgment of the individuals concerned and the fact that they

- have never been an employee of the Group;
- have never had a material business relationship with the Group;
- do not receive any remuneration from the Group other than their Non-Executive Director fees;
- do not have close family ties with other Directors or senior management of the Group or with advisers to the Group;
- have no significant links with other Directors of the Group through involvement with other companies;
- do not represent a material shareholder of the Company; and
- have not served on the Board of the Company for more than nine years.

The Board meets formally on a regular basis to review trading performance and forecasts, strategy, policy and risk and to oversee appropriate shareholder reporting. During 2007 the Board met on 10 scheduled occasions for this purpose, one of these meetings was held in the New York office. In addition, impromptu Board meetings occur to consider specific issues as and when necessary. Meetings were held by the Chairman with the Non-Executive Directors without the Executive Directors present. The attendance of individual Directors at Board meetings and Committee meetings is presented in the table below

	Board meetings attended	Audit Committee meetings attended	Remuneration Committee meetings attended	Nominations Committee meetings attended
John Hamer	9/10	–	–	3/3
Chris Aspinwall	10/10	–	–	–
Andy Malpass	10/10	–	–	–
Ron Mackintosh	10/10	3/3	2/2	2/3
Philip Hardaker	10/10	3/3	2/2	2/3

The Board is responsible for the Group's system of corporate governance. The Board delegates operational control to the Executive Directors. At each Board meeting the Board considers strategic issues, finance, business development, governance and risks facing the business. The Board is aware of the codification of directors' duties which came into force on 1st October 2007 under the Companies Act 2006 and takes these duties into account in the consideration of the Company's business. The Board approves the annual budget and monitors the performance of the business. During the year, the Board reviewed a number of specific projects including the acquisition of **LatentZero Limited** and its integration into the Group together with the Group's worldwide change of name.

There is a formal schedule of matters reserved for the decision of the Board that covers key areas of the Group's affairs. The schedule includes activities such as acquisitions and disposals, material financial commitments and the release of inside information. Certain matters require Board approval and other matters may be approved by senior management but notification to the Board is required. The schedule of matters reserved for the Board is reviewed annually. A procedure exists to allow the Directors to seek independent legal advice in respect of their duties at the Company's expense where the circumstances are appropriate. All Directors have access to the Company Secretary for her advice and services. All Directors are obliged to submit themselves for re-election at least every three years.

Performance evaluation

The Combined Code on Corporate Governance requires that the Board undertake a formal annual evaluation of its performance. The review has been conducted and covered the areas of board structure, effectiveness, committees, information and communication. Questionnaires were completed by the Directors and submitted for discussion at the following Board meeting. The feedback generated from the questionnaires including areas where improvement could be made during the coming year were discussed by the Board and the conclusion was reached that the Board is operating effectively. A review of the Chairman by the Non-Executive Directors without the executives present was also carried out.

There is a formal written policy on the division of responsibilities between the Chairman and the Chief Executive such that their roles are complementary to each other.

Training and professional development

All directors on joining the Company undergo an induction process and receive ongoing updates to improve their skills and knowledge according to their needs. The Company Secretary is responsible for advising the board and updating it on governance matters.

In addition to the Remuneration Committee, the details of which are in the Directors' Remuneration Report, the following committees deal with specific aspects of the Group's affairs and their terms of reference can be found on the Company's website

Audit Committee

The Audit Committee has since April 2005 been chaired by Philip Hardaker who has recent and relevant financial experience as a former partner of KPMG. It comprises Philip Hardaker and Ron Mackintosh. It has met three times with the external auditors during the year. The Chairman and Executive Directors were invited to attend for part of these meetings. The committee reviews the interim and annual reports, reports from the external auditors and scope and representation letters in respect of the audit and reviews undertaken by the auditors. The committee has met and reviewed the terms of reference, scope, programme and reports of the internal audit function. The committee focuses the activity of the internal audit function on those areas where it considers there to be the greatest risk and engages an external consultant who conducts internal audits on the Group's operations and reports directly to the Audit Committee on his findings. The Audit Committee reviews annually the overall results of ISO 90012000 (TickIT) compliance and the results of the SAS 70 audits.

Nominations Committee

The Nominations Committee, which is chaired by John Hamer, comprises John Hamer, Philip Hardaker and Ron Mackintosh and is therefore compliant with the requirements of the Combined Code. Its role is to review the structure of the Board and to agree succession planning as set out in the Nominations Committee terms of reference. The procedure for new appointments incorporates the use of independent recruitment consultants where applicable.

Dialogue with shareholders

The Company values the views of its shareholders and recognises their interests in the Company's strategy and performance. The Chief Executive and Finance Director hold briefing meetings with analysts and institutional shareholders, primarily following the announcement of interim and preliminary results but also at other times during the year as may be suitable. The Chief Executive and Finance Director

Corporate governance continued

provide feedback to the Board from these briefing meetings. The Board also obtains formal feedback on the Company and management from analysts and institutional shareholders through the Company's PR adviser and financial adviser. Communication with private investors is through the Annual Report, the Interim Report and the Annual General Meeting. Financial and other information is made available on the Company's website, www.fidessa.com, which is regularly updated. The Chairman and Senior Independent Non-Executive Director meet with major shareholders as and when there is a requirement to do so.

Going concern

Having reviewed the future plans and projections for the business, the Directors believe that the Company and its subsidiary undertakings have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Combined Code requires that directors review the effectiveness of the Group's system of internal controls, including those of an operational and compliance nature, as well as internal financial controls. The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's significant risks and that this has been in place for the period under review and up to the date of approval of the Annual Report. The Group has established control processes and procedures to ensure compliance with the best practice governance provisions as advocated by the Turnbull Guidance. The Board's agenda includes a regular item for consideration of risk and control, and any actions that may be considered necessary, and it receives reports thereon from the Executive Directors.

Management is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including competition, control breakdowns, disruption in information systems, natural catastrophe and regulatory requirements. A process of control assessment and reporting is established and defined in the Group's Quality Management System. This system is independently audited on a regular basis and was successfully audited to ISO 90012000 (TickIT) twice this year. The Group also successfully completed the SAS 70 audit during the year. The Directors believe this audit is particularly important to our US clients in enabling them to satisfy their Sarbanes Oxley requirements when using a **Fidessa** solution. The treasury function operates within guidelines established by the Board.

A comprehensive budgetary process is completed once a year and is reviewed and approved by the Board. An updated forecast is regularly prepared throughout the year. The operating results are reported monthly to the Board and compared to the budget and latest forecast as appropriate. The Company presents financial statements to its shareholders twice a year.

For details of the Group's financial risk and policies together with its policy with regard to the use of financial instruments, please refer to the Finance Review section of this Annual Report and note 24 to the financial statements.

Auditor independence

The Board has considered the issue of external auditor independence and has for these purposes reviewed the work undertaken by the auditor and fees incurred by it. In addition the Board receives written confirmation from the auditor of any relationships it has which may cause a conflict of interest, together with a declaration from the auditor that it considers itself independent. Following its review, the Board is satisfied that independence has been maintained. The Board has approved the auditor undertaking certain other limited activities. Any assignment outside of these activities requires separate Board approval. For details of the auditor's fees please refer to note 6 to the financial statements.

The Audit Committee has considered the independence of the internal audit function and is satisfied that independence has been maintained.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements on the same basis.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and the Company financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Report of the Directors, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Fidessa group plc

We have audited the Group and Company financial statements (the "financial statements") of **Fidessa group plc** for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Overview, Operating Review, Financial Review and Corporate Governance Section that is cross referred from the Business Review section of the Report of the Directors. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

Crawley

8th February 2008

Consolidated income statement for the year ended 31st December 2007

	Note	2007 Brought forward activities £'000	2007 Acquisition (note 22) £'000	2007 Total £'000	2006 Total £'000
Revenue	4	121,402	13,627	135,029	94,637
Operating expenses before amortisation of acquisition intangibles	5	(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				16,555	12,353
Finance income	8			1,393	1,941
Finance cost – bank and other				(32)	–
Finance cost – notional interest on contingent consideration				(847)	–
Total finance cost				(879)	–
Profit before income tax				17,069	14,294
Income tax expense	9			(5,472)	(3,983)
Profit for the year				11,597	10,311
Basic earnings per share	10			34.4p	31.9p
Diluted earnings per share	10			33.5p	30.9p
Interim dividend paid	19			6.0p	4.3p
Final dividend proposed	19			12.0p	8.8p
Total dividend proposed for the year	19			18.0p	13.1p

Consolidated balance sheet at 31st December 2007

	Note	2007 £'000	2006 £'000
Assets			
Non-current assets			
Property, plant and equipment	11	14,290	9,828
Intangible assets	12,13,14	77,318	9,922
Deferred tax assets	16	2,984	3,711
Other receivables	15	898	898
Total non-current assets		95,490	24,359
Current assets			
Trade and other receivables	17	36,413	20,940
Income tax receivable		304	261
Cash and cash equivalents	18	24,820	40,069
Total current assets		61,537	61,270
Total assets		157,027	85,629
Equity			
Issued capital	19	3,463	3,356
Share premium		16,488	15,715
Merger reserve		9,298	–
Cumulative translation adjustment	19	(1,459)	(1,466)
Retained earnings		44,147	36,841
Total equity		71,937	54,446
Liabilities			
Non-current liabilities			
Contingent consideration	22	11,759	–
Other payables		604	719
Deferred tax liabilities	16	6,810	931
Total non-current liabilities		19,173	1,650
Current liabilities			
Contingent consideration	22	12,447	–
Trade and other payables	20	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

Approved by the board of directors on 8th February 2008 and signed on its behalf by

A Malpass

Company balance sheet at 31st December 2007

	Note	2007 £'000	2006 Restated £'000
Assets			
Non-current assets			
Investments	15	67,801	4,812
Deferred tax assets	16	287	290
Other receivables	15	898	898
Total non-current assets		68,986	6,000
Current assets			
Trade and other receivables	17	559	1,924
Income tax receivable		230	–
Cash and cash equivalents	18	12,837	34,257
Total current assets		13,626	36,181
Total assets		82,612	42,181
Equity			
Issued capital	19	3,463	3,356
Share premium		16,488	15,715
Merger reserve		9,298	–
Retained earnings		20,865	19,848
Total equity		50,114	38,919
Liabilities			
Non-current liabilities			
Contingent consideration	22	11,759	–
Other payables		604	719
Total non-current liabilities		12,363	719
Current liabilities			
Contingent consideration	22	12,447	–
Trade and other payables	20	7,688	2,095
Current income tax liabilities		–	448
Total current liabilities		20,135	2,543
Total liabilities		32,498	3,262
Total equity and liabilities		82,612	42,181

Approved by the board of directors on 8th February 2008 and signed on its behalf by

A Malpass

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 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	19	84	3,972	–	–	–	4,056
Employee share incentive charges	5	–	–	–	–	735	735
Current tax recognised direct to equity	9	–	–	–	–	390	390
Deferred tax recognised direct to equity	9	–	–	–	–	1,428	1,428
Sale of own shares by employee share trust		–	–	–	–	391	391
Dividends paid	19	–	–	–	–	(3,655)	(3,655)
Balance at 1st 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	22	85	–	9,298	–	–	9,383
Issue of shares – exercise of options	19	22	773	–	–	–	795
Employee share incentive charges	5	–	–	–	–	809	809
Current tax recognised direct to equity	9	–	–	–	–	841	841
Deferred tax recognised direct to equity	9	–	–	–	–	(871)	(871)
Purchase of own shares by employee share trust		–	–	–	–	(514)	(514)
Sale of own shares by employee share trust		–	–	–	–	482	482
Dividends paid	19	–	–	–	–	(5,038)	(5,038)
Balance at 31st December 2007		3,463	16,488	9,298	(1,459)	44,147	71,937

Company statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2006 as previously reported		3,272	11,743	–	10,009	25,024
Change in accounting policy for adoption of IFRIC 8		–	–	–	959	959
Balance at 1st January 2006 (restated)		3,272	11,743	–	10,968	25,983
Profit for the period from the income statement		–	–	–	11,262	11,262
Total income and expense for the period		–	–	–	11,262	11,262
Issue of shares – exercise of options and warrants	19	84	3,972	–	–	4,056
Employee share incentive charges – company		–	–	–	125	125
Employee share incentive charges – subsidiaries		–	–	–	610	610
Deferred tax recognised direct to equity		–	–	–	147	147
Sale of own shares by employee share trust		–	–	–	391	391
Dividend paid	19	–	–	–	(3,655)	(3,655)
Balance at 1st January 2007 (restated)		3,356	15,715	–	19,848	38,919
Profit for the period from the income statement		–	–	–	5,207	5,207
Total income and expense for the period		–	–	–	5,207	5,207
Issue of shares – acquisition	22	85	–	9,298	–	9,383
Issue of shares – exercise of options	19	22	773	–	–	795
Employee share incentive charges – company		–	–	–	108	108
Employee share incentive charges – subsidiaries		–	–	–	701	701
Current tax recognised direct to equity		–	–	–	87	87
Deferred tax recognised direct to equity		–	–	–	(16)	(16)
Purchase of own shares by employee share trust		–	–	–	(514)	(514)
Sale of own shares by employee share trust		–	–	–	482	482
Dividend paid	19	–	–	–	(5,038)	(5,038)
Balance at 31st December 2007		3,463	16,488	9,298	20,865	50,114

Consolidated cash flow statement for the year ended 31st December 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Profit before tax		17,069	14,294
Adjustments for			
Staff costs – share incentives	5	809	735
Product development amortised	5	7,432	5,026
Depreciation of property, plant and equipment	5	6,008	4,458
Amortisation of acquisition intangibles	5	1,755	–
Amortisation of other intangible assets	5	471	367
(Gain)/loss on sale of property, plant and equipment	5	(38)	32
Finance cost		879	–
Finance income	8	(1,393)	(1,941)
Cash generated from operations before changes in working capital		32,992	22,971
Movement in trade and other receivables		(8,715)	(2,715)
Movement in trade and other payables		14,475	8,031
Cash generated from operations		38,752	28,287
Income tax paid		(3,073)	(2,801)
Net cash generated from operating activities		35,679	25,486
Cash flows from investing activities			
Acquisition of LatentZero (net of cash acquired)	22	(26,261)	–
Purchase of property, plant and equipment	11	(9,318)	(6,210)
Proceeds from sale of property, plant and equipment		54	8
Purchase of other intangible assets	14	(1,303)	(473)
Product development	14	(11,024)	(6,874)
Interest received		1,152	1,366
Proceeds from capital repayment of Touchpaper “B” Loan Note	8	300	500
Net cash used in investing activities		(46,400)	(11,683)
Cash flows from financing activities			
Proceeds from shares issued		795	4,056
Purchase of own shares by employee share trust		(514)	–
Proceeds from sale of own shares by employee share trust		482	391
Repayment of borrowings		(292)	–
Interest paid		(32)	–
Dividends paid	19	(5,038)	(3,655)
Net cash (used)/generated in financing activities		(4,599)	792
Net (decrease)/increase in cash and cash equivalents		(15,320)	14,595
Cash and cash equivalents at 1st January		40,069	26,120
Effect of exchange rate fluctuations on cash held		71	(646)
Cash and cash equivalents at 31st December		24,820	40,069

Company cash flow statement for the year ended 31st December 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Profit before tax		4,490	11,057
Adjustments for			
Staff costs – share incentives		108	125
Depreciation of property, plant and equipment	11	–	10
Finance cost		859	–
Finance income		(1,274)	(1,931)
Cash generated from operations before changes in working capital		4,183	9,261
Movement in trade and other receivables		1,308	1,993
Movement in trade and other payables		5,477	894
Cash generated from operations		10,968	12,148
Income tax refunded/(paid)		113	(247)
Net cash generated from operating activities		11,081	11,901
Cash flows from investing activities			
Acquisition of LatentZero	22	(29,547)	–
Interest received		1,033	1,369
Proceeds from capital repayment of Touchpaper “B” Loan Note	8	300	500
Investment in subsidiary company	15	–	(2,109)
Net cash used from investing activities		(28,214)	(240)
Cash flows from financing activities			
Proceeds from shares issued		795	4,056
Purchase of own shares by employee share trust		(514)	–
Proceeds from sale of own shares by employee share trust		482	391
Interest paid		(12)	–
Dividends paid	19	(5,038)	(3,655)
Net cash (used)/generated in financing activities		(4,287)	792
Net (decrease)/increase in cash and cash equivalents		(21,420)	12,453
Cash and cash equivalents at 1st January		34,257	21,804
Cash and cash equivalents at 31st December		12,837	34,257

Notes to the consolidated financial statements

Fidessa group plc ("Fidessa" or the "Company"), formerly called royalblue group plc, is a company incorporated in England and Wales. The financial statements are presented in pounds sterling, rounded to the nearest thousand.

The financial statements were authorised for issue by the Directors on 8th February 2008.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the Company financial statements and the Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. In publishing the Company financial statements here together with the Group financial statements, the Company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

1 Basis of preparation

The financial statements are prepared on the historical cost basis with the exception of financial instruments which are stated in accordance with IAS 39 *Financial Instruments Recognition and Measurement*. IFRS 7 *Financial Instruments Disclosures* and IFRIC 8 *Scope of IFRS 2* have been adopted for the first time in these financial statements.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results for which form the basis of making the judgments about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates, assumptions and judgments that are likely to contain the greatest degree of uncertainty are summarised in note 27.

The accounting policies set out below have, unless otherwise stated, been applied consistently by the Group and Company to all periods presented in these financial statements. The adoption of IFRIC 8 has been applied retrospectively and resulted in a prior year adjustment in the Company balance sheet. The effect is to increase the investment in subsidiaries and retained earnings.

2 Significant accounting policies

a Basis of consolidation

The consolidated financial statements include the financial statements of Fidessa group plc and its subsidiaries. There are no associates or joint ventures to be included in the consolidated accounts.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain the benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date on which control ceases. Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The Group uses the purchase method of accounting to account for the acquisition of subsidiaries.

b Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to pounds sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to pounds sterling at foreign exchange rates ruling at the dates the fair value was determined.

Notes to the consolidated financial statements continued

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to pounds sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to pounds sterling at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the translation reserve. Exchange gains and losses arising on the translation of the Group's net investment in foreign entities are recognised in the translation reserve. On disposal of a foreign entity the cumulative translation differences are recycled to the income statement and recognised as part of the gain or loss on disposal.

c Revenue

Revenue represents the amount chargeable, excluding sales-related taxes, for software-related services supplied. Revenue is only recognised where there is persuasive evidence that a contract exists, delivery has occurred, the fee is fixed or determinable and collection of the resulting receivable is considered probable. Full allowance is made for all known or expected losses.

Revenue from rental, application hosting and support services is recognised equally over the period that the service is to be provided. Revenue from installation, consultancy and training services chargeable on a time and materials basis is recognised when the work is performed. Revenue from perpetual software licences is recognised over the period of implementation in accordance with the estimated percentage completed for each contract.

Deferred revenue represents amounts invoiced to customers for goods and services not yet supplied. Accrued revenue represents amounts recognised as revenue to be invoiced in a future period.

d Share-based payments

The Group operates equity-settled share incentive plans. No expense is recognised in respect of share incentives granted before 7th November 2002 or incentives vested before 1st January 2005. For share incentives granted after 7th November 2002 and vested after 1st January 2005 the fair value of the incentives granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the incentives. The fair value of the incentives granted is measured using a binomial model or a Monte Carlo simulation model, taking into account the terms and conditions upon which the incentives were granted. The amount recognised as an expense is adjusted to reflect the actual number of share incentives that vest except where forfeiture is only due to the share price not achieving the threshold for vesting.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements with the corresponding credit being recognised directly in equity.

e Post employment benefits

Certain subsidiaries operate defined contribution pension schemes for their employees. Pension costs are charged to the income statement as they arise.

f Interest receivable

Interest receivable on interest-bearing financial assets is recognised on an accruals basis using the effective interest rate method. The effective interest rate used reflects the anticipated cash flows to be received. In accordance with IAS 39 *Financial Instruments Recognition and Measurement*, where the effective interest rate has been and is still assessed as being zero, both capital and interest amounts received are recognised as income on receipt.

g Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

h Segment reporting

A business segment is a distinguishable component of a group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group considers there to be only one business segment.

A geographic segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

i Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is provided by the Group to write-off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows

- Equipment and furniture 3-5 years
- Computers 2-3 years
- Motor vehicles 4 years
- Buildings 25 years
- Leasehold improvements 5 years or remainder of lease if shorter

j Intangible assets

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on product development (relating to the design, programming and testing of new or enhanced products) are capitalised as intangible assets when it is probable that the development will provide economic benefits, considering its commercial and technological feasibility, resources are available for the development, and costs can be measured reliably. The expenditure capitalised is the direct labour cost and is managed and controlled centrally. Other development expenditures are recognised as an expense as incurred. Product development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised product development expenditure is stated at cost less accumulated amortisation and impairment losses. Product development costs that have been capitalised are amortised from the time of development on a straight-line basis over three years.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities acquired in a business combination.

Notes to the consolidated financial statements continued

j Intangible assets continued

Acquisition intangibles

Intangible assets acquired from a business combination are capitalised at fair value as at the date of acquisition and amortised over their estimated useful economic life. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. The estimated useful lives of the intangible assets are as follows:

- Customer relationships 10 years
- Complete technology 5 years
- Brands and other marketing related 8 years

Other intangible assets

Other intangible assets that are purchased by the Group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Software purchased for internal use is amortised over two years.

k Impairment of assets

Goodwill is allocated to cash generating units for the purposes of impairment testing. The recoverable amount of the cash generating unit to which the goodwill relates is estimated and the carrying amount is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired. The carrying values of assets other than goodwill and deferred tax are reviewed for impairment only when events indicate that the carrying value may be impaired.

In an impairment test, the recoverable amount of the cash generating unit or asset is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell and the value in use for the Group. An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount.

In determining a cash generating unit's or asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash generating unit or asset that have not already been included in the estimate of future cash flows.

l Leased assets

Where the Group enters into an operating lease the rentals are charged as an expense on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

m Investments and financial instruments

A financial instrument is recognised if the Company or Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

(i) Available for sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available for sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss. If an equity instrument cannot be reliably measured, then it is carried at amortised cost.

(ii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group,

the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

n Trade receivables

Trade receivables are stated at amortised cost, their carrying value being reduced by appropriate allowances for estimated irrecoverable amounts.

o Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

p Trade payables

Trade payables are stated at amortised cost.

q Employee Benefit Trust and Share Bonus Trust

The Employee Benefit Trust and Share Bonus Trust, which purchase and hold ordinary shares of the Company in connection with employee share schemes, are included in the Company's financial statements. Any consideration paid or received by the trusts for the purchase or sale of the Company's own shares is shown as a movement in shareholders' equity.

r Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material the provision is determined by discounting the expected future cash flows. No provision is recognised for contingent liabilities if it is not probable that an outflow of economic benefits will be required to settle an obligation or the amount of the obligation cannot be measured with sufficient reliability.

3 Recent accounting developments

The IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements

- *Amendments to IFRS 2 Share-based Payments – Vesting Conditions and Cancellations* is applicable from 2009 and affects SAYE and hold-share schemes.
- *IFRS 8 Operating Segments* is applicable for the Group's 2009 financial statements. The application of IFRS 8 is not expected to have any impact on the balance sheets or income statement as the standard is concerned only with disclosure.
- *IAS 1 Presentation of Financial Statements (Revised)* is applicable for the Group's 2009 financial statements. The application of the revision to IAS 1 will change the format of the financial statements but is not expected to fundamentally change the reported financial position or performance.
- *IAS 23 Borrowing Costs (Revised)* is applicable for the Group's 2009 financial statements. It is not expected to have any impact on the consolidated financial statements.
- *IFRIC 11 IFRS 2 Group and Treasury Share Transactions* is applicable for the Group's 2008 financial statements and is not expected to have any impact on the consolidated financial statements.
- *IFRIC 12 Service Concession Arrangements* is applicable for the Group's 2008 financial statements and is not expected to have any impact on the consolidated financial statements.
- *IFRIC 13 Customer Loyalty Programmes* is applicable for the Group's 2009 financial statements and is not expected to have any impact on the consolidated financial statements.
- *IFRIC 14-IAS 19 The Limit on Defined Benefit Assets, Minimum Funding Requirements and Their Interaction* is applicable for the Group's 2008 financial statements and is not expected to have any impact on the consolidated financial statements.

Notes to the consolidated financial statements *continued***4 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 31st December 2007	Europe £'000	North America £'000	Asia £'000	Total £'000
Segment revenue	69,211	49,522	16,296	135,029
Segment result	12,837	8,578	7,667	29,082
Product development amortised				(7,432)
Acquisition intangibles amortised				(1,755)
Central costs				(3,340)
Operating profit				16,555
Capital additions	6,566	4,400	841	11,807
Depreciation and amortisation	3,533	2,445	501	6,479
Segment assets	44,376	25,799	7,594	77,769
Unallocated assets				79,258
Consolidated total assets				157,027
Segment liabilities	56,697	17,258	2,382	76,337
Unallocated liabilities				8,753
Consolidated total liabilities				85,090
For the year ended 31st December 2006	Europe £'000	North America £'000	Asia £'000	Total £'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

5 Operating expenses

	2007 £'000	2006 £'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	67,077	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	117,095	82,754
Amortisation of acquisition intangibles	1,755	–
Total operating expenses	118,850	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.

6 Auditor fees

The following table shows an analysis of fees payable to the Group's auditors

	2007 £'000	2006 £'000
Fees payable for the audit of these financial statements	33	31
Fees payable for audits of subsidiaries pursuant to legislation	167	125
Fees payable for reviews of subsidiaries	49	66
Services relating to taxation	150	61
Services relating to corporate finance transactions	160	120
All other services	–	44
Total fees paid to the auditor	559	447

The assignment relating to corporate finance activities was awarded after a competitive tender process against other major providers. The Chairman and the Chairman of the Audit Committee participated fully in the selection process.

7 Staff numbers

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

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

Notes to the consolidated financial statements continued

7 Staff numbers continued

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

The number of people employed by the Company during the year was 3 (2006 3), all management. The staff costs were salaries £2,335,000 (2006 £1,798,000), social security £300,000 (2006 £230,000) and share incentives £108,000 (2006 £125,000).

Details of the Directors' emoluments and interests are included in the Directors' Remuneration Report.

8 Finance income

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

In accordance with IAS 39 *Financial Instruments Recognition and Measurement*, where the effective interest rate has been and is still assessed as being zero, both capital and interest amounts received are recognised as income on receipt (see note 15 for further explanation of the Touchpaper Loan Notes).

9 Income tax expense

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

Reconciliation of effective tax rate	2007	2007 £'000	2006	2006 £'000
Profit before tax		17,069		14,294
Income tax using the domestic corporation tax rate	30%	5,121	30%	4,288
Effective tax rates in foreign jurisdictions		901		439
Expenses not deductible for tax purposes		135		195
Tax incentives		(757)		(516)
Adjustments to UK taxation rate in respect of prior periods		(40)		–
Tax credits utilised		–		(249)
Non-taxable items		139		(296)
Adjustment relating to prior years		(27)		122
Tax expense and effective tax rate for the year	32%	5,472	28%	3,983
Tax recognised directly in equity			2007 £'000	2006 £'000
Current tax credit relating to equity settled share incentives			(841)	(390)
Deferred tax debit/(credit) relating to equity-settled share incentives			871	(1,428)

10 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 1,037p (2006 845p) for the year.

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

Notes to the consolidated financial statements continued

11 Property plant and equipment

Group	Total £'000	Furniture & equipment £'000	Long leasehold buildings £'000	Computers £'000	Vehicles £'000
Cost					
At 1st January 2006	20,165	7,273	518	12,323	51
Exchange adjustment	(1,236)	(532)	(63)	(641)	–
Additions	6,210	2,211	–	3,993	6
Disposals	(4,273)	(497)	–	(3,776)	–
At 1st January 2007	20,866	8,455	455	11,899	57
Exchange adjustment	(36)	(26)	(8)	(2)	–
Acquisition of LatentZero	1,186	313	675	198	–
Additions	9,318	3,223	–	6,068	27
Disposals	(1,660)	(809)	–	(815)	(36)
Cumulative cost at 31st December 2007	29,674	11,156	1,122	17,348	48
Depreciation					
At 1st January 2006	11,408	3,567	123	7,706	12
Exchange adjustment	(595)	(202)	(16)	(377)	–
Charged in the year	4,458	1,258	15	3,171	14
Disposals	(4,233)	(486)	–	(3,747)	–
At 1st January 2007	11,038	4,137	122	6,753	26
Exchange adjustment	(18)	(14)	(2)	(2)	–
Charged in the year	6,008	1,865	35	4,095	13
Disposals	(1,644)	(808)	–	(815)	(21)
Cumulative depreciation at 31st December 2007	15,384	5,180	155	10,031	18
Carrying value					
At 31st December 2007	14,290	5,976	967	7,317	30
At 1st January 2007	9,828	4,318	333	5,146	31
At 1st January 2006	8,757	3,706	395	4,617	39

The fixed assets of the Company are included in the above at a cost of £219,000 (1st January 2006 and 1st January 2007 £219,000) and accumulated depreciation of £219,000 (£209,000 at 1st January 2006 and £219,000 at 1st January 2007). During the year there were no additions (2006 nil) and no disposals (2006 nil). The depreciation charge for the year was nil (2006 £10,000).

12 Goodwill

	£'000
Carrying value at 1st January 2007	–
Acquisition of LatentZero	47,129
Carrying value at 31st December 2007	47,129

Goodwill acquired in a business combination is allocated to cash generating units. The Group conducts annual impairment tests on the carrying value of goodwill, based on the recoverable amount of the cash generating units to which goodwill has been allocated. Value in use calculations are used to determine the recoverable amount of cash generating units. The key assumptions for the value in use calculations are the discount rate applied and future growth rate of the revenue, operating margin and net operating cash flows.

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.

The **LatentZero** acquisition goodwill has been assigned to the buy-side cash generating unit. The Group prepares cash flow forecasts derived from the latest forecasts for the following year and extrapolates the cash flows for the following four years based on an average estimated growth rate of 20% which management consider reflects both the recent past and expected future rate for the business. A declining rate of cash flow growth has been assumed after the five-year period as the expected useful life is greater than five years. The expectations are influenced by the Group's historic performance and anticipated future market developments. Future cash flows are discounted in line with the appropriate weighted average cost of capital of approximately 12% pre-tax.

13 Acquisition intangible assets

	Total £'000	Customer relationships £'000	Complete technology £'000	Marketing related £'000
Cost				
At 1st January 2007	–	–	–	–
LatentZero acquisition	17,600	7,300	8,200	2,100
Cumulative cost at 31st December 2007	17,600	7,300	8,200	2,100
Amortisation				
At 1st January 2007	–	–	–	–
Charged in the year	1,755	487	1,093	175
Cumulative amortisation at 31st December 2007	1,755	487	1,093	175
Carrying value				
At 31st December 2007	15,845	6,813	7,107	1,925
At 1st January 2007	–	–	–	–

14 Other intangible assets

	Product development £'000
Carrying value at 1st January 2006	7,556
Additions	6,874
Amortisation	(5,026)
Carrying value at 1st January 2007	9,404
Additions	11,024
Amortisation	(7,432)
Carrying value at 31st December 2007	12,996

Product development is a continual process without defined end dates and management consider that a net carrying value presentation is more appropriate for development of this nature.

Notes to the consolidated financial statements *continued***14 Other intangible assets** *continued*

	Software purchased for internal use £'000
Cost	
At 1st January 2006	669
Exchange adjustment	(26)
Additions	473
Disposals	(72)
At 1st January 2007	1,044
Exchange adjustment	–
Additions	1,303
Disposals	(12)
Cumulative cost at 31st December 2007	2,335
Depreciation	
At 1st January 2006	241
Exchange adjustment	(10)
Charged in the year	367
Disposals	(72)
At 1st January 2007	526
Exchange adjustment	2
Charged in the year	471
Disposals	(12)
Cumulative depreciation at 31st December 2007	987
Carrying value	
At 31st December 2007	1,348
At 1st January 2007	518
At 1st January 2006	428

15 Investments**Group and Company**

In July 2001 the royalblue technologies help desk and call centre software business was divested, the business subsequently changed its name to Touchpaper Group Limited ("Touchpaper"). Following the divestment, **Fidessa** holds financial assets in Touchpaper detailed below. There is no defined market for any of these assets and they will be disposed of as and when suitable opportunities arise. The Company does not have significant influence over Touchpaper and does not have the power to govern the operating and financial policies of Touchpaper.

Preference shares

Fidessa holds 17,000,000 redeemable preference shares of 100p which are now redeemable at par on 31st January 2011 (or later if mutually agreed, the redemption date previously being deferred from 31st January 2008) or in the event of an earlier sale, for 25% of the sales proceeds of the Touchpaper business, to a maximum of £17,000,000. The redeemable preference shares carry a cumulative coupon at an annual rate of 0.5%. The redeemable preference shares give **Fidessa** no voting rights. These are classed as loans and receivables and held at amortised cost of nil being the fair value on initial recognition, and the Directors have assessed the effective interest rate as being zero.

Ordinary shares and warrants

Fidessa holds 19% of the ordinary share capital of Touchpaper with the same voting rights as the other ordinary shareholders. In addition, **Fidessa** holds warrants over 1,275,000 ordinary shares in Touchpaper. The warrants over ordinary shares would represent up to a maximum of 51% of the diluted equity of Touchpaper when exercised. The warrants are exercisable only on the sale or listing of

Touchpaper. Both ordinary shares and warrants in Touchpaper are classed as available for sale assets but are measured at cost of nil (being their fair value on initial recognition) because their fair value cannot be measured reliably. The range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed due to the lack of financial information and the inherent uncertainty as to cash flows, therefore **Fidessa** is precluded from measuring the instruments at fair value.

'A' loan note

Fidessa holds a £897,755 variable rate secured loan note. The loan note is scheduled to be repaid in three instalments between 31 July 2009 and 31 July 2011. Interest is payable in arrears at a rate of 4% per annum above base lending rates as set by Barclays Bank plc. The loan note and interest is secured over certain assets of Touchpaper. The loan note has been classified as loan and receivables and is carried at amortised cost of £897,755 (being also their fair value on initial recognition).

'B' loan note

Fidessa holds a £3,802,245 variable rate unsecured loan note. The loan note is repayable in annual instalments of £500,000 commencing in July 2002. Interest is payable in arrears at a rate of 4% per annum above base lending rates as set by Barclays Bank plc. The loan note has been classified as loan and receivables and is carried at amortised cost of £nil being the fair value attributed on initial recognition on divestment of Touchpaper. The effective interest rate is assessed as being zero. As at 31 December 2007 the outstanding capital was £1,002,245 (2006 £1,302,245).

Company	£'000 Restated
Investments at 1st January 2006 as previously presented	1,134
Change in accounting policy for adoption of IFRIC 8	959
Investments at 1st January 2006	2,093
Share incentive charges – subsidiaries	610
Capital injected to existing subsidiary	2,109
Investments at 1st January 2007	4,812
Share incentive charges – subsidiaries	701
Acquired through business combination	62,288
Investments at 31st December 2007	67,801

The subsidiary undertakings and other trade investments at 31st December 2007, all being engaged in developing and selling computer software and providing associated services, are in the table below. All principally operate in their country of incorporation.

	Formerly called	Country of incorporation	Proportion of ordinary share capital held
Fidessa plc	royalblue financial plc	England and Wales	100%
Fidessa LatentZero Limited	LatentZero Limited	England and Wales	100%
Fidessa software limited	royalblue software limited	England and Wales	100%
Fidessa investments limited	royalblue investments limited	England and Wales	100%
royalblue financial limited	Fidessa limited	England and Wales	100%
royalblue group limited		England and Wales	100%
Fidessa corporation	royalblue financial corporation	USA	100%
Fidessa LatentZero Incorporated	LatentZero Incorporated	USA	100%
Fidessa US corporation	royalblue software corporation	USA	100%
Fidessa limited	royalblue financial limited	Hong Kong	100%
Fidessa kk	royalblue financial kk	Japan	100%
Fidessa SAS	royalblue France SAS	France	100%
Fidessa LatentZero SARL	LatentZero SARL	France	100%
Fidessa Canada corporation	royalblue corporation	Canada	100%
Touchpaper Group Limited		England and Wales	19%

Notes to the consolidated financial statements continued

16 Deferred tax assets and liabilities**Group – Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net Assets/(Liabilities)	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Property, plant and equipment	1,135	729	(68)	(40)	1,067	689
Intangible assets	83	106	(8,074)	(2,826)	(7,991)	(2,720)
Employee benefits	1,232	3,039	–	–	1,232	3,039
Tax losses and allowances carried forward	994	1,168	–	–	994	1,168
Interest income	107	68	–	–	107	68
Other temporary differences	765	536	–	–	765	536
Tax assets/(liabilities)	4,316	5,646	(8,142)	(2,866)	(3,826)	2,780
Set off of tax	(1,332)	(1,935)	1,332	1,935	–	–
Net tax assets/(liabilities)	2,984	3,711	(6,810)	(931)	(3,826)	2,780

Group – Movement during the year

	Balance at 1st January 2007 £'000	Translation adjustment £'000	Acquisition of LatentZero £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2007 £'000
Property, plant and equipment	689	–	118	260	–	1,067
Intangible assets	(2,720)	(1)	(5,733)	463	–	(7,991)
Employee benefits	3,039	(22)	–	(914)	(871)	1,232
Tax losses and allowances carried forward	1,168	(39)	1,531	(1,666)	–	994
Interest income	68	–	–	39	–	107
Other temporary differences	536	16	–	213	–	765
	2,780	(46)	(4,084)	(1,605)	(871)	(3,826)

	Balance at 1st January 2006 £'000	Translation adjustment £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2006 £'000
Property, plant and equipment	404	(30)	315	–	689
Intangible assets	(2,127)	(16)	(577)	–	(2,720)
Employee benefits	1,380	(121)	352	1,428	3,039
Tax losses and allowances carried forward	1,918	(204)	(546)	–	1,168
Interest income	90	–	(22)	–	68
Other temporary differences	236	(53)	353	–	536
	1,901	(424)	(125)	1,428	2,780

The tax losses and allowances carried forward are expected to be utilised in future periods and have a life of 20 years or more.

Company – Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net Assets/(Liabilities)	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Property, plant and equipment	4	5	–	–	4	5
Employee benefits	176	217	–	–	176	217
Interest income	107	68	–	–	107	68
Tax assets/(liabilities)	287	290	–	–	287	290

Company – Movement during the year

	Balance at 1st January 2007 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2007 £'000
Property, plant and equipment	5	(1)	–	4
Employee benefits	217	(24)	(17)	176
Interest income	68	39	–	107
	290	14	(17)	287

	Balance at 1st January 2006 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2006 £'000
Property, plant and equipment	4	1	–	5
Employee benefits	–	70	147	217
Interest income	90	(22)	–	68
	94	49	147	290

17 Trade and other receivables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade receivables	29,637	16,739	–	–
Amount due from subsidiaries	–	–	–	1,039
Prepayments	3,375	1,973	217	319
Accrued revenue	1,545	1,184	–	–
Other receivables	1,856	1,044	342	566
Total trade and other receivables	36,413	20,940	559	1,924

18 Cash and cash equivalents

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank balances	8,583	4,481	426	752
Call deposits	16,237	35,588	12,411	33,505
Total cash and cash equivalents	24,820	40,069	12,837	34,257

Notes to the consolidated financial statements *continued***19 Share capital and reserves**

	2007 Number	2006 Number	2007 £'000	2006 £'000
Authorised ordinary shares of 10p each	43,600,000	43,600,000	4,360	4,360
Ordinary shares allotted, called up and fully paid at 1st January	33,559,103	32,719,551	3,356	3,272
Issued for share options and warrants exercised	217,838	839,552	22	84
Issued for acquisition of LatentZero	852,239	–	85	–
Ordinary shares allotted, called up and fully paid at 31st December	34,629,180	33,559,103	3,463	3,356

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Cumulative translation adjustment

The cumulative translation adjustment comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Dividends paid and proposed

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

The Directors propose a final dividend for 2007 of 12.0p per share, £4,097,000, payable on 2nd June 2008 to shareholders on the register on 2nd May 2008, with an ex-dividend date of 30th 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.

Employee share trusts

At 31st December 2007 the **Fidessa** group plc Employee Benefit Trust 1997 owned 378,762 (2006 452,143) shares representing 1.1% of the issued capital. At 31st December 2007 the **Fidessa** group plc Share Bonus Trust owned 110,492 (2006 180,202) shares representing 0.3% of the issued capital.

20 Current liabilities: trade and other payables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade payables	4,048	2,176	90	76
Amount due to subsidiaries	–	–	5,718	56
Accrued expenses	20,170	11,084	873	1,056
Deferred revenue	24,286	12,276	–	–
Other taxes and social security	3,023	2,150	1,007	907
Total trade and other payables	51,527	27,686	7,688	2,095

21 Share-based payments

A full description of each type of share-based payment to employees is in the Directors' Remuneration Report. All share incentives are over ordinary shares of the Company. The Company grants share incentives to employees in the form of share options, share bonuses and under the Exceptional Growth Rate Incentive Plan. The fair value of all incentives granted since 7th November 2002 and not vested at 1st January 2005 is recognised as an employee expense with a corresponding increase in equity. The employee expense is recognised equally over the time from grant until vesting of the incentive. The employee expense in 2007 was £809,000 (2006 £735,000). For share options and share bonuses the fair value has been measured using a binomial model. The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility. The material inputs into the model have been:

Share options	Granted in 2004	Granted in 2005	Granted in 2006	Granted in 2007
Fair value	166.9p	108.5p	190p	267p
Share price at grant	560p	632p	860p	949p
Exercise price	560p	632p	860p	949p
Expected volatility	35%	20%	25%	30%
Expected life	6 years	6 years	5 years	5 years
Expected dividends	3.2%	3.4%	2.9%	2.2%
Risk-free rate of return	4.6%	4.1%	4.7%	5.0%
Share bonuses	Awards in 2004	Awards in 2005	Awards in 2007	
Fair value	367.9p to 467.8p	585.6p to 658.5p	775p to 1,116p	
Share price at purchase	405.0p to 515.0p	649.2p to 730.0p	829p to 1,193p	
Expected volatility	35%	20%	30%	
Expected life	3 years	3 years	3 years	
Expected dividends	3.2%	3.4%	2.2%	

The fair value of the award under the Exceptional Growth Rate Incentive Plan (EGRIP) has been measured using a Monte Carlo simulation model. The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility. The inputs to and output from this model are listed below.

EGRIP award	March 2006	September 2007
Fair value	153p	245p
Share price at grant	896p	1,018p
Exercise price	10p	10p
Expected volatility	25%	30%
Expected life	5 years	5 years
Expected dividends	3.4%	2.2%
Risk-free rate of return	4.3%	5.0%

Share options subsisting at 31st December 2007 were

Grant year	Options at 1st January 2007	Exercised in year	Expired in year	New grants	Options at 31st December 2007	Exercise price pence	Vested at 31st December 2007	Remaining life
1999	11,632	–	–	–	11,632	535p	11,632	2 years
2000	73,550	–	(60,978)	–	12,572	1,285p	12,572	3 years
2001	85,382	(35,157)	(625)	–	49,600	612.5p	49,600	1-4 years
2002	302,840	(83,607)	(2,420)	–	216,813	252.5p	216,813	2-5 years
2003	417,672	(117,695)	(3,362)	–	296,615	257.5p	296,615	3-6 years
2004	376,275	(47,821)	(20,671)	–	307,783	560p	132,783	4-7 years
2005	400,350	–	(35,375)	–	364,975	632p	–	5-8 years
2006	415,960	–	(39,360)	–	376,600	860p	–	6 years
2007	–	–	(9,835)	423,160	413,325	949p	–	7 years

For all share options exercised in 2007 the weighted average share price at the time of exercise was 1,081p (2006 875p).

Included in the above table for the grant made in 2000 there were 30,000 share options subsisting at 1st January 2007 relating to the Company. None were exercised in the period. 27,666 expired in the year leaving 2,334 subsisting at 31st December 2007.

Notes to the consolidated financial statements continued

21 Share-based payments continued

Potential share bonuses subsisting at 31st December 2007 were

Group

Award year	Outstanding at 1st January 2007	Exercised in year	Expired in year	New awards	Outstanding at 31st December 2007	Vested at 31st December 2007	Remaining life
2003	60,886	(60,886)	–	–	–	–	0 year
2004	61,311	(56,857)	–	–	4,454	4,454	1 year
2005	41,310	–	–	–	41,310	–	2 years
2007	–	–	–	46,644	46,644	–	3 years

Company

Award year	Outstanding at 1st January 2007	Exercised in year	Expired in year	New awards	Outstanding at 31st December 2007	Vested at 31st December 2007	Remaining life
2003	24,444	(24,444)	–	–	–	–	0 year
2004	18,920	(18,920)	–	–	–	–	1 year
2005	12,125	–	–	–	12,125	–	2 years
2007	–	–	–	11,964	11,964	–	3 years

For all share bonus awards exercised in 2007 the weighted average share price at the time of exercise was 1091p.

Awards under the EGRIP subsisting at 31st December 2007 were

Grant year	Options at 1st January 2007	Exercised in year	Expired in year	New grants	Options at 31st December 2007	Exercise price pence	Vested at 31st December 2007	Remaining life
2006	523,512	–	–	–	523,512	10p	–	4 years
2007	–	–	(9,180)	483,940	474,760	10p	–	5 years

Relating to the Company in the above table are 177,000 EGRIP options granted in 2006 and 91,500 EGRIP options granted in 2007. None of these options have expired.

22 Business combination

On 27th 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 1,101p each, being the closing mid-price on 27th 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 1st 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 £'000	Fair value to Group £'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	4,972	15,159
Goodwill arising on acquisition		47,129
Total consideration		62,288
Satisfied by		
Cash consideration		28,023
Shares issued		9,383
Provision for future consideration payable		23,358
Directly attributable costs		1,524
		62,288
Net cash outflow arising on acquisition		
Cash consideration paid		28,023
Directly attributable costs paid		1,524
Cash and cash equivalents acquired		(3,286)
		26,261

23 Related party transactions

The Company has a related party relationship with its subsidiaries and with its Directors and members of key management. There are no transactions with related parties who are not members of the Group.

The remuneration of individual Directors is disclosed in the Directors' Remuneration Report. The remuneration of Directors and other members of key management during the year was as follows

	2007 £'000	2006 £'000
Short-term employee benefits	4,370	3,796
Post employment benefits	2	–
Equity compensation benefits	373	339
Total remuneration of Directors and key management	4,745	4,135

The Company leases office premises and provides treasury management on behalf of Group companies in the UK. Rent and service charges are charged at cost, £1,090,000 (2006 £798,000). All income arising from cash and cash equivalents is retained by the Company.

Notes to the consolidated financial statements continued

24 Financial risk management

The use of financial instruments is managed under policies and procedures approved by the Board. These are designed to reduce the financial risks faced by the Group, which primarily relate to credit, interest, liquidity and currency risks, which arise in the normal course of the Company's and Group's business.

Credit risk

Financial instruments which potentially expose the Group to credit risk consist primarily of cash equivalents and trade receivables. Cash equivalents are deposited only with major financial institutions that satisfy certain credit criteria. The Group provides credit to customers in the normal course of business and the amount that appears in the balance sheet is net of an allowance of £840,000 (2006 £470,000) for specific doubtful receivables, the allowance being due to age or other issues. In most situations where a receivable is aged but no specific allowance has been made for it no revenue has been taken and it forms part of the deferred revenue balance. The Group does not require collateral in respect of financial assets (except the Touchpaper 'A' Loan Notes – see note 15).

All material trade receivable balances relate to sales transactions with financial institutions. At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The trade receivables as at 31st December are aged as follows:

	2007 £'000	2006 £'000
Not due	14,858	12,770
Not more than three months past due	12,914	3,872
More than three months but not more than six months past due	1,242	97
More than six months past due	623	–
Trade receivables	29,637	16,739

Interest and liquidity risk

The Group holds net funds and hence its interest and liquidity risks are associated with short-term cash deposits. The Group's overall objective with respect to these deposits is to maintain a balance between accessibility of funds and competitive rates of return. In practice this means that no deposits are made with a maturity date greater than three months. All deposits are at current market rates.

The Company has an unsecured facility that can be drawn to meet financing needs. It can be drawn as a money market loan with an interest rate of LIBOR plus 0.75% or as an overdraft with an interest rate of base rate plus 0.75%. The maximum facility is £10,000,000 and there have been no borrowings against it during the year.

Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into sterling. The currencies giving rise to this risk are primarily US dollars, Euros and Japanese Yen. The Group has both cash inflows and outflows in these currencies that create a natural hedge.

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's cash inflows and outflows in a foreign currency. The Group has not entered into hedging contracts for cash positions denominated in foreign currencies. The Group has treated £6,123,000 of the long-term funding of subsidiaries as net investment. At 31st December 2007 exchange rates the net investment equated to £5,563,000.

Over the longer term permanent changes in foreign exchange would have an impact on consolidation of foreign subsidiaries earnings. It is estimated that a general increase of one percentage point in the value of sterling against other currencies would have decreased the Group's profit before tax by approximately £104,000 for the year ended 31st December 2007 (2006 £64,000).

Capital management

The Company maintains a strong capital base so as to maintain employee, customer, market, investor and creditor confidence in the business. Special dividends have been used to return surplus capital to shareholders on two occasions in the past. The Board monitors the capital position and determines the level of annual dividend and when and how a return of capital to shareholders is appropriate.

Fair values

Unless otherwise disclosed, there is no significant difference between the carrying amounts shown in the balance sheet and the fair values of the Group and Company's financial instruments. For current trade and other receivables/payables with a remaining life of less than one year, the amortised cost is deemed to reflect the fair value. As explained in note 15, it is not possible to estimate the fair value of the equity investments in Touchpaper.

25 Operating leases

At 31st December the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows

Group

	2007 £'000	2006 £'000
Less than one year	649	421
Between one and five years	8,013	1,890
More than five years	17,326	21,062
Total commitment under operating leases	25,988	23,373

Company

	2007 £'000	2006 £'000
Less than one year	198	–
Between one and five years	5,221	594
More than five years	573	6,770
Total commitment under operating leases	5,992	7,364

The Group and the Company lease office space and data centre facilities under operating leases. The lease term typically ranges from three years to 20 years, longer-term leases normally having options to break the commitment before the end of the term. Lease terms of greater than five years are often subject a rent review during the term.

Part of the office space has been sublet by the Company. The lease expires in December 2012 and the subleases expire in December 2012. Sublease receipts of £1,805,000 are expected during the remainder of the subleases.

26 Contingent liability

Lava Trading Inc. has filed a patent infringement claim in the US against the Group. In this summary we confirm that our view from the outset remains unchanged in that we believe the case brought by Lava is without merit and we re-affirm that we will continue to defend our position vigorously. The process of discovery is continuing and we are advised that in cases of this nature this process can take a significant period of time. Consequently, no provision is being made in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Notes to the consolidated financial statements continued

27 Accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results for which form the basis of making the judgments about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates, assumptions and judgments that are likely to contain the greatest degree of uncertainty are summarised below.

a Development expenditure

The Group invests in the development of future products and material enhancement of existing products in accordance with the accounting policy. The assessment as to whether each element of this expenditure will be technically feasible, generate future economic benefit or the period over which to amortise the expenditure is a matter of judgment.

b Income taxes

In recognising income tax assets and liabilities estimates have to be made of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain and on the expected manner of realisation or settlement of deferred tax assets and liabilities.

c Revenue

The revenue for perpetual software licences is recognised on a percentage of completion basis. Management exercises judgment in determining the percentage complete and the total cost of implementation. Estimates are continually revised based on changes in the facts relating to each contract. In recognising revenue on contracts where losses are expected the quantum of the loss has to be estimated based on the latest facts available and judgment applied to factors that are still variable.

d Fair values

IFRSs require many assets, liabilities and expenses to be recognised at fair value. This includes the intangible assets, contingent consideration and other liabilities arising from acquisitions. By their nature fair values are estimates and subject to different interpretation.

e Useful lives

Intangible assets and property, plant and equipment are expensed over their estimated useful lives. The period of actual use or economic benefit may vary from these estimated lives.

f Impairment of goodwill

The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the cash generating unit to which goodwill has been allocated. The value in use calculation includes estimates about the future financial performance of the cash generating units, including management's estimates of long-term operating margins and long-term growth rates.

g Investments

The future value attributable to the investments and loan notes in Touchpaper (note 15 above) is dependent on the future performance of that business over which the Directors have no influence.

h Contingent liability

As described above in note 26, the outcome of the patent infringement claim is uncertain and management had applied their judgment in making no provision.

i Share-based payments

The calculation of the fair value of share-based payments requires several assumptions and estimates; their details are disclosed in note 21.

Notice of Annual General Meeting Fidessa group plc

Notice is hereby given that the twelfth Annual General Meeting of **Fidessa group plc** ("the Company") will be held at 2 Suffolk Lane, London EC4R 0AT on 22nd April 2008 at 9.30 a.m. for the following purposes

Ordinary business

1. To receive the financial statements for the year ended 31st December 2007 together with the reports of the Directors and auditors thereon.
2. To declare a final dividend of 12.0p per ordinary share of the Company.
3. To consider, and if thought fit, to approve the Directors' Remuneration Report for the year ended 31st December 2007.
4. To re-elect John Hamer as a Director of the Company.
5. To re-elect Ron Mackintosh as a Director of the Company.
6. To re-elect Philip Hardaker as a Director of the Company.
7. To re-appoint KPMG Audit Plc as the Company's auditors and authorise the Directors to fix their remuneration.

Special business

8. To consider, and if thought fit, to pass the following resolution as an Ordinary Resolution to authorise the Directors generally and unconditionally pursuant to Section 80 of the Companies Act 1985 as amended (the "Act") to allot relevant securities up to an aggregate nominal amount of £1,142,762.90 provided that this authority unless renewed shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company and fifteen months from the date of the passing of this resolution, such authority being in substitution for any existing authority to allot relevant securities (as defined in section 80(2) of the Act) of the Company but so as to enable the Company before such date to make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. (Please see note 5).
9. To consider, and if thought fit, to pass the following resolution as a Special Resolution to empower the Directors in accordance with Section 95 of the Act, until the earlier of the conclusion of the next Annual General Meeting of the Company and fifteen months from the date of the passing of this resolution, to make allotments of equity securities (as construed in accordance with section 94 of the Act) for cash pursuant to the authority that was conferred on the Directors by Resolution 8 above as if section 89(1) of the Act did not apply to any such allotment, such power being limited to the allotment of equity securities
 - a) in connection with an issue or offer by way of rights in favour of holders of equity securities and of any other person entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held or deemed to be held by them on the record date of such allotment or are otherwise in accordance with their respective entitlements, subject only to such exclusions or other arrangements as the Directors may deem fit to deal with fractional entitlements or problems arising under the laws of any overseas territory or the requirements of any regulatory authority or any stock exchange; and
 - b) otherwise than pursuant to paragraph (a) above, up to an aggregate nominal amount of £173,145.90; save that the Company may, before expiry of that authority, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if such authority had not expired. (Please see note 6).
10. To consider and, if thought fit, to pass the following resolution as a Special Resolution that the Company be and is hereby generally and unconditionally authorised for the purpose of section 166 of the Act to make one or more market purchases (as defined in section 163 of the said Act) of ordinary shares of 10p each in the capital of the Company provided that
 - (i) the maximum number of ordinary shares hereby authorised to be purchased is 3,462,918 (representing approximately 10 per cent. of the Company's issued ordinary share capital at the date of the Notice of this Meeting);
 - (ii) the minimum price which may be paid for an ordinary share is 10p per share (excluding expenses) being the nominal amount thereof;
 - (iii) the maximum price (excluding expenses) which may be paid for an ordinary share shall be 5 per cent. above the average of the middle market quotation of an ordinary share of the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the purchase is made;
 - (iv) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the conclusion of the next Annual General Meeting of the Company and the date which is fifteen months after the date on which this resolution is passed; and
 - (v) the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract or contracts as if the authority conferred hereby had not expired. (Please see note 7.)

By order of the Board

S Freeman

Secretary

8th February 2008

Registered Office

Dukes Court

Duke Street

Woking

Surrey

GU21 5BH

Registered in England and Wales

Number 03234176

Notice of Annual General Meeting Fidessa group plc continued

Notes

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered in the register of members in order to have the right to attend or vote at the Annual General Meeting is 6.00 p.m. on 20th April 2008. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.
2. A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and (on a poll) vote instead of him or her. A proxy need not be a member of the Company. To be valid a proxy form must be lodged with the Company's registrars, Equiniti Limited not later than 48 hours before the time fixed for the meeting.
3. The appointment of a proxy does not preclude a member from attending the meeting and voting in person, in which case any votes of the proxy will be superseded.
4. Copies of the contracts of service between the Directors and the Company, the letters of appointment of the Non-Executive Directors and the Directors' indemnities are available for inspection at the registered office of the Company during each business day and will be available for inspection at 2 Suffolk Lane, London for 15 minutes prior to and during the Annual General Meeting. The register of interests of Directors and their families in the shares of the Company will be available for inspection at the commencement of, and during, the Annual General Meeting.
5. Section 80 Companies Act 1985 This Ordinary Resolution, if approved, will authorise the Directors to allot shares with an aggregate nominal amount of up to £1,142,762.90 (representing 33% of the issued share capital at 8th February 2008) for a period of fifteen months or, if earlier, until the end of the 2008 Annual General Meeting. This authority succeeds that granted in 2007.
6. Section 89(1) Companies Act 1985 this Special Resolution will, if approved, partially disapply the statutory pre-emption rights for a period of fifteen months or, if earlier, until the end of the 2009 Annual General Meeting, in order to provide the Directors with a limited power to issue equity securities for cash otherwise than pro rata to ordinary shareholders, which following the introduction of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 now extends to the sale of shares from treasury. The existing power to this effect will expire at the end of this year's Annual General Meeting. The resolution conforms with the guidelines of the Investment Committee of the Association of British Insurers and the National Association of Pension Funds and, if approved, will maintain the flexibility for the Company to allot relevant securities for cash either by way of a rights issue or up to a maximum aggregate nominal amount of £173,145.90, representing 5% of the issued share capital at the date of the Notice of this Meeting.
7. The existing power to this effect will expire at the end of this year's Annual General Meeting. The ordinary shares purchased pursuant to this Special Resolution will be either cancelled on buy-back or held in treasury. No more than 10% of the issued share capital may be held in treasury. The Directors only intend to exercise this power if they believe that it would increase earnings per share and would be in the best interests of shareholders generally, or in the case of creation of treasury shares, that to do so would be in the interests of shareholders generally.

Form of proxy **Fidessa** group plc

I/We the undersigned, being a member/members of **Fidessa** group plc (hereinafter called "the Company"), hereby appoint the Chairman of the Meeting or as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on 22nd April 2008 at 9.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote on the resolutions as set out in the Notice convening the Annual General Meeting as follows

Resolutions	For	Against	Abstain
1 Receive the Directors' Report and Financial Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Declare a final dividend of 12.0 pence per ordinary share	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Approve the Directors' Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-elect Mr J Hamer as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Re-elect Mr R Mackintosh as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Re-elect Mr P Hardaker as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Re-appoint KPMG Audit Plc as auditors and authorise the Directors to fix the remuneration of the auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Authorise the Directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Disapply the statutory pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Approve the purchase and cancellation of up to 10% of the issued ordinary share capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2008

Member's name
(in block letters)

Member's signature

Address

.....

Notes on completing the Form of Proxy

- Please complete this form legibly in block capitals.
- To appoint a person(s) other than the Chairman as your proxy, insert the name of the proxy or proxies desired and delete the words "the Chairman of the Meeting".
- Please indicate how you want your proxy to vote by marking the appropriate box opposite each resolution. If none of the boxes are marked, your proxy may vote or abstain as he/she thinks fit. The appointment of a proxy does not preclude a member from attending and voting at the meeting in person.
- If you mark the "Abstain" box for a particular item, you are abstaining from voting on that resolution. An abstention is not a vote in law and will not be counted in the votes "For" or "Against".
- This form of proxy must be signed by the appointer or his/her attorney duly authorised in writing or, if the appointer is a corporation, it must be executed under its common seal or be signed by an officer or attorney duly authorised by the corporation.
- In the case of joint holders only one needs to sign the form. The vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. Seniority will be determined by the order in which the names of the joint holders stand in the register of members.
- To be valid a proxy form and the power or other authority under which it has been executed (or a copy of such power or authority certified notarially) must be lodged with the Company's registrars not less than 48 hours before the time of the meeting.

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First fold

RESPONSE LICENCE No.
SEA10850



EQUINITI LIMITED
THE CAUSEWAY
WORTHING
BN99 6ZR

Second fold

First fold

11th February 2008

2007 annual results announced

12th March 2008

2007 Annual Report circulated

22nd April 2008

Annual General Meeting

2nd June 2008

final dividend paid

August 2008

2008 interim results announced

October 2008

interim dividend paid

February 2009

2008 annual results announced

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