

28th February 2001

royalblue group plc - final results

preliminary announcement for the year ended 31st December 2000

royalblue reports organic revenue growth of 45% and strong progress in financial systems with fidessa-related orders up 75%.

Group Summary:	Year to 31 st December		
	2000	1999	change
Turnover	£57.4m	£39.7m	+45%
Operating profit	£6.3m	£5.9m	+7%
Pre-tax profit	£6.9m	£6.5m	+6%
Fully diluted earnings per share	13.7p	13.1p	+5%
Dividend per share	4.6p	4.4p	+5%

Business Analysis:	Year to 31 st December 2000	
	Turnover	Profit
royalblue financial	£37.4m	£7.0m
royalblue technologies	£20.0m	£0.8m
Group costs	-	(£0.9m)
Total	£57.4m	£6.9m

Group Chief Executive, John Hamer, said:

“royalblue experienced another year of organic revenue and profit growth. In particular, our business in the financial sector is performing very strongly, with growth of 75% in orders, 69% in revenues and 64% in profits, and a significant increase in recurring revenues. This strong performance means that revenues of £37m in royalblue financial now represent over 65% of the Group's turnover, almost equivalent to the whole of the Group's turnover in 1999. Furthermore, royalblue financial's profits in 2000 of £7m before Group costs of £0.9m approach the entirety of the Group's profits in 1999. This is all the more impressive given that these profits were achieved after deducting £1.6m of **fidessaNet** investment costs. Quality of earnings is improving rapidly, with recurring revenues relating to **fidessa** and **fidessaNet** services already standing at over £1m per month since we changed our pricing strategy and introduced **fidessaNet**.

royalblue technologies had a challenging year which saw the transition to a new management team, a new organisational structure, and the resolution of problems in some of the overseas operations. This business achieved a respectable 14% increase in revenues to £20m, and remained profitable, albeit at a reduced level compared with 1999. December was a good month for orders, revenues and profits for our **HelpDesk** and **rostrvm** software and prospects for this year and beyond look promising. However, we are naturally cautious about the rate of expansion here until we are confident that we have fully restored the previous solid progress of this business stream.

Looking forward, the year has started well, with orders worth over £7m booked in royalblue financial in January, and ahead-of-plan performance from royalblue technologies. In particular we believe that our results in 2000 for **fidessa** and its prospects in 2001 and beyond demonstrate the unique, market-leading and valuable position that **fidessa** is establishing on an increasingly global basis. We therefore expect continued growth in revenues and profits in 2001 and beyond, and extend our thanks to all of royalblue's employees for their great work during 2000”.

review of 2000

Financial Summary

In the year to 31 December 2000, revenues increased 45% to £57.4 million (1999:£39.7 million). The revenues comprised 48% from consultancy, 30% from outright software licences, 17% from maintenance and 5% from software licence rentals, this being achieved in our first year of licensing on this basis. The increasing recurring revenues and the repeat revenues which were in excess of 40%, combined with our prudent policy of recognising licence revenue over the life of an implementation project, provide a quality revenue stream with good forward visibility. Within the two businesses of the Group, **royalblue** financial grew revenues by 69% to £37.4 million (1999: £22.1 million) and **royalblue** technologies grew revenues by 14% to £20.0 million (1999: £17.6 million).

UK revenues represented 64% of Group turnover, and grew healthily by 36% to £36.9 million (1999: £27.2 million). Revenues from overseas represented 36% of the total, growing by 64% in the year to £20.5 million (1999: £12.5 million). Overseas revenues have grown from 4% of Group turnover in 1996 to 36% in 2000 and we expect them to continue to grow, both in absolute terms, and as a proportion of Group turnover. The USA is our largest overseas market and revenues grew to £14.0 million, up 55% from £9.0 million in 1999. Asia, in its first full year of operation showed the greatest growth rate at 121% with revenues of £4.3 million. Revenues from Continental Europe continued to make good progress and grew to £2.2 million, up 47%.

Operating profit increased 7% to £6.3 million (1999: £5.9 million) and the pre-tax profit increased 6% to £6.9 million (1999: £6.5 million). When announcing the preliminary results for 1999 we flagged that profits for 2000 and 2001 would be constrained by the investment in our new ASP offering, **fidessaNet**. During 2000 this investment impacted operating profits by £1.6 million and on a like for like basis, with the investment excluded, the operating profit growth would have been 34% and the pre-tax profit growth 32%. The operating profit margin was 11.0% and the pre-tax margin was 12.0%, or 14.0% and 15.3% respectively excluding the net investment costs. Within the two businesses of the Group, **royalblue** financial grew profits before group charges by 63% to £7.0 million (1999: £4.3 million) and **royalblue** technologies saw a reduction in profits before group charges to £0.8 million (1999: £2.7 million).

Product development expenditure amounted to £6.1 million (1999: £4.0 million), or 10.6% of turnover, and was spread evenly between the businesses in proportion to turnover. The majority of the R&D expenditure in financial and call centres already had customer orders committing to purchase the software as the product development was undertaken. All product development expenditure is written off as it is incurred.

The cash balance reduced in the year to £10.3 million from £16.7 million after spending £6.2 million (1999: £2.3 million) on capital expenditure, £4.1 million (1999: £0.9 million) on dividends and £2.0 million (1999: £2.4 million) on corporation tax. The capital expenditure includes £2.4 million of infrastructure and equipment for **fidessaNet** and £1.4 million in respect of preparing office premises for occupation in the UK and USA. The effective tax rate of 36.1% was higher than the UK headline rate of 30% due to the revenues generated overseas suffering higher rates of tax and the Group's prudent accounting policies, in particular the depreciation rates (2 years for IT equipment).

The directors are recommending a final dividend of 3.1p per share so that the total dividend per share for 2000 amounts to 4.6p (1999: 4.4p). Subject to shareholder approval, the final dividend will be paid on 4th May 2001 to shareholders on the register on 30th March 2001.

Board and Senior Management Changes

In September, Alan Neilson, stepped down from his role as Managing Director of royalblue technologies for personal reasons. Alan has continued as a Director of royalblue group plc in a non-executive capacity, and as a consultant to the Group. Alan contributed enormously to the development of the **HelpDesk** business and the Board extends its thanks to Alan for his incredibly hard work and commitment over the years. We have restructured the management team in royalblue technologies and appointed Graham Ridgway as Chief Operating Officer, and Lee Chadwick as Sales and Marketing Director within that business. Both Lee and Graham have excellent track records in building the UK **HelpDesk** business, and are ideally experienced and qualified to develop our overseas business further. They are already doing an excellent job in taking the business forward.

Operations

royalblue financial

Overview

All operations reported strong growth during 2000 resulting in orders increasing by 75% and revenue for the year of £37m, a 69% increase over last year. Contribution for the year increased to £7.0m (including **fidessaNet** costs), a 64% increase over the previous year. Recurring revenues have developed well driven by sales of enterprise rental and **fidessaNet** systems and now accounts for in excess of £1m per month. This means that we have already achieved our target of generating 20% of our revenues from recurring sources. With a number of **fidessaNet** and enterprise rental systems due to deliver early in 2001 we expect this growth to continue. Revenues overall remain well balanced across our customer base with the largest customer generating approximately 8% of total revenue. Recruitment has remained a key restriction on growth throughout the business as we develop the team in order to keep pace with current demand. From 230 staff at the beginning of 2000 the worldwide team has expanded to a total of 370.

Order levels remain high from royalblue's existing customer base driven by upgrades to existing products, new users and transaction licences for existing installations and sales of new products, in particular market connectivity software. Sales performance has also been particularly encouraging with a number of milestone deals being signed during 2000, which reflect the development of the business internationally. These have included the first orders from local firms in mainland Europe, our largest ever order with ABN AMRO for a global system, and both enterprise and **fidessaNet** deals to support OTC and listed trading in the US. This has been coupled with a successful transition to our new enterprise rental sales model, which has substantially improved our recurring revenue profile, and provides improved revenue visibility across the business going forward.

In addition to the ongoing business we have seen an increased emphasis on globalisation with a number of royalblue's customers looking to install the software in multiple locations, routing order flow and executions seamlessly between them. The use of the product in this way is particularly exciting for royalblue as **fidessa** is the only business process automation software for equities which can support the US, European, and Asian markets. This new emphasis is opening up the opportunity for royalblue to sign substantial new orders with many of its existing customers as they look to expand their existing **fidessa** implementation from one or two centres to a global system.

Summary of Strategy

Within royalblue financial, our strategy is to provide a range of compatible software products, developed on a common platform, which automate the business processes of sell side firms trading equities world-wide. Our product suite marketed under the brand name of **fidessa** now consists of over 40 products covering all areas of the business process from electronic and manual order entry, order routing, market connectivity and execution through to post trade confirmation processing. Encapsulated within the **fidessa** products are the market rules and regulations for trading each market making it possible for orders to be routed and executed cross border whilst observing local regulatory requirements.

Every **fidessa** product is developed based on the **fidessa** trading platform, a proprietary middleware technology product designed for the development of high performance real-time, transaction processing applications. This platform provides the core transaction integrity, resilience and performance on which each of the applications is built. Once the platform is in place at a customer site, additional **fidessa** products can be added to automate further parts of the business process, each product building on the overall value of the platform. Although the platform is not sold separately, its use enables **fidessa** applications to be much more tightly and seamlessly integrated than can be achieved by any standalone development. The platform also incorporates a central data model, which is shared by all applications so that key standing data can be set up once and used globally throughout the system. The use of the **fidessa** trading platform is core to our strategy providing a major competitive advantage over single point solutions

The **fidessa** product suite is marketed in two different ways:

Enterprise rental, which is aimed at large tier 1 firms where customers run the products themselves in their own data centres. These deliveries are intended to give the customer maximum flexibility. The customer is able to integrate their own applications with **fidessa** and tailor the product to their business. This provides a premium service for large firms.

FidessaNet is aimed at tier 2 and tier 3 firms where the software is run within royalblue's data centres and the customer is provided access via royalblue's network. These deliveries are intended to give the customer an easy route to implementing sophisticated business software without having to overcome the complexities of running large in house systems and managing connectivity to a large number of exchanges and data sources. In addition, we are increasingly offering our enterprise clients the option of connecting to **fidessaNet** in order to provide connectivity to exchanges as a packaged service. This uses the same data centres and hardware as are used to provide the standard **fidessaNet** service and enables an enterprise client to avoid the difficulties associated with managing multiple exchange lines and having to perform exchange conformance tests on each line.

The Equities Market

The equities market has continued to change rapidly throughout the year 2000. Trading volumes amongst the majority of our customers have increased, along with their market coverage as we have installed more market connectivity. Although recent downturns in the equity markets have affected volumes in the retail sector this does not appear to have affected the institutional market as severely. We believe that royalblue is substantially unaffected by short-term market downturns as its customers are forced to continue their investment in new technology if they are to stay trading within the equity markets. At present there is no indication that the recent downturn will have any effect on the commitment of royalblue's customers to continue trading equities and we anticipate that many of them may increase their technology budgets in order to remain competitive in a rapidly changing market.

There has also been no slowdown in the rate of change with competition between the central markets, alternative trading systems and ECNs continuing unabated. In Europe the competition between the exchanges has resulted in accelerated development programs across the board. This is both a challenge from a development perspective and a major opportunity as we develop new software to keep pace with this change. Examples of this include the LSE (SETS), Frankfurt (Xetra) and Euronext (Paris, Amsterdam and Brussels) who are vying for position as the leading European exchange and have introduced six monthly upgrades to their services. These upgrades require not only new interface software but also mean changes are required within our customers businesses requiring further **fidessa** components in order to automate the new business flows. Further examples of change of this nature come from Virt-X's formation from a merger between Tradepoint and the Zurich exchange, alliances between the Nordic exchanges and Nasdaq's purchase of Easdaq.

In Asia the picture is similar and we have been able to benefit from the introduction of the new AMS/3 system in Hong Kong in 2000. In Japan the new Tokyo Stock Exchange System went live and further changes are planned at the Osaka Exchange and with Nasdaq Japan. In the US pressure continues on both the listed and OTC markets to further develop their markets, with Nasdaq launching SuperSoes early this year and expecting to add the new order montage (Nasdaq order book) alongside its quote system later this year/early next. In addition, demand for new systems is being driven by the introduction of decimalization (quoting of shares in cents rather than 16ths) as this is expected to both narrow spreads and result in increased order volumes.

Product Overview

The **fidessa** trading platform is a suite of functional applications that manage and automate the front and mid-office business flows for sell side firms trading equities in the US, European, Japanese and Asian markets. The **fidessa** product set has the most comprehensive ability to support global equity business process flow of any product in the market and further extensions are being added continuously. The functionality now encompassed by **fidessa** products is:

- The capture of order flow electronically from institutional and private client brokers. This functionality is supported by the **fidessa** FIX engine and CMS gateways.
- The capture of order flow from remote clients via the internet/intranet. This functionality is supported by **fidessa**-ROMA (Remote order management application).
- The management and intelligent routing of all orders within the firm. This functionality is supported by **fidessa**-OMAR (Order Management And Routing)
- Electronic trading and market making on the OTC, Listed, European, Japanese and Asian stock markets. This functionality is supported by **fidessa** Emma (European Multi Market Access), Amma (Asian Multi Market Access), JMIS (Japanese Market Interface System), NMS (NASDAQ Management System) and TMAR (Trade Management and Routing).
- Full integration with major Electronic Communication Networks (ECN's) throughout the US and Europe. This functionality is supported by the **fidessa** FIX gateway and CMS gateway.
- The monitoring of all the firm's trades, positions, exposure and risk, which is tracked in real-time and consolidated across the business. This functionality is supported by **fidessa** PMAC (Position Management and Consolidation).
- The management of the Electronic Trade Confirmation business process in the mid-office, supporting Thomson ESG's OASYS Global and OASYS Domestic, Fax, Telex or SWIFT. This functionality is supported by **fidessa** CTAC (Client Trade Allocation and Confirmation).
- The consolidation of multiple application displays on a single screen with the ability to mix real-time information from them on a single window with scripting to enable interaction between windows to be user defined. This functionality is provided by **fidessa** FTW (**fidessa** trader workbench)

- The management of multiple real-time trading applications and sharing of data, resources and reference data. This functionality is provided by **fidessa** FTP (**fidessa** trading platform).

Europe

In our European operation we have seen strong demand from our existing customer base for new products, extensions to existing products and additional user licences. Development has continued across the product set with particular emphasis on developing exchange connectivity. We now have links available for London (SETS), Paris, Frankfurt, Dublin, Milan, Helsinki, Copenhagen, Stockholm, London (Tradepoint), Vienna and Zurich. In line with the rate of change already mentioned 8 of these have major upgrades coming out within the next 6 months. As planned, we have commenced direct sale of **fidessa** in Europe targeting some of the key local market players and have opened new office facilities in Paris. We have secured our first sales to a local Dutch bank and expect to secure business with leading local firms in Paris and Frankfurt shortly.

In addition to links to exchanges we have been expanding connectivity to provide support for some of the IOI (Indications Of Interest) services now available. Connectivity is now available through **fidessa** to the services offered by Thompson, Autex, Bloomberg and Fidelity.

The launch of the **fidessaNet** service in Europe went ahead as planned in 2000 and is now running live supporting UK trading at over 100 trader positions. As well as providing the trading service **fidessaNet** is also being used by enterprise customers to provide connectivity to the Milan exchange and Instinet and we plan to add further exchanges over the next 12 months. We have established dedicated sales resource for our **fidessaNet** offering and have signed one further order for delivery in the first half of 2001 as well as the first stage consultancy study for a further implementation and a pipeline of further prospects has developed. Although the initial implementations have gone well, the take up of the European **fidessaNet** service is going slightly slower than planned. We believe that this has been for two combined reasons. In Europe firms are more used to running their systems in house and outsourcing an application as critical as **fidessa** is regarded with more concern than it is in the US. This has combined with our introduction of the enterprise rental model which has reduced the up front cost of a **fidessa** system and meant that smaller European firms can afford to work with an enterprise system.

US

Our US operation has progressed well during 2000 as a growing acceptance of our product set has developed in the marketplace, with revenues ahead by 80% compared to last year. We have signed two enterprise deals to provide **fidessa** products to support listed and OTC trading and 6 customers to take the **fidessaNet** service to support US domestic trading. Of the **fidessaNet** sites the first 3 have now gone live and the remaining 3 are expected to go live within the next 9 months. The progress of **fidessaNet** in the US has been behind our original plan. This has been primarily due to the complexity of supporting the US business flows from the service and our focus on ensuring the success of the initial implementations and that they meet expectation before driving for new sales. We believe that **fidessa** will be a very successful product in the US market and the primary focus for 2001 will be to complete the implementation of the remaining OTC and listed systems and to ensure that **fidessaNet** is a serious contender in this important market.

In addition to continuous functional enhancements, changes have also been made to the US **fidessa** products to support regulatory changes in the market. A new version of our NMS product has been produced to provide support for SuperSoes functionality (a system which allows orders to be directed to specific firms as well as automatically executed) and all US **fidessa** products have been upgraded in readiness for the introduction of decimalization in early 2001.

A key area of development for the US market has been in the area of performance to ensure **fidessa** can support the volumes in this market, particularly those associated with the market open. As part of a US evaluation exercise, a single **fidessa** system was benchmarked for a sustained period at a transaction rate in excess of 330 trade executions per second (20,000 executions per minute). As a guide, at these rates, the executions for the entire daily volume on the London Stock Exchange could be processed in approximately 6 minutes.

Asia

In Hong Kong we have continued to develop our operation and now have a staff of over 30 people located in our offices supporting both the Hong Kong market and the other main Asian markets outside of Japan. Our interface to the AMS/3 system has gone live successfully providing connectivity to the new Hong Kong market. In addition, we have taken orders for software to link to the Taipei and Korean exchanges and development work has commenced to provide these interfaces. These gateways will link under our new AMMA product which performs similar functionality to our EMMA product in Europe. In line with our strategy the remaining products sold in the Asian market (OMAR, TMAR, PMAC and CTAC) are the same products sold in Europe and the US with modules added to support local market business rules. In this way developments done for each market (such as basket trading) can be used to bring benefit in the other markets and we can also provide one common product and architecture as a global trading solution.

Japan

In Japan we have continued to develop software to support the Japanese business rules and market connectivity to the new Tokyo Stock Exchange system. Software to support the new interface went live at the end of Q2. Our JMIS product is now live on 4 exchanges, TSE (Tokyo Stock Exchange), OSE (Osaka Stock Exchange), Nasdaq Japan and Jasdaq and is being tested on TostNet. The market demand for **fidessa** in Japan remains healthy with the basic requirements identical to those that we see throughout the rest of the world. Our Japanese business is progressing well but we still expect the majority of the development to be on the back of global implementations for customers already using **fidessa** in other centres. The Tokyo team now consists of 15 permanent staff.

Summary

In summary, the financial markets we serve continue to develop rapidly and we are not seeing any slowdown in the rate of change. Our customers continue to show a strong commitment to investing in new technology in order to improve their efficiency and the level of service they provide to their customers. Increasingly the focus of this investment is on automation of their business processes and the ability to provide an efficient global service. We believe that our unique product set and positioning places us in a strong position to benefit from these trends and we look forward to sustained growth as we continue the development of **fidessa** and **fidessaNet**.

royalblue technologies

Overview

royalblue technologies develops and markets **HelpDesk** for IT and infrastructure help desk support; **SupportCenter** for customer support management; **ChangeManager** for problem and configuration management and change control; and **rostrvm** for inbound and outbound CTI functionality in medium to large scale call centres.

Management Changes

As mentioned elsewhere in this report, Alan Neilson, stepped down as Managing Director of royal**blue** technologies in September 2000 for personal reasons, but has continued in a non-executive capacity on the Group Board. As a result of this, two senior management appointments were made:

Graham Ridgway, previously UK Managing Director of royal**blue** technologies, was appointed as Chief Operating Officer of royal**blue** technologies, with responsibility for worldwide operations and product development. Graham joined royal**blue** in 1988 and has been instrumental in developing the business, with particular involvement in building the consultancy, implementation and support areas, as well as having initial and ongoing involvement with specifying and developing the HelpDesk product set.

Lee Chadwick, previously UK Sales & Marketing Director within royal**blue** technologies, was appointed as Sales & Marketing Director of royal**blue** technologies, with responsibility for sales and marketing worldwide. Lee joined royal**blue** in 1994 when the product set was first launched. He has been responsible for developing the UK sales and marketing teams, and in particular establishing royalblue's **HelpDesk** product suite as the UK market leader for support management applications.

Both Lee and Graham have excellent track records in building the UK business, and are ideally experienced and qualified to develop our overseas business further and are already doing an excellent job in taking the business forward.

Financial Analysis

Revenues within royal**blue** technologies in 2000 grew 14% to £20.0m, up from £17.6m in 1999. A combination of non-recurring factors affected profitability in Q3. However, a strong performance in Q4, with revenues 20% ahead of the same period last year (£5.7m compared with £4.7m), meant that a profit for the year as a whole of £0.82m (before group costs, 1999: £2.67m) was achieved, albeit at reduced margins compared with previous years. 40% of revenues came from the installed base of customers, comprising maintenance, additional licences, training and implementation work. The average order value for **HelpDesk** increased to £30K from £26K. Revenues from **rostrvm** grew 14% to £3.2m (£2.8m), but order intake was lower than the previous year.

On a geographic basis, UK revenues grew 21% to £15.8m, sales in the USA were static at £2.5m, and in Germany revenues grew 37% to £1.0m. The lack of growth in the USA was due to management problems which have been addressed. The whole royal**blue** technologies business is now structured on a functional, rather than a country management basis, which has already improved performance.

HelpDesk, SupportCenter and ChangeManager

In the UK and overseas our marketing activities - which include exhibitions, direct mailing and seminar programmes - continue to generate significant interest in our product set.

Most organisations are now critically dependent on technology. Our **HelpDesk** software provides IT support staff with a flexible and powerful tool for maintaining and enhancing an organisation's technology infrastructure, pre-empting and solving user problems in the shortest possible time. New implementations of **HelpDesk** in 2000 included the UK retailer, Dixons, who use the software for supporting Point-of-Sales (POS) and other technology in over 1100 stores; Worldcom, the global telecommunication company, who have purchased over 200 licences for providing internal IT support; and Wellcome Trust, the medical research charity who use **HelpDesk** Internet Edition,

automatic e-mail functionality and an Intel LANDesk interface to provide advanced IT support to the organisation's user community. Midas Kapiti, part of the Misys Group, use **SupportCenter** for supporting customers of their financial products in 16 countries worldwide, as do XTM, one of the UK's leading providers of secure internet hosting services.

Operations

In Operations, several significant initiatives are underway to enhance our delivery, support and customer care capabilities. We have established a dedicated team of project managers for larger and/or more complex projects, which helped us run a proof-to-pilot project for BP, leading to a £300K order. We have also improved our implementation methodology to handle the rising complexity of implementations. We formed a Systems Integration Team in September 2000 to provide specialist services to our customer base such as bespoke report writing, which has proved very popular and we have increased staffing in our Customer Care team which now includes the Technical Services Group for tackling complex issues as they arise. We have also implemented a Customer Service/Customer Care Survey via the Web, with first results due in Q1 2001. To enhance our delivery capability we have improved our training programmes and utilisation of our Product Specialists team and greatly reduced the lead-time for starting implementations. We have introduced additional Education Services, including customer-specific materials, and on-site standard course delivery, and increased the number of public courses scheduled for 2001. In November we became the first Help-Desk Institute (HDI) authorised training partner in the UK and in December generated orders of £70K for training courses.

HelpDesk Product Development

Product development continued on **HelpDesk** throughout 2000 with four releases of the main product suite and two releases of the Internet client. This development focused on three main areas, improved usability, management information and enhanced integration with Intel LANDesk. The first half of 2000 saw **HelpDesk 5.1** released which provided a consistent look and feel for Windows 2000 users as well as a host of other usability features. The **HelpDesk** internet client was also enhanced with the release of 2.1 providing full lifecycle management. **HelpDesk 5.2**, which is scheduled for release in Q1 2001, adds still more usability features such as call archiving, improved performance of search facilities such as **Infomine** and extensive reporting improvements. Release 5.2 also introduces the new **Aquire** feature, which extends the existing Intel LanDesk integration. This will be the first of several releases planned to facilitate a fully automatic, self-healing mechanism.

The existing management information facilities have been extended with the introduction of the Envisage management console and royalblue ticker. **Envisage** provides a real time graphical dashboard application that displays statistical data in graphs, dials and counts. Preloaded with displays that support **HelpDesk**, **Envisage** can be easily extended to display data from other data sources providing a single management console. Several point releases were also issued during the year addressing customer issues and enhancement requests.

2000 saw **ChangeManager** become a truly enterprise scaleable application. Release 5.1.1 provided performance and stability improvements in **ChangeManager's** work assignment and notification engine. This engine underpins the **ChangeManager** application and the improvements make the application truly scaleable. In the second half of the year, release 5.2 and 5.3 saw full lifecycle functionality being introduced via e-mail and web clients along with the introduction of globalisation allowing consistent escalation points across a multi time zoned environment. This development focused around providing enterprise level functionality allowing all individuals within an organisation to interact with the **ChangeManger** application without, in some cases, even knowing they are doing so.

Further significant product enhancements are planned for 2001, ensuring that **HelpDesk** and **ChangeManager** maintain a leading position in the technology systems management marketplace.

rostrvm

rostrvm continued to build its market position with some significant new customer wins. These include 150 seats at First Active's direct mortgage operation, automating the inbound call process through integration of the Lucent Definity ACD, Conversant IVR and in-house mortgage application. Cornhill Direct chose **rostrvm** to provide a 70 seat outbound dialling application to run proactive telemarketing campaigns to their customer base.

Another significant win was the rollout to 1800 seats at Ondigital, providing mainly inbound call routing functionality across two sites, one using a Rockwell Spectrum ACD and the other a Lucent Definity. **rostrvm** provides integration between these switching platforms and subscriber application supplied by Convergys. **rostrvm** OutBound is also being implemented in a number of applications for running both telemarketing and customer care campaigns.

The partner programme continued its development with Kerridge Computers signing up as a full VAR partner and contributing 4 new customers through the year including Motor Solutions and Phones4U. Siemens supplied an integrated **rostrvm** / royalblue HelpDesk implementation for the Palace of Westminster.

2000 also saw the benefit of the increased **rostrvm** customer base with a higher proportion of revenue from existing customers with Woolwich, Turkcell, Spring.com and Customs and Excise purchasing significant additional licences.

Product development during the year focussed on re-architecting **rostrvm's** basic call model to handle multimedia applications (including email and web callback routing). This is needed to meet the market requirement resulting from the evolution of the call centre to the multimedia contact centre for handling customer contact via many different channels. The other main focus was the migration of the **rostrvm** soft ACD functionality to a carrier class, network based call distribution system, through our relationship with Marconi.

Together these represent an important milestone in the development of the **rostrvm** product suite, with the release of **rostrvm** Version 4 adding a wide range of important new facilities that allow **rostrvm** to lie not only at the heart of today's advanced call centres, but also to form the core of the multimedia contact centres of the future.

The first delivery of **rostrvm** version 4 has already been made to Marconi Communications who are embedding the **rostrvm** product suite within their world-leading GAIN product. Branded Marconi [ACD@nywhere](#), this greatly enhances its Intelligent Networking (IN) capabilities by allowing network operators around the world to provide their customers with a fully distributed, public network based virtual ACD as well as a highly flexible network load-balancing capability.

Summary

As previously discussed, royalblue technologies faced a number of internal challenges in 2000, which was a year that presented external, or market-related issues for other companies in the technology sector. Despite this combination of factors, the business grew revenues by 14% and remained profitable, which also indicates the underlying strength of the marketplace for our products. Given the changes which have been implemented and the energy and enthusiasm which the new management team has, we feel cautiously optimistic that the business is back on track and will make further progress this year.

Employees

Each year of growth and progress for royal**blue** brings new and bigger challenges for our employees. The high quality of royal**blue's** reputation derives solely from their proven ability to respond positively to meet these challenges, and therefore the Board extends its sincere thanks to all employees on behalf of all of royal**blue's** shareholders.

Outlook

Looking forward, the year has started well, with orders worth over £7m booked in royal**blue** financial in January, and ahead-of-plan performance from royal**blue** technologies. In particular we believe that our results in 2000 for **fidessa** and its prospects in 2001 demonstrate the unique, market-leading and valuable position that **fidessa** is establishing on an increasingly global basis. We therefore expect continued growth in revenues and profits in 2001 and beyond.

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Consolidated Profit and Loss Account

for the year ended 31 December 2000

		2000	1999
	Note	£'000	£'000
Turnover	3	57,383	39,693
Operating profit		6,326	5,873
Share of (loss) of associated undertaking		(16)	(17)
Profit on sale of investment		-	27
		-----	-----
Profit on ordinary activities before interest		6,310	5,883
Net interest receivable		608	628
		-----	-----
Profit on ordinary activities before taxation		6,918	6,511
Taxation on profit on ordinary activities		(2,499)	(2,387)
		-----	-----
Profit for the financial year		4,419	4,124
Dividends paid and proposed	6	(1,360)	(4,017)
		-----	-----
Retained profits for the period		3,059	107
		-----	-----
Earnings per ordinary 10 pence share	5		
Basic		15.6p	15.1p
Diluted		13.7p	13.1p

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31 December 2000

		2000	1999
		£'000	£'000
Profit for the financial year		4,419	4,124
Differences on exchange on re-translation of net assets of overseas undertakings		(84)	18
		-----	-----
Total recognised gains and losses		4,335	4,142
		-----	-----

Consolidated Balance Sheet

at 31 December 2000

		2000	2000	1999	1999
Note		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets		546		532	
Tangible fixed assets		7,690		3,570	
Investment		49		65	
Investment in own shares		2,439		2,584	
			10,724		6,751
Current assets					
Debtors		18,850		11,650	
Cash at bank and in hand		10,282		16,682	
		-----		-----	
		29,132		28,332	
Creditors: amounts falling due within one year		(22,661)		(21,674)	
Net current assets			6,471		6,658
			-----		-----
Total assets less current liabilities			17,195		13,409
Creditors: amounts falling due after more than one year			(15)		(85)
			-----		-----
Net assets			17,180		13,324
			-----		-----
Capital and reserves					
Called up share capital			3,013		2,930
Share premium account			8,342		5,792
Other reserves			309		309
Profit and loss account			5,516		4,293
			-----		-----
Total equity shareholders' funds			17,180		13,324
			-----		-----

Consolidated Cash Flow Statement

for the year ended 31 December 2000

	Note	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Net cash inflow from operating activities			4,627		9,725
Returns on investments and servicing of finance					
Interest received		618		640	
Sale of fixed asset investment		-		28	
Interest paid		(10)		(2)	
Interest element of finance lease rental payments		-		(10)	
Net cash inflow from returns on investments and servicing of finance			608		656
Taxation					
United Kingdom tax paid		(2,023)		(2,331)	
Overseas tax paid		(53)		(87)	
Tax paid			(2,076)		(2,418)
Capital expenditure and financial investments					
Purchase of tangible fixed assets		(6,649)		(2,339)	
Purchase of own shares by Employee Benefit Trust		-		(205)	
Sale of tangible fixed assets		397		168	
Net cash outflow for capital expenditure and financial investments			(6,252)		(2,376)
Acquisition of trade			(82)		(190)
Equity dividends paid			(4,091)		(925)
Net cash inflow/(outflow) before use of liquid resources and financing			(7,266)		4,472
Management of liquid resources					
Cash taken off/(placed on) deposit			9,812		(4,112)
Financing					
Share options exercised		769		138	
Capital element of finance lease rental payments		(58)		(205)	
Net cash inflow/(outflow) from financing			711		(67)
Increase in cash			3,257		293
			-----		-----

Notes

- 1 The results for the years ended 31 December 2000 and 31 December 1999 are extracted from the audited accounts of royalblue group plc on which the auditors have issued an unqualified opinion which did not contain a statement under Section 237 (2) or (3) of the Companies Act 1985.

- 2 The audited accounts for the year ended 31 December 1999 have been delivered to the Registrar of Companies. The Annual Report and Financial Statements for the year ended 31 December 2000 will be mailed to shareholders on 19 March 2001 and will be delivered to the Registrar of Companies following the Annual General Meeting which will be held at 10.00 am on Friday 27 April 2001 at 2 Suffolk Lane, London. Copies will be available to the public at the Company's registered office, Dukes Court, Duke Street, Woking, Surrey GU21 5BH.

- 3 Turnover, all of which relates to the group's principal activity of developing and selling computer software and providing associated services, is analysed by geographical destination as follows:

	2000	1999
	£'000	£'000
United Kingdom	36,878	27,219
USA and Canada	13,962	9,013
Continental Europe	2,180	1,484
Rest of World	4,363	1,977
	-----	-----
	57,383	39,693
	-----	-----

4 Employees

	2000	1999	2000	1999
	End of year	End of year	Average	Average
United Kingdom	436	337	388	295
United States of America	121	75	99	65
Continental Europe	15	12	16	9
Asia	23	-	9	-
	-----	-----	-----	-----
Total	595	424	512	369
	-----	-----	-----	-----

- 5 The calculation of basic earnings per share is based on attributable profit of £4,419,000 (1999 £4,124,000) divided by 28,350,131 shares (1999 27,382,768 shares). The number of shares is based on the weighted average number of shares in issue during the year less the shares owned by the royalblue group plc Employee Benefit Trust. The number of shares in issue at 31 December 2000 was 30,134,020 (1999 29,299,680). The diluted earnings per share is based on 32,214,607 (1999 31,539,046) ordinary shares. The diluted earnings per share have been calculated using an average share price of 1505p (1999 543p) for the year.
- 6 The total dividend of 4.6p per share (1999: 4.4p) comprises an interim dividend of 1.5p per share which was paid on 2 October 2000 and a final dividend of 3.1p per share which will be paid on 4 May 2001, when approved, to shareholders on the register on 30 March 2001.