

Fidessa group plc

Preliminary results for the year ended 31st December 2008

16th February 2009

Fidessa revenue up by 40% in unprecedented markets

	2008	2007	Change
Revenue	£189.1m	£135.0m	+40%
Adjusted operating profit*	£26.8m	£18.3m	+46%
Operating profit	£22.5m	£16.6m	+36%
Adjusted pre-tax profit*	£27.6m	£19.4m	+42%
Pre-tax profit	£36.0m	£17.1m	+111%
Adjusted diluted earnings per share*	51.8p	38.5p	+35%
Diluted earnings per share	79.1p	33.5p	+136%
Dividend per share	24.5p	18.0p	+36%

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

Highlights for the period ended 31st December 2008:

Revenue up 40%, adjusted operating profit up 46% and adjusted diluted eps up 35%.

Recurring revenue now accounting for 77% of total revenue.

Cash of £33.1m and no debt.

Deferred revenue balance up 57%.

Market leading position helping to deliver strong organic growth.

Over 130 new customers signed and strong sales pipeline.

Strong growth in consultancy revenue.

Long running patent dispute with Lava settled.

Disposal of legacy Touchpaper investment resulting in a gain of £13.1 million.

Commenting on these results and current trading, Chris Aspinwall, Chief Executive, said:

"**Fidessa** has continued to deliver strong growth despite the disruption and dislocation across the markets caused by the global financial crisis. The market impact of this crisis, including the failure of Lehman Brothers, the collapse of the Icelandic banks and the number of emergency mergers and rescues within the banking sector during 2008, has been without precedent. However, the strength of our business has allowed us to absorb these impacts and continue to grow through extending our customer base and delivering more products and services to existing customers.

Many of our customers have responded to the market conditions by focusing on efficiency, cost and competitiveness, which are all areas where our market leading sell-side and buy-side products can make a significant contribution. Some customers have migrated functions across to **Fidessa** as they look to standardise their operation around the market leading platform, while others have taken additional functionality within their existing **Fidessa** platforms, enabling them to exploit new market opportunities. There has also been a marked increase in smaller customers taking workstation solutions in order to remain competitive and better control their risks. As a result,

Fidessa's total user headcount, which was impacted in the first half of 2008 as some customers failed and others reduced their staff, resumed growth in the second half.

Whilst we currently have a strong order book and pipeline and are seeing only a small impact on buying cycles, we are clearly facing uncertain and unprecedented market conditions which make it difficult to forecast accurately in the short-term. Many of our customers are facing exceptionally difficult trading conditions and we are keenly aware of our role in being a supportive partner to our customers throughout this period whilst maintaining a strong focus on managing our own costs. We expect that a number of trends will develop as a result of the global financial crisis, including increased focus on more transparent exchange traded instruments, requirements for strong compliance and risk management and increased demand for low total cost of ownership, all of which are key strengths of **Fidessa** solutions. We will continue to invest in new product opportunities as well as in the extension of our existing products throughout 2009 and believe that we can continue to grow the business during this period, although the level of growth is difficult to predict. Despite the short-term challenges caused by the global financial crisis, we are confident that our long-term positioning is sound and that we can play an increasingly important role as the markets recover."

Financial Summary

In 2008 strong growth in revenue has been achieved, up 40% to £189.1 million, with the growth consistent across all regions. Adjusting the 2007 comparative to include a full year contribution from the **LatentZero** acquisition, rather than the eight months included in the consolidated results, gives like-for-like revenue growth of 34%. We have seen a small benefit in the results for 2008 from the weakness of sterling in the closing months of the year and at constant exchange rates the like for like revenue growth would have been 33%. Recurring revenue continued to provide the momentum in revenue growth, and grew by 51% to be 77% (2007: 72%) of revenue. Looking at the breakdown of recurring revenue across our areas of focus, indicative values for the year are that £91 million (2007: £61 million) arose from sell-side trading, £12 million (2007: £10 million) from buy-side trading, £27 million (2007: £19 million) arose from connectivity and £17 million (2007: £12 million) from market data. Consultancy revenue also showed strong growth throughout the year, up 22% to £42.0 million and representing 22% of total revenue, this growth being helped by the full year contribution from the **LatentZero** acquisition. Our revenue was impacted by the failure of Lehman Brothers with £0.6 million of revenue lost in the period between collapse and the signature of contracts with the new owners of the businesses. Approximately 15% of our revenue is directly exposed to user and transaction numbers with typical contracts splitting users and transactions into bands which provides good downward protection during the economic downturn. Also, the deferred revenue in the balance sheet at the year end was up 57% to £38.2 million (2007: £24.3 million), being equivalent to 20% of 2008 revenue that can be recognised in 2009.

Strong growth in operating profit has also been achieved. The adjusted operating profit was up 46% to £26.8 million (2007: £18.3 million). This represents an operating margin of 14.2% for 2008, up from 13.6% for 2007. This has been measured before the amortisation of acquired intangibles, the £1.0 million one-off charge for the patent dispute settlement and the £0.6 million receivable write off arising from the failure of Lehman Brothers. The unadjusted operating profit was up 36% to £22.5 million (2007: £16.6 million). The weakness of sterling in the closing months of the year also benefitted the operating profit and at constant exchange rates the operating profit growth would have been 41%.

Included in finance income are the initial proceeds from the disposal of the investment in Touchpaper. This has netted a gain of £13.1 million in the year. Finance income from bank and other deposits reduced as interest rates decreased and the notional interest charge relating to the deferred consideration from the **LatentZero** acquisition has decreased as the first instalment of deferred consideration was paid.

The overall profit before tax has grown by 111% to £36.0 million (2007: £17.1 million). The effective tax rate is 23.1%, down from 32.1% in 2007. The significant reduction in the effective tax rate is due to the majority of the Touchpaper gains being non-taxable. Excluding the effect of the Touchpaper gains the underlying tax rate has increased to 35.5%. This is due to exchange rates increasing the proportion of earnings from overseas regions with higher tax rates and the release of deferred tax assets related to unexercised share options where the exercise price is now greater than the current share price. The cash tax rate was 28.8% for 2008, up from 18.0% in 2007, as a result of the higher tax charge and fewer share incentives being exercised in 2008.

Diluted earnings per share, adjusted for the operating profit adjustments and to exclude the notional interest charge and Touchpaper gains, which the directors believe provides a better indication of the underlying performance of the business, were 51.8 pence for the year, an increase of 35% from 38.5 pence for 2007. The IFRS diluted earnings per share were 79.1 pence (2007: 33.5 pence), an uplift of 136%.

The total dividend for the full year is being increased in line with earnings by 36% to 24.5 pence. The final dividend, if approved by shareholders, will be 17.0 pence, to be paid on 8th June 2009 to shareholders on the register on 8th May 2009. The ex-dividend date will be 6th May 2009.

The business continues to be strongly cash generative closing the year with a cash balance of £33.1 million (2007: £24.8 million) and no debt. Some of the major items of cash flow in the year were the £13.4 million inflow from the sale of the Touchpaper investment, £22.7 million outflow for capital expenditure and £7.8 million outflow for deferred consideration from the **LatentZero** acquisition. Invoicing at the end of the year was particularly strong resulting in the high trade receivables balance at the year end and this should provide healthy cash generation into 2009. The net cash generated from operating activities was £42.7 million, representing an operating cash conversion rate of 160%.

Staff numbers have increased with the growth of the business. Over 20% of staff continue to be dedicated to product development. The average headcount for the period was 1,281, up 25% from 1,027 in 2007. Staff numbers at 31st December 2008 had increased to 1,391 from 1,160, an increase of 20%.

Operations

Sell-side Trading

Market conditions were challenging for our sell-side customers throughout 2008 as the impact of the credit crisis affected the financial markets. Some firms collapsed, including Lehman Brothers which was one of **Fidessa's** ten largest customers. Whilst these collapses resulted in one-off losses as services that had been delivered were written off, the underlying strength of the equity businesses within these failed firms has made them attractive acquisitions, and the majority have either been acquired by a competitor or spun out as a separate firm. Where this has happened, **Fidessa's** role as a key technology provider has enabled it to quickly re-sign with the new entity, significantly reducing the impact of these events on **Fidessa**.

Whilst the difficult market conditions mean that **Fidessa** is seeing some pressure on pricing for new implementations and renewals, it has also created new opportunities as customers consolidate more of their trading onto the **Fidessa** platform in order to save costs. Customers are also looking to take additional functionality onto their existing **Fidessa** platform in order to leverage new market opportunities and implement hosted models in order to reduce the total cost of ownership. Some smaller sell-side firms have also benefitted from the market conditions as buy-side customers look to spread their counterparty risk and larger firms focus more on their core areas of business. These opportunities, both at existing and new customers, have helped to drive **Fidessa's** consultancy revenue which has grown strongly despite the market conditions.

Outside of the immediate impact of the financial crises, many of the market drivers that were present in the first half of the year have continued. These include the increased fragmentation of liquidity and growing requirements for Direct Liquidity Access (DLA), growing interest in multi-asset and cross-asset support and further interest in cross border and non-member trading. **Fidessa** has established itself as a market leader in its understanding of fragmentation and its impact on both the buy-side and sell-side, enabling it to provide a series of innovative products to help its customers respond to the changing landscape. This has included the launch of the **Fidessa** Fragmentation Index (www.fragmentation.fidessa.com) which is becoming an established metric in the measurement of fragmentation in Europe, and is used as a guide to when a stock may be safely traded on a single venue or when an advanced service such as **Fidessa's** Intelligent Liquidity Access (ILA) should be used.

In Asia **Fidessa** has continued to make progress, expanding its services across the region and signing its first broker based in mainland China as well as firms in Hong Kong and Japan. Within Asia **Fidessa** has been particularly successful with the hosted model, as customers see this as the most cost effective way to support their growth in a complex and geographically diverse market. **Fidessa** views Asia and the Middle East as markets with strong potential and plans to open further offices in Singapore and Bahrain during 2009 as it extends its market coverage and increases the level of services it provides throughout these regions.

During 2008, **Fidessa** increased its focus on its enterprise and hosted customers by separating support for these different types of customer across two business units and introducing a new managed enterprise model. These changes enable **Fidessa** to focus on delivering a customised solution to its largest customers, whether they operate **Fidessa** software on their own site or take advantage of the efficiencies offered by **Fidessa's** hosting centres. The changes also allow **Fidessa** to deliver a more focused software as a service (SaaS) approach to its mid-tier and smaller customers. This new structure will be particularly valuable in the current market conditions, ensuring **Fidessa** is able to deliver the most cost effective solution to all its customers, regardless of their size and the complexity of their requirements.

In 2009, **Fidessa** expects that many of the drivers it is currently seeing will continue. In particular, **Fidessa** expects to see further changes in the liquidity landscape, with a number of new MTFs (Multilateral Trading Facilities) and dark pools already planning to go-live during 2009. As the competition between the liquidity venues grows, this is also resulting in new investment by the traditional exchanges with NYSE Euronext, Deutsche Börse and the Japan Stock Exchange all planning major upgrades to their infrastructure. All of this will put further pressure on financial firms to upgrade in order to support and take advantage of these changes, with those taking the **Fidessa** platform able to respond in the fastest and most cost effective manner. In every region **Fidessa** also expects to see more demand for cross-asset trading and global trading, as firms seek to leverage the value of their infrastructure across more markets and instruments. In particular, there is a strong requirement for integrated equity options support within the North American

market and **Fidessa** already has products and infrastructure in place to enable it to deliver to this need during 2009. Across all markets there is the expectation that the response to the global financial crisis will involve more rigorous and onerous compliance regulations. This regulation, combined with the changes evolving naturally in the markets, will force more firms, including smaller ones, to implement better technology to ensure that they can continue to operate their business. **Fidessa's** products will ensure that it is at the forefront of this move, enabling all its customers to benefit from market opportunity without being stifled by the complexity of compliance regulation.

Buy-side Trading

Within the buy-side community the effect of the market conditions has been less immediate than in the sell-side with the initial impact falling mainly on the hedge fund community which forms a small part of **Fidessa's** customer base. However, many asset managers receive fees based on assets under management and the market conditions have therefore meant a significant reduction in fee income for these customers. As a result, **Fidessa's** buy-side customers are focused on reducing their costs and looking for efficiency, whilst also ensuring that they manage risk and compliance in the best possible way. This has resulted in an increased number of buy-side customers taking a **Fidessa LatentZero** solution, whether this is a simple workstation or a full implementation of the product suite. In order to manage their costs, many buy-side firms are also rationalising their use of technology through consolidation onto a single platform, and this has brought strong interest for fixed income and derivative support across the regions. **Fidessa** has made a substantial investment in the **Fidessa LatentZero** product suite to enhance support for these asset classes as part of a full asset class solution.

The market conditions have also affected the buy-side trading desk, whose performance has come under increased scrutiny as a contributor to fund performance. With an increased usage of transaction cost analysis there has also been growing interest from the buy-side in making more use of advanced trading tools and utilising broker algorithmic services. Support for these tools is fully integrated within the **Fidessa LatentZero** product suite and it is expected that this will continue to be a growth area going forward.

As a result of recent events in the market, there is a heightened awareness within the buy-side around counterparty and issuer risk exposure. This is combining with the expectation that compliance requirements will become more stringent across the board, to drive requirements for strong compliance solutions which can help ensure compliance and manage risk at every stage of the investment process. **Fidessa LatentZero's** compliance solutions are particularly well positioned in this area and **Fidessa** expects to see increased interest in these products throughout 2009.

During 2008 there has been a trend within larger asset managers to look more closely at the tools they are using, with a view to making a strategic investment in an integrated workflow platform. This thinking recognises both the value that the right platform can deliver, as well as the disruption that is caused to the business by replacing point solutions on a regular basis. To support this move **Fidessa LatentZero** has introduced a new delivery model, taking greater ownership for the delivery and operation of the full product suite. This new model capitalises on the strategic relationships **Fidessa LatentZero** has with its customers and ensures that the customer is getting the best out of the products. It also enables **Fidessa LatentZero** to focus its strategic development resource onto the key areas required by these leading buy-side firms.

Throughout 2008 **Fidessa LatentZero** has continued to develop its presence in the Asian market from **Fidessa's** bases in Japan and Hong Kong and has already signed its first buy-side clients in

the region. The pipeline for this region continues to look strong, and in 2009 the new office in Singapore will support this continued expansion.

Market Data

As the trading strategies of both the buy-side and sell-side become more global and sophisticated in nature, and the demands of automated and algorithmic trading systems continue to rise, the provision of fast, comprehensive and accurate market information is increasingly important for any successful trading solution.

Market data is key to any investment or trading decision, and so the need for low-latency, highly resilient solutions that can scale with the increasing volumes that highly volatile markets can present is paramount. Additionally, the market landscape is changing, fuelled by regulatory changes such as MiFID in Europe and RegNMS in the US, there are numerous new trading venues all of which become additional sources of data that financial markets participants require. In 2008 **Fidessa** has continued to expand the breadth of markets for which it provides content. This new coverage includes the addition of new venues within existing regions, as well as extending **Fidessa's** coverage further by adding markets for new regions such as Latin America and mainland China. In total, during 2008, **Fidessa** has added support for around 20 new trading venues across the world and expects further expansion of its data coverage during 2009.

As well as broadening the data coverage offered, **Fidessa** has also continued to invest in the delivery infrastructure itself. Automated and algorithmic trading systems are data intensive and require ultra-fast access so that they can monitor and act on price movements without delay. In parallel with this the volatile markets and the changing trading landscape have all contributed to a continual increase in data volumes. In Europe alone the volume of market data going through **Fidessa's** data infrastructure has peaked at levels two or three times those seen in 2007. Trading venues are upgrading their systems to cope with their own volumes, and in June 2008 the London Stock Exchange (LSE) launched its new Performance Channels service aimed at delivering ultra low-latency data for its market throughout the trading day. **Fidessa's** modern architecture, which allows it to scale its data delivery platform to accommodate these requirements, was able to handle this new service, successfully delivering it into production for over 200 clients on the very first day it was available.

Fidessa expects that the volume of market data will continue to increase during 2009 and that its data service will become an increasingly important and cost effective option for its customers. **Fidessa** plans to continue further investment in this service throughout 2009, increasing both the number of venues supported and the capacity of its infrastructure.

Global Connectivity

As the number of trading venues around the world continues to grow, and both buy-side and sell-side businesses take a more global approach to trading, the importance of comprehensive and resilient connectivity to global markets increases.

Brokers require electronic connectivity to their buy-side clients for order flow, and continue to expand and enhance the electronic services and coverage that they offer to their clients. Buy-side firms, from niche hedge funds to the larger traditional asset managers, also demand electronic connectivity to allow the fastest access to markets and services across the world.

Consequently, the provision of a broad connectivity solution to a wide range of customers, whether or not they are users of other **Fidessa** services, continues to be an important and increasingly strategic piece of **Fidessa's** offering.

In 2008 **Fidessa** continued the expansion of the **Fidessa Connectivity Network** adding more destinations, new geographic coverage and further asset-class support. The number of connected parties has increased by nearly 50%, with over 7,700 connections across 360 brokers, 2,200 buy-sides and 115 markets around the globe. Recent regulatory changes have helped fuel the emergence of new venues and the corresponding fragmentation of liquidity, with 9 new liquidity venues for equity trading in Europe alone and yet more in the pipeline. **Fidessa** expects that the growth in liquidity venues will continue, with many of those already established in North America and Europe now looking to expand into new regions with a particular emphasis on Asia.

As well as expanding its coverage, **Fidessa** has also continued to invest in the infrastructure used to provide this low-latency, fully-managed connectivity service to its clients. This has been driven by the continued increase in activity **Fidessa** has seen on its network, with volumes during 2008 increasing by 80%, to a typical level of around 180 million messages a month. This increase in volume is in part due to more and more clients making heavier use of **Fidessa's** connectivity solution, but is also a result of market volatility and changing trading patterns, with activities like the use of algorithmic trading strategies generating significant increases in their own right.

The **Fidessa Connectivity Network** is now firmly established and recognised as a leading solution in this space. **Fidessa** prides itself on having the highly specialised skills and scale that are needed to operate and evolve this service, and expects to see continued growth in demand for it from both the buy-side and sell-side.

Advanced Trading Tools

The structure of the world's financial markets is undergoing fundamental change. Fuelled by new regulation, changes in investment style, the emergence of new trading venues and increasing consolidation and competition amongst traditional exchanges, the choices available to both buy-side and sell-side traders are becoming increasingly complex. As a result, the need for sophisticated tools to support automated trading strategies, navigate this evolving market structure and minimise market impact is becoming paramount.

In North America, fragmented liquidity has been a feature of the marketplace for some time. However, the increase in dark pools and a growing thirst for access to international markets has added new dimensions to the trading landscape. In addition, there is increasing demand from the buy-side for faster direct market access and more active involvement in algorithmic strategies. This is also further defining the shape of services that the broker/dealers need to offer in order to compete.

In Europe, fragmentation of liquidity is relatively new, but growing quickly, brought about by the MiFID regulation that came into force in late 2007. Numerous trading venues, with new competitive pricing models, have appeared in 2008, offering new places to trade existing instruments. This has added a new complexity to finding available liquidity and ensuring execution at the best possible price.

In Asia, the growth in electronic trading across the region is attracting the attention of these new liquidity providers from North America and Europe, as they seek to take advantage of regulatory changes and set up in competition to the incumbent exchanges. Additionally, local institutions are looking to compete with the larger global players, and so want to diversify and offer similar sophisticated trading services with international reach.

In 2008, **Fidessa** launched its ILA strategy, which brings together a series of new and existing trading tools and services under one banner, aimed at meeting the needs of both buy-side and sell-side as they operate in this evolving and complex world.

Although several vendors offer connectivity to a number of the new venues, **Fidessa** has spent a great deal of time and effort understanding the real needs of market participants and how they want to interact with this new marketplace. By providing powerful tools that seek out all available liquidity and intelligently route orders across multiple venues accordingly, much of the burden presented by this new world can be automated, freeing up traders to focus on the more demanding trading decisions.

Over the last twelve months, **Fidessa** has signed 28 clients for ILA tools in Europe, which is testament to the effort made in defining these services so carefully and to the value added nature of the **Fidessa** solution. In 2009 **Fidessa** plans to make more of its advanced trading tools available in Asia through its hosted platform, as the structure of Asian markets evolves along similar lines to the rest of the world.

Also in 2008, **Fidessa** launched a suite of ultra-fast, direct liquidity access services for the sell-side in North America, enabling them to satisfy the growing desire from the buy-side for more control over their trading. These services allow the brokers to offer high-performance, sponsored multi-market access to their customers, as well as providing these clients with direct control of the algorithmic trading strategies that they can support. With more than 10 clients already signed to take these services, and significant interest in them from the marketplace as a whole, this demonstrates the strength of the **Fidessa** solution in being able to package together high-performance, sophisticated services to leverage market opportunities as they arise.

In 2009 **Fidessa** expects to see continued client interest in its suite of advanced trading tools, as the markets continue to evolve and fragment. In particular, **Fidessa** expects to see the new ILA and direct market access initiatives launched in 2008 continuing to be of interest in Europe and the North America with further opportunities throughout the world.

2008 Important Events

During 2008 the key events in the Group's development have been the implementation of the Group's business plan and successful integration of **LatentZero** acquired during 2007. The market has been driven by the fragmentation of liquidity following various regulatory changes last year and the growth in market data and connectivity requirements. During 2008 there has been a major global financial crisis which has affected many of **Fidessa**'s customers and resulted in some firms entering administration and increased market consolidation. Growth has been generated throughout the Group's operations with particular success in the Canadian element of the Group's North American operation and in Asia where the Group enjoyed success with its hosted offerings as well as significant extensions to existing systems.

The Group has disposed of its holding in Touchpaper which has netted a gain of £13.1 million and bolstered our cash resources.

In order to allow more rapid integration of the **LatentZero** and **Fidessa** businesses, an agreement was made to fix the 2008 contingent consideration for **LatentZero** at a discounted value. This allowed **LatentZero** management to shift focus to the combined business rather than being exclusively focused on the **LatentZero** business.

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

Risk Factors

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

The principal risks and uncertainties facing the Group include: the current state of the world's financial markets, customers' financial stability, M&A activity within the customer base and within the technology sector, dependence on **Fidessa**'s core technology, competition, levels of operational spending versus revenue, other economic and market conditions, continued service of executive directors and senior managers, hiring and retention of qualified personnel, product errors or defects, lawsuits and intellectual property claims.

In addition to the foregoing, the primary risk and uncertainty related to the Group's performance for 2009 is the challenging macroeconomic environment caused by the global financial crisis, which could have a material impact on the Group's performance over the next year and could cause actual results to differ materially from expected and historical results. A material downturn in buy-side trading or in company market valuations could result in an impairment to the carrying value of goodwill from the **LatentZero** acquisition.

Lava Patent Lawsuit

In June 2003 **Fidessa** noted an announcement released by Lava Trading Inc. (now part of Citigroup) that it had filed a patent infringement claim in the US against **Fidessa**. The patent relates to the concept of displaying prices from more than one source (ECN) on a single screen in the US. In December 2003 Lava filed an amendment to its lawsuit alleging unfair trade practices on the part of **Fidessa**, in particular in relation to the pricing of products and associated services.

In December 2004 **Fidessa** announced that a Stipulated Judgment had been entered into the record in the United States District Court for the Southern District of New York which formally recorded that, the patent had not been infringed by **Fidessa**. Lava lodged an appeal and in April 2006 the United States Court of Appeals for the Federal Circuit determined that the lower court did not correctly interpret all the technical terms in the patent and referred the case back to the lower court. This meant that the patent proceedings, started in June 2003, were for the most part restarted from the beginning and all previous judgements no longer stood. Both parties were therefore expecting further significant expenditure on litigation in order to progress the case.

On 30th July this year **Fidessa** announced that a settlement agreement had been reached between it and Lava under which **Fidessa** will provide Lava with products and services valued at \$1.95 million over the next 3 years. In return Lava will license **Fidessa** to use the inventions covered by the patent. Both firms agree to drop all claims and counter claims relating to this dispute. The settlement of \$1.95 million is taken as a one-off charge in **Fidessa**'s results for 2008.

Outlook

Whilst we currently have a strong order book and pipeline and are seeing only a small impact on buying cycles, we are clearly facing uncertain and unprecedented market conditions which make it difficult to forecast accurately in the short-term. Many of our customers are facing exceptionally difficult trading conditions and we are keenly aware of our role in being a supportive partner to our customers throughout this period whilst maintaining a strong focus on managing our own costs. We expect that a number of trends will develop as a result of the global financial crisis, including increased focus on more transparent exchange traded instruments, requirements for strong compliance and risk management and increased demand for low total cost of ownership, all of which are key strengths of **Fidessa** solutions. We will continue to invest in new product opportunities as well as in the extension of our existing products throughout 2009 and believe that we can continue to grow the business during this period, although the level of growth is difficult to predict. Despite the short-term challenges caused by the global financial crisis, we are confident

that our long-term positioning is sound and that we can play an increasingly important role as the markets recover.

enquiries:

Chris Aspinwall, Chief Executive

Ed Bridges, Financial Dynamics

Andy Malpass, Finance Director

www.fidessa.com

Tel: 01483 206300

Tel: 020 7831 3113

Fax: 01483 206301

Fax: 020 7831 6341

Consolidated Income Statement
for the year ended 31st December 2008

	Note	2008 £'000	2007 £'000
Revenue	2	189,102	135,029
Operating expenses before amortisation of acquisition intangibles, patent dispute settlement and Lehman receivable write off	3	(162,735)	(117,095)
Other operating income		392	376
Operating profit before amortisation of acquisition intangibles, patent dispute settlement and Lehman receivable write off		26,759	18,310
Patent dispute settlement	3	(980)	-
Lehman receivable write off	3	(626)	-
Amortisation of acquisition intangibles		(2,631)	(1,755)
Operating profit		22,522	16,555
Finance income – bank and other	5	826	1,023
Finance income – gain from Touchpaper	5,8	13,075	370
Total finance income		13,901	1,393
Finance cost – bank and other		-	(32)
Finance cost – notional interest on contingent consideration		(465)	(847)
Total finance cost		(465)	(879)
Profit before income tax		35,958	17,069
Income tax expense	6	(8,293)	(5,472)
Profit for the year		27,665	11,597
Basic earnings per share	7	80.1p	34.4p
Diluted earnings per share	7	79.1p	33.5p
Interim dividend paid	11	7.5p	6.0p
Final dividend proposed	11	17.0P	12.0P
Total dividend proposed for the year	11	24.5P	18.0P

Consolidated Balance Sheet

at 31st December 2008

	Note	2008 £'000	2007 £'000
Assets			
Non-current assets			
Property, plant and equipment		31,317	14,290
Intangible assets		77,150	77,318
Deferred tax assets		3,184	2,984
Other receivables		-	898
Total non-current assets		111,651	95,490
Current assets			
Trade and other receivables	9	60,636	36,413
Income tax receivable		230	304
Cash and cash equivalents		33,146	24,820
Total current assets		94,012	61,537
Total assets		205,663	157,027
Equity			
Issued capital		3,517	3,463
Share premium		17,020	16,488
Merger reserve		13,947	9,298
Cumulative translation adjustment		3,940	(1,459)
Retained earnings		65,863	44,147
Total equity		104,287	71,937
Liabilities			
Non-current liabilities			
Acquisition consideration		-	11,759
Other payables		553	604
Deferred tax liabilities		8,425	6,810
Total non-current liabilities		8,978	19,173
Current liabilities			
Acquisition consideration		9,987	12,447
Trade and other payables	10	80,320	51,527
Current income tax liabilities		2,091	1,943
Total current liabilities		92,398	65,917
Total liabilities		101,376	85,090
Total equity and liabilities		205,663	157,027

Consolidated Statement of Changes in Shareholders' Equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 st 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		85	-	9,298	-	-	9,383
Issue of shares - exercise of options		22	773	-	-	-	795
Employee share incentive charges	3	-	-	-	-	809	809
Current tax recognised direct to equity	6	-	-	-	-	841	841
Deferred tax recognised direct to equity	6	-	-	-	-	(871)	(871)
Purchase of own shares by employee share trust		-	-	-	-	(514)	(514)
Sale of own shares by employee share trust		-	-	-	-	482	482
Dividends paid	11	-	-	-	-	(5,038)	(5,038)
Balance at 31 st December 2007		3,463	16,488	9,298	(1,459)	44,147	71,937
Profit for the period from the income statement		-	-	-	-	27,665	27,665
Currency translation adjustments		-	-	-	5,399	-	5,399
Total income and expense for the period		-	-	-	5,399	27,665	33,064
Issue of shares – acquisition		43	-	4,649	-	-	4,692
Issue of shares - exercise of options		11	532	-	-	-	543
Employee share incentive charges	3	-	-	-	-	1,141	1,141
Current tax recognised direct to equity	6	-	-	-	-	485	485
Deferred tax recognised direct to equity	6	-	-	-	-	(463)	(463)
Purchase of own shares by employee share trust		-	-	-	-	112	112
Sale of own shares by employee share trust		-	-	-	-	(473)	(473)
Dividends paid	11	-	-	-	-	(6,751)	(6,751)
Balance at 31 st December 2008		3,517	17,020	13,947	3,940	65,863	104,287

Consolidated Cash Flow Statement

for the year ended 31st December 2008

	Note	2008 £'000	2007 £'000
Cash flows from operating activities			
Profit before income tax		35,958	17,069
Adjustments for:			
Staff costs – share incentives	3	1,141	809
Product development amortised	3	10,229	7,432
Depreciation of property, plant and equipment	3	9,274	6,008
Amortisation of acquisition intangibles	3	2,631	1,755
Amortisation of other intangible assets	3	1,060	471
Gain on sale of property, plant and equipment	3	-	(38)
Finance cost		465	879
Finance income	5	<u>(13,901)</u>	<u>(1,393)</u>
Cash generated from operations before changes in working capital		46,857	32,992
Movement in trade and other receivables		(13,870)	(8,715)
Movement in trade and other payables		<u>16,431</u>	<u>14,475</u>
Cash generated from operations		49,418	38,752
Income tax paid		<u>(6,731)</u>	<u>(3,073)</u>
Net cash generated from operating activities		<u>42,687</u>	<u>35,679</u>
Cash flows from investing activities			
Acquisition of LatentZero (net of cash acquired)		(7,753)	(26,261)
Purchase of property, plant and equipment		(22,724)	(9,318)
Proceeds from sale of property, plant and equipment		-	54
Purchase of other intangible assets		(1,010)	(1,303)
Product development		(14,916)	(11,024)
Interest received on cash and cash equivalents		809	1,082
Interest received on Touchpaper loan notes		488	70
Proceeds from capital repayment of Touchpaper loan notes		1,900	300
Proceeds from sale of Touchpaper ordinary and preferred ordinary shares		11,035	-
Net cash used in investing activities		<u>(32,171)</u>	<u>(46,400)</u>
Cash flows from financing activities			
Proceeds from shares issued		544	795
Purchase of own shares by employee share trust		(473)	(514)
Proceeds from sale of own shares by employee share trust		112	482
Repayment of borrowings		-	(292)
Interest paid		-	(32)
Dividends paid	11	<u>(6,751)</u>	<u>(5,038)</u>
Net cash used in financing activities		<u>(6,568)</u>	<u>(4,599)</u>
Net increase/(decrease) in cash and cash equivalents			
		3,948	(15,320)
Cash and cash equivalents at 1 st January		24,820	40,069
Effect of exchange rate fluctuations on cash held		<u>4,378</u>	<u>71</u>
Cash and cash equivalents at 31 st December		<u>33,146</u>	<u>24,820</u>

Notes To The Consolidated Financial Statements

1 Basis of preparation

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

The financial information set out above does not constitute the company's statutory accounts for the years ended 31st December 2008 or 2007. Statutory accounts for 2007 have been delivered to the registrar of companies, and those for 2008 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 237 (2) or (3) of the Companies Act 1985.

2 Segment reporting

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

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

For the year ended 31 st December 2007	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'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

3 Operating expenses

	2008	2007
	£'000	£'000
Staff costs – salaries	80,031	60,143
Staff costs – social security	7,399	5,639
Staff costs – pension	1,127	486
Staff costs – share incentives	1,141	809
Total staff costs	89,698	67,077
Amounts payable to subcontractors	4,773	4,092
Depreciation of property, plant and equipment	9,274	6,008
Amortisation of other intangible assets	1,060	471
Product development capitalised	(14,916)	(11,024)
Product development amortised	10,229	7,432
Communications and data	26,901	20,276
Operating lease rentals – property	10,014	4,317
Operating lease rentals – plant and machinery	25	57
Gain on sale of property, plant and equipment	-	(38)
Exchange (gain)/loss	(1,657)	320
Other operating expenses	27,334	18,107
Operating expenses before amortisation of acquisition intangibles, patent dispute settlement and Lehman receivable write off	162,735	117,095
Patent dispute settlement	980	-
Lehman receivable write off	626	-
Amortisation of acquisition intangibles	2,631	1,755
Total operating expenses	166,972	118,850

Patent dispute settlement

In June 2003 Fidessa noted an announcement released by Lava Trading Inc. (now part of Citigroup) that it had filed a patent infringement claim in the US against Fidessa. The patent relates to the concept of displaying prices from more than one source (ECN) on a single screen in the US. In December 2003 Lava filed an amendment to its lawsuit alleging unfair trade practices on the part of Fidessa, in particular in relation to the pricing of products and associated services.

In December 2004 Fidessa announced that a Stipulated Judgment had been entered into the record in the United States District Court for the Southern District of New York which formally recorded that the patent had not been infringed. Lava lodged an appeal and in April 2006 the United States Court of Appeals for the Federal Circuit determined that the lower court did not correctly interpret all the technical terms in the patent and referred the case back to the lower court. This meant that the patent proceedings, started in June 2003, were for the most part restarted from the beginning and all previous judgments no longer stood. Both parties were therefore expecting further significant expenditure on litigation in order to progress the case.

On 30th July 2008 Fidessa announced that a settlement agreement had been reached with Lava under which Fidessa will provide Lava with products and services valued at \$1.95 million over the next 3 years. In return Lava will license Fidessa to use the inventions covered by the patent. Both firms agree to drop all

claims and counter claims relating to this dispute. The \$1.95 million settlement has been charged to the income statement in 2008.

The dispute had previously been treated as a contingent liability since due to the then uncertainty of the eventual outcome of the case, no provision was made in accordance with the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

Lehman receivable write off

On 15th September 2008 Lehman Brothers International (Europe) appointed Administrators in the UK and Lehman Brothers Holdings Inc filed petitions for relief under Chapter 11 in the US. On 16th September 2008 Lehman Brothers Japan Inc commenced civil rehabilitation procedures under the Japan Civil Rehabilitation Law. These entities together with certain of their subsidiaries (together "Lehman") accounted for circa £2.0 million of revenue per annum and were a top ten customer. The receivables from Lehman at these dates are unlikely to be recoverable and a £626,000 write off resulted.

4 Staff numbers

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

	2008	2007
	Number	Number
Europe	719	559
North America	429	358
Asia	133	110
Total average staff numbers	1,281	1,027

	At 31st December	At 31 st December
	2008	2007
	Number	Number
Technical	730	619
Product development	328	260
Sales and marketing	157	128
Management and administration	176	153
Total staff numbers at 31 st December	1,391	1,160

5 Finance income

	2008	2007
	£'000	£'000
Interest receivable on cash and cash equivalents	791	1,019
Interest received on Touchpaper "A" and "B" Loan Notes	488	70
Other interest receivable	35	4
Capital repayment of Touchpaper "A" and "B" Loan Notes	1,900	300
Sale of Touchpaper ordinary and preferred ordinary shares	10,687	-
Total finance income	13,901	1,393

6 Income tax expense

	2008	2007
	£'000	£'000
Current tax expense:		
Current year domestic tax	1,204	675
Current year foreign tax	5,494	3,219
Adjustments for prior years	67	(27)
Total current tax expense	<u>6,765</u>	<u>3,867</u>
Deferred tax expense:		
Origination and reversal of temporary differences	1,610	1,120
Adjustments to UK taxation rate in respect of prior periods	-	(40)
Benefit and utilisation of tax losses	(82)	525
Total deferred tax expense	<u>1,528</u>	<u>1,605</u>
Total income tax expense in income statement	<u>8,293</u>	<u>5,472</u>

Reconciliation of effective tax rate	2008	2008	2007	2007
		£'000		£'000
Profit before tax		<u>35,958</u>		<u>17,069</u>
Income tax using the domestic corporation tax rate	28.5%	10,248	30%	5,121
Effective tax rates in foreign jurisdictions		1,586		901
Expenses not deductible for tax purposes		1,022		135
Tax incentives		(1,042)		(757)
Adjustments to UK taxation rate in respect of prior periods		-		(40)
Non-taxable items		(3,588)		139
Adjustment relating to prior years		67		(27)
Tax expense and effective tax rate for the year	<u>23%</u>	<u>8,293</u>	<u>32%</u>	<u>5,472</u>

Tax recognised directly in equity	2008	2007
	£'000	£'000
Current tax credit relating to equity settled share incentives	(485)	(841)
Deferred tax debit relating to equity settled share incentives	463	871

7 Earnings per share

Earnings per share have been calculated by dividing profit attributable to shareholders by the weighted average number of shares in issue during the year, details of which are below. The diluted earnings per share have been calculated using an average share price of 765p (2007 1037p) for the year.

	2008	2007
	£'000	£'000
Profit attributable to shareholders	27,665	11,597
Add amortisation of acquisition intangibles net of deferred tax	1,881	1,229
Add patent dispute settlement net of income tax	550	-
Add Lehman debtor write off net of income tax	514	-
Add notional interest on contingent consideration	465	847
Less gains relating to Touchpaper net of tax	(12,936)	(370)
Profit attributable to shareholders after adjustments	18,139	13,303

	2008	2007
	Number '000	Number '000
Weighted average number of shares in issue	34,994	34,264
Weighted average number of shares held by the employee share trusts	(477)	(544)
Shares used to calculate basic earnings per share	34,517	33,720
Dilution due to share options	471	872
Shares used to calculate diluted earnings per share	34,988	34,592

Basic earnings per share	80.1P	34.4p
Diluted earnings per share	79.1P	33.5p
Basic earnings per share on adjustments	(27.5)P	5.1p
Diluted earnings per share on adjustments	(27.3)P	5.0p
Basic earnings per share after adjustments	52.6P	39.5p
Diluted earnings per share after adjustments	51.8P	38.5p

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

8 Sale of investment in Touchpaper

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

On 30th June 2008 Avocent Ireland Holdings Limited ("Avocent") acquired the entire share capital of Touchpaper and the preference shares and loan notes were redeemed. The Company has recorded a gain in the year of £10,537,000 for the sale and redemption of the ordinary and preference shares, £1,900,000 for the redemption of the loan notes and £488,000 for the accrued interest on the loan notes. The consideration comprises payment at completion of £12,525,000 plus amounts held in escrow in respect of working capital conditions being met at completion and against indemnities and general warranties of £550,000. Discussions continue between the relevant parties for the release of the escrow monies relating to working capital at completion and the indemnities and general warranties money is not due for release until July 2010. The maximum that Fidessa could receive from these escrows is £478,000 and £3,404,000 respectively of which £550,000 is recognised in these accounts, classified at fair value through profit and loss having taken account of the believed risks and exposures.

9 Trade and other receivables

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade receivables	49,891	29,637	-	-
Amount due from subsidiaries	-	-	11,603	-
Prepayments	3,981	3,375	2	217
Accrued revenue	2,148	1,545	-	-
Other receivables	4,616	1,856	906	342
Total trade and other receivables	60,636	36,413	12,511	559

10 Current liabilities; trade and other payables

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade payables	4,094	4,048	52	90
Amount due to subsidiaries	-	-	112	5,718
Accrued expenses	33,017	20,170	982	873
Deferred revenue	38,241	24,286	-	-
Other taxes and social security	4,968	3,023	1,413	1,007
Total trade and other payables	80,320	51,527	2,559	7,688

11 Dividends

On 2nd June 2008 the 2007 final dividend of 12.0 pence per share, £4,149,000, (2007: final dividend for 2006 of 8.8 pence per share, £2,993,000) was paid. On 29th September 2008 the 2008 interim dividend of 7.5 pence per share, £2,602,000, (2007: 6.0 pence per share, £2,045,000) was paid.

The directors propose a final dividend for 2008 of 17.0 pence per share, £5,893,000, payable on 8th June 2009 to shareholders on the register on 8th May 2009, with an ex-dividend date of 6th May 2009. 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.