Fidessa group plc
Preliminary results for the year ended 31st December 2010

14th February 2011

Fidessa delivers a strong performance despite challenges in the financial markets

	2010	2009	Change
Revenue	**£262.3m**	**£238.5m**	**+10%**
Adjusted operating profit[1]	**£39.8m**	**£36.0m**	**+11%**
Operating profit	**£37.3m**	**£29.9m**	**+25%**
Adjusted pre-tax profit[1]	**£40.0m**	**£36.2m**	**+10%**
Pre-tax profit	**£39.7m**	**£31.0m**	**+28%**
Adjusted diluted earnings per share[1]	**74.4p**	**68.8p**	**+8%**
Diluted earnings per share	**75.6p**	**58.9p**	**+28%**
Annual dividend per share	**33.0p**	**30.0p**	**+10%**
Special dividend per share	**45.0p**	**40.0p**	**+13%**

[1]Adjusted where relevant to remove the effect of Touchpaper gains, acquisition intangibles amortisation and notional interest charge.

Foreign exchange movements had no material impact on the reported revenue and operating profit in 2010.

Highlights for the year ended 31st December 2010:

- Revenue up 10% with 81% of total revenue recurring.
- Cash of £63m and no debt.
- Special dividend of 45.0p per share proposed in addition to annual dividend of 33.0p per share.
- Adjusted operating profit up 11% and higher margin maintained.
- Over 100 new clients signed with progress across all regions.
- Increased market share illustrated through range of metrics.

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

"**Fidessa** has delivered good growth throughout 2010 with progress across all regions, despite the challenges still remaining in the financial community. These challenges include uncertainty with regard to regulation and the macroeconomic environment as well as structural pressure on many participants running over from the financial crisis. However, the quality of our products and our leading position in the market have enabled us to continue to sign significant new business whilst also being able to maintain our existing customers through helping them to manage their costs. This has enabled us to deliver a strong performance with good growth for the year.

The strength of our business has been reflected in a number of key metrics, including an increase of around 25% in the value of transactions going through our network, and our cash balance which has reached £63.0 million (2009: £45.5 million) after paying a special dividend of 40 pence per share (£14.2 million) during 2010. The strength has also been reflected in a series of industry awards confirming that **Fidessa** is the platform of choice within the financial markets. These awards included the best trading system for our sell-side offering as well as best front office provider and best compliance solution for our buy-side product suite."

Commenting on current trading, Chris Aspinwall continued:

"Looking ahead, we believe our markets will remain difficult for some time to come, although we believe there will still be growth opportunities. In particular we are already seeing an increase in the level of consultancy we are providing, which is often a lead indicator, and we have a sound sales pipeline coming into 2011. As a result, we believe that the strength of our business will enable us to deliver further good growth in 2011, with this growth likely to be at similar levels to that which we have seen during 2010. We also believe that on an approximate 24 month timeframe, we will see improvements in market sentiment starting to come through as financial firms adjust to the new environment, and regulation and market structure become clearer. As a result of this anticipated improvement, we are starting to cautiously increase our development spending and therefore expect that our margin is likely to reduce slightly in 2011, although we expect it will continue to be above historic levels.

Looking further ahead, we believe that **Fidessa** will play an increasingly important role in providing the solutions that the industry needs and will continue to be an important participant within the financial community. We expect that as the markets develop, this will result in further significant growth opportunities, and we will maintain our strategy of investment in the business to bring the right solutions to our customers across all the regions in which we operate."

Financial Summary

In 2010, **Fidessa** delivered good growth in revenue, up 10% to £262.3 million (2009: £238.5 million). The growth in recurring and non-recurring revenue was consistent so recurring revenue continues to represent 81% of total revenue, being £213.5 million (2009: £193.9 million).

The breakdown of recurring revenue generated for the year by market sector is £133 million (2009: £122 million) from sell-side trading, £14 million (2009: £14 million) from buy-side trading, £43 million (2009: £37 million) from connectivity and £23 million (2009: £21 million) from market data. On a regional basis, Asia showed the strongest growth with an increase of 22% and now represents 15% of total revenue, whilst Europe grew by 10% and represents 51% of total revenue and North America grew by 5% and represents 34% of total revenue.

The ongoing turbulence arising from the global financial crisis has resulted in some continued impact on the growth rate because of insolvencies, consolidation and cost cutting across the market. We have also observed a slight increase in this activity within our customer base during 2010. In the absence of these events the growth in 2010 could have been at least seven percentage points higher. Further, looking at the effect of the events that have already occurred and the time delay in them being fully reflected in revenue, from what we can currently see, it is likely that the impact on revenue growth in 2011 will be at least five percentage points.

The deferred revenue in the balance sheet at the end of the year was £47.5 million (2009: £47.7 million). As reported in the interim results, the deferred revenue decreased during the first half of the year due to a change in the timing of billing for data services. During the second half of the year the deferred revenue balance has increased in parallel with group revenue.

Strong growth in EBITDA (earnings before interest, tax, depreciation and amortisation) and operating profit has also been achieved. EBITDA has increased by 14% to £49.6 million (2009: £43.5 million), representing an EBITDA margin of 18.9% (2009: 18.2%). The adjusted operating profit was up 11% to £39.8 million (2009: £36.0 million). This represents an operating margin of 15.2% for the year, consistent with the margin achieved in 2009. The adjusted operating profit has been measured before the amortisation of acquired intangibles. The unadjusted operating profit was up 25% to £37.3 million (2009: £29.9 million). Staff numbers have increased in the period but at a slower rate than revenue growth. The average headcount for the year was up 6% at 1,532 (2009: 1,442).

The exchange rates for the countries in which we primarily operate have been relatively stable and for the year as a whole had no material impact on the reported revenue and operating profit.

In 2008, the disposal of the investment in Touchpaper resulted in a material one-off gain. The disposal incorporated retentions in escrow for potential claims against indemnities and warranties in the sale agreement. The period for such claims to be made expired in the year without any material claims being received and resulted in a gain of £2.2 million and interest income of £0.1 million in the year. All proceeds from the escrow have been received and no further income is expected from the Touchpaper disposal.

The underlying tax rate has improved to 31.9% (2009: 33.3%), benefiting from the effect of lower future UK tax rates on deferred tax balances and the mix of earnings from overseas operations. This measure excludes the effect of the majority of the Touchpaper gains being non-taxable. The effective tax rate including these gains is 30.1% (2009: 32.2%). The cash tax rate continues to be materially lower than the charge in the income statement and was 27.9% (2009: 28.5%).

Diluted earnings per share, adjusted to exclude the amortisation of acquisition intangibles, Touchpaper gains and notional interest charge, was up 8% to 74.4 pence (2009: 68.8 pence). The directors believe this measure of earnings per share provides a better indication of the underlying performance of the business. The unadjusted diluted earnings per share was up 28% at 75.6 pence (2009: 58.9 pence).

The business continues to be strongly cash generative, closing the year with a cash balance of £63.0 million (2009: £45.5 million) and no debt. During the year dividends of £25.3 million (2009: £9.3 million) were paid, which included the payment of the 2009 special dividend of £14.2 million (2009: nil). The cash generation was helped by the receipt of the Touchpaper escrow monies and capital expenditure being lower than normal at only 3% of revenue. At the height of the global financial crisis cash collections suffered and the improvement in collections seen towards the end of 2009 has continued throughout 2010. The net cash generated from operating activities was £62.4 million, representing an operating cash conversion rate of 157%.

The ordinary dividend for the full year is being increased by 10% to 33.0 pence (2009: 30.0 pence). The final dividend, if approved by shareholders, will be 22.0 pence, to be paid on 13th June 2011 to shareholders on the register on 13th May 2011, with an ex-dividend date of 11th May 2011. In addition, a special dividend of 45.0 pence (2009: 40.0 pence) is proposed and, if approved by shareholders, will be paid at the same time as the final dividend.

Market Review[1]

Introduction

As expected, market conditions during 2010 have remained challenging as financial firms come to terms with tighter market conditions at the same time as having to deal with an unclear and potentially difficult regulatory environment. For **Fidessa**'s customers this has resulted in pressure on their revenue and, for some, it has also resulted in a lack of clarity about the likely structure of

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

their operations in the future. The investments that **Fidessa** has made in a range of products that can assist its customers to reduce their costs and manage their operations more effectively, have left it well positioned to weather the challenges and continue to deliver growth. However, the pressure being felt by customers has delayed some decisions and resulted in some consolidation within **Fidessa**'s customer base. This has made it more difficult for **Fidessa** to progress some of its newer initiatives as quickly as would normally be expected.

Fidessa has continued to make good progress in new regions with deals signed in Latin America, the Middle East and the Nordics. This has been on top of further strong growth throughout Asia, where **Fidessa** has opened a new office in Singapore, as well as solid progress in the core markets in North America and Europe. The number of customers using **Fidessa**'s services has continued to increase with 900 firms taking solutions from **Fidessa** and over 26,000[2] users.

Whilst market conditions for the financial community are still challenging, there is a growing realisation that the markets are stabilising and the level of business firms are seeing is perhaps the new normal. As a result, more customers are looking at how they move forward in the current environment and this is starting to create new opportunities. **Fidessa** expects this cycle to continue during 2011 and will combine with the growing clarity around regulation and market structure. As a result, **Fidessa** believes that on an approximate 24 month timeframe it will see improvements in market sentiment starting to come through. In anticipation of this **Fidessa** is now starting to slowly increase its development spending and, among other initiatives, has invested in more development resource in Asia and announced the expansion of its Belfast development centre. It is expected that this increase in development spending will have a small impact on margin for 2011, although the margin is still expected to stay above historic levels.

Buy-side Trading

The buy-side business has been challenging during 2010 with difficult market conditions. The gentle improvement in market sentiment seen during the first half of 2010 did not translate into significant new sales and this slowed progress both with existing products and the newer propositions. The exception to this has been in the area of compliance where **Fidessa** has continued to make progress as firms ready themselves for increased regulation, and the first sale of the Sentinel compliance product has been made in the Japanese market. In addition, the important element of recurring revenue strengthened in the second half of 2010, and good growth is expected to return to the business during 2011.

During 2010, **Fidessa** has changed the management within the buy-side business and has focused on developing the business as a high quality strategic partner with a robust delivery methodology. In doing this, it is moving away from the entrepreneurial start-up that was acquired in 2007 to a more mature business model consistent with **Fidessa**'s sell-side operations. This is a natural evolution for the business and aligns with a growing trend that **Fidessa** is seeing for larger customers to look for long-term strategic relationships that can deliver cost effective, cross asset, global solutions. Broadening the scope of the relationship and taking increased responsibility in implementing the sophisticated products in this way both increases the effectiveness of the end solution, whilst also significantly reducing the total cost of ownership. This activity has already delivered some significant success, with around 10 partnership deals signed with existing major enterprise customers. These cover strategic product development, fully managed upgrades and

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2 Fidessa expects to review its total user count during 2011 to take account of differences in the calculation of enterprise and Software-as-a-Service (SaaS) users and also to reflect the growing number of users of Fidessa's web portal services (not included in the current number).

outsourced operational services in both Europe and North America. In Asia it has resulted in the successful go live of our first customer in mainland China.

Fidessa has continued to win deals with over 30 new buy-side clients signed. A significant number of these deals have been in the workstation and connectivity services space reflecting an appetite towards lower cost and outsourced solutions. This is an area where **Fidessa** will increase its development focus over the next period.

The strength of **Fidessa**'s portfolio of buy-side products has been recognised in the industry with a number of awards including best compliance solution for Sentinel at the Buy-Side Technology awards, and best front office provider at the annual Funds Europe Awards. These awards confirm that **Fidessa** continues to be seen as a provider of market leading solutions to buy-side firms and is well positioned for when market conditions improve.

Despite the challenges in 2010, **Fidessa** expects that its strategy of developing the business model by working with its largest clients and expanding its workstation and operational services, will build on the sound foundation that it has established. As a result, **Fidessa** believes that the buy-side business will deliver good overall growth in 2011.

Global Connectivity and Market Data

Challenging conditions have continued to affect the financial community throughout 2010. Despite these factors, the demand for fast, reliable information and market connectivity has remained, and the strength of **Fidessa**'s market-leading connectivity services meant its share of global trading volume has continued to increase.

Buy-side firms continue to trade more asset classes electronically across more international markets, as they search for alpha and for ways to remain competitive. This means that globally they require access to more brokers than ever before. At the same time the sell-side brokers need more than ever to protect their transactional business flows, and so compete to diversify and offer more sophisticated services across more asset classes to more global venues. The venues themselves are also fighting to retain and attract order flow as fragmentation continues to dominate, and so are expanding the trading services that they offer and the asset classes that they support.

Against this backdrop lies an ever-evolving regulatory environment, which in recent years has driven a proliferation of new, alternative trading venues and caused trading liquidity to fragment. However, there are now clear signs that venues are consolidating, pooling their resources to improve their efficiency and compete more effectively.

Fidessa's connectivity solutions allow all these entities to communicate by providing low-latency access direct to exchanges, dark pools and other trading venues. It then allows buy-side investment firms to smart-route their orders to a broad spectrum of brokers and provides the tools needed to monitor and manage all their connectivity on a global basis.

During 2010 **Fidessa**'s network community has continued to grow and it now supports over 13,000 connections carrying an order flow value of around $800 billion every month representing a 25% increase on a year ago. Advanced trading strategies, such as algorithmic and high frequency trading, have also helped drive network activity, as well as drive demand for faster trading links.

Despite already offering a global footprint to clients, new trading venues are still appearing, and interest in emerging regions is increasing. As such **Fidessa** has continued to extend its network reach by adding further markets in South-East Asia, Latin America and Japan. Investment in the infrastructure has also continued with new network hubs opened in Singapore and planned in Scandinavia.

As well as providing access to traditional equity markets, the demand for more exotic instruments, such as derivatives, continues to grow and 20% of destinations on the **Fidessa** network now support these asset classes too. In the US, in particular, more and more brokers are now receiving US equity options flow across the network, and the interest in trading derivatives contracts generally within the **Fidessa** community has increased.

Alongside global connectivity comes the need for fast, accurate market data, and **Fidessa** has continued to expand its capabilities in this area. New markets are always being added and technology upgraded to cope with increased data traffic. With data handling "ticker plants" located in key financial centres around the world, **Fidessa**'s market data content is rapidly becoming a valuable asset in its own right. Although market data has been a core part of **Fidessa**'s trading products for some time, a standalone, direct "datafeed" solution was launched in 2010, with eight clients signed to take this new service. This clearly demonstrates the independent value that **Fidessa**'s investment in data collection has provided.

Looking forward, new regulations such as *Dodd-Frank* in the US and *MiFID II* in Europe are expected to fuel initiatives at trading venues, as they take advantage of the opportunities created. Although not yet certain, a focus on derivatives instruments in particular is anticipated as trading in these instruments may be forced "on exchange" and demand will grow for fast and comprehensive access to these evolving markets around the world.

The connectivity and data services that **Fidessa** now offers remain key and integrated parts of the trading solutions available, as well as valuable standalone services in their own right. The immense value of the trading community now connected through these services is clearly evident, and the desire to be a part of this community is now proving to be a draw in its own right.

Sell-side Trading

Pressure on the sell-side financial community has continued in 2010, with trading volumes still down on historical highs across much of the world. Overall headcount within many trading firms has remained generally flat, as firms attempt to leverage the people they have and find ways to do more with less. Both large and small firms are under consistent pressure to focus on reducing their costs and improving their efficiency as they face a tighter market with lower commissions, and all are striving to offer more and better services in order to remain competitive.

Against this backdrop **Fidessa** has continued to make steady progress, as its market-leading products position it firmly as a key supplier in the space. New clients have come on board to take advantage of the efficiencies that a complete trading workflow solution can achieve, and new and existing clients alike have looked to develop new services and expand their offerings into new niche areas.

For many firms, a drive to look outside their domestic markets is clearly apparent. Larger firms have been expanding into new regions over the last few years, particularly into Asia, and this theme is now being followed by smaller firms who are seeing a similar opportunity. In total **Fidessa** has signed over 80 new clients in the year for its trading solutions with these clients spread across the world.

In EMEA, additional clients were signed in Scandinavia and Germany, as well as **Fidessa**'s first large sell-side client in the Middle East. In Europe, the fragmentation of liquidity away from traditional exchanges and onto new venues has continued, which has driven a preference for regional or international trading solutions over purely domestic systems, as well as the desire for advanced trading tools such as Smart Order Routing (SOR). The spread of technology across the central market landscape is also set to continue with the Oslo exchange in Norway migrating onto London market technology, Warsaw planning to migrate to NYSE technology and fragmentation developing in Scandinavia.

In North America **Fidessa** saw significant new business during the year with over 30 new clients signing for **Fidessa**'s Software-as-a-Service (SaaS) trading solution. In the US a key driver has been in the equity options space, where firms want to handle the options and underlying cash instruments in a single integrated solution. In Canada, the marketplace has been rapidly embracing new trading venues and the liquidity fragmentation that ensues. This has driven the demand for sophisticated trading workflow systems which **Fidessa**, through its growing regional presence, has been well positioned to support. In the light of this growth and in order to provide the best possible service to the Canadian market, **Fidessa** has announced plans to open two new data centres in Canada during the first half of 2011.

Interest in Asia remains strong with many international firms, including the large domestic Japanese banks, setting up operations in Hong Kong which is seen as the logical gateway to the region. With Hong Kong being by far the largest IPO market in 2010, there is a strong anticipation that this market is likely to deliver further opportunities. As would be expected, volumes in the region have been picking up and this is attracting more alternative trading venues which, if successful, are likely to create requirements for more sophisticated execution tools. In Japan the launch of the Tokyo Stock Exchange's (TSE) new Arrowhead exchange platform has also fuelled opportunities, driving demand from tier two firms for more sophisticated trading platforms. The high performance nature of the new TSE system has also driven demand for High Frequency Trading (HFT) tools which **Fidessa**'s advanced architecture is ideally placed to deliver. During 2010, **Fidessa** was named the best sell-side trading platform in the Asian Banker Markets and Exchanges awards confirming its growing presence and reputation in the region.

In 2010 **Fidessa** celebrated 10 years of providing Software-as-a-Service (SaaS) trading services and was recognised for its achievements winning Best Sell-side Trading Platform and Best Order Management System from the Financial News and Banking Technology respectively. From small beginnings with a single client in London, **Fidessa**'s SaaS solution has developed into a world leader serving over 230 brokers located in financial centres all around the globe.

Looking forward, the markets are expected to evolve across a number of different themes. Although much of it has still to be finalised, regulation is expected to be a significant driver for change and open up a number of potential opportunities. In Asia Pacific, the Australian market is set for change as the local regulator (*ASIC*) looks to open up the market to alternative trading venues and so alter the trading landscape by introducing new competition. In Europe *MiFID II* is expected to address new asset classes, although this is not expected to materialise until the end of 2011. In the US, the *Volker Rule* already appears to be forcing some larger institutions to spin out their proprietary trading businesses into separate entities, and the SEC's ruling, banning buy-sides from "naked access" to markets, is forcing brokers to have high performance systems in place which can manage real-time risk and exposure control.

Fidessa believes the trend for multi-asset systems is likely to continue, with particular interest around derivatives. **Fidessa**'s investment in this area over recent years has positioned it well to take advantage of this opportunity, and **Fidessa** believes that the momentum will increase over the next few years, spurred on by a number of key drivers. The current regulatory trend is likely to demand greater transparency across derivative trading and this is likely to drive some Over The Counter (OTC) trading onto exchanges and other lit liquidity venues, significantly increasing the volumes traded in this way. The derivative market is also shaping up to be a key battleground for the primary exchanges as they battle with other liquidity venues for market share, and more of these venues are already investing in the infrastructure required to enable them to trade derivative instruments. Sell-side firms themselves are keen to realign their technology away from asset-centric silos, driven by the need to get more value from their technology investment and deliver greater efficiency. **Fidessa** believes that all of these trends should play towards its strengths, enabling it to realise the investment it is making in a world leading derivative trading platform.

Whilst the exact timing of developments within the market is always difficult to predict, **Fidessa** expects that it will see increasing opportunities for expansion and growing requirements for new products across its customer base.

2010 Important Events

During 2010 the key event in the Group's development has been the implementation of the Group's business plan against the background of challenging markets and an unstable macroeconomic environment. The unpredictable nature of the markets has increased the level of risk faced by the Group compared to prior years. Despite this environment, the Group has continued to deliver good growth through focus on market requirements, delivering lower cost of ownership whilst still allowing customers to maintain their position in the market. In particular, the Group has provided solutions allowing its customers to participate within the more fragmented liquidity environment and increase their connectivity to electronic trading flows whilst developing their operations within new regions.

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

Risk Factors

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

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

In addition to the foregoing, the primary risk and uncertainty related to the Group's performance for 2011 is the challenging macroeconomic environment caused by the global financial crisis, which could have a material impact on the Group's performance over the year and could cause actual results to differ materially from expected and historical results. A continued downturn in buy-side trading or in company market valuations, or an increase in discount rates, could result in an impairment to the carrying value of goodwill from the **LatentZero** acquisition.

Outlook

Fidessa believes that its market will remain difficult for some time to come, although it expects there will still be growth opportunities. In particular **Fidessa** is already seeing an increase in the level of consultancy it is providing, which is often a lead indicator, and there is a sound sales pipeline coming into 2011. As a result **Fidessa** believes that the strength of its business will enable it to deliver further good growth in 2011, with this growth likely to be at similar levels to that seen during 2010. **Fidessa** also believes that on an approximate 24 month timeframe, there will be improvements in market sentiment starting to come through as financial firms adjust to the new environment, and regulation and market structure become clearer. As a result of this anticipated improvement, **Fidessa** is starting to cautiously increase its development spending and expects that the margin is likely to reduce slightly in 2011, although it is still expected to be above historic levels.

Looking further ahead, **Fidessa** believes that it will play an increasingly important role in providing the solutions that the industry needs and will continue to be an important participant within the financial community. **Fidessa** expects that as the markets develop, this will result in further significant growth opportunities, and it will maintain its strategy of investment in the business to bring the right solutions to its customers across all the regions in which it operates.

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Consolidated income statement

for the year ended 31st December 2010

	Note	**2010** **£'000**	2009 £'000
Revenue	2	**262,343**	238,506
Operating expenses before amortisation of acquisition intangibles	3	**(222,894)**	(202,885)
Other operating income		**388**	388
Operating profit before amortisation of acquisition intangibles		**39,837**	36,009
Amortisation of acquisition intangibles		**(2,517)**	(6,074)
Operating profit		**37,320**	29,935
Finance income – bank and other	5	**142**	233
Finance income – gain from Touchpaper	5,8	**2,252**	976
Total finance income		**2,394**	1,209
Finance cost – notional interest on contingent consideration		**-**	(131)
Profit before income tax		**39,714**	31,013
Income tax expense	6	**(11,957)**	(10,001)
Profit for the year attributable to owners of the Company		**27,757**	21,012
Basic earnings per share	7	**77.8p**	59.8p
Diluted earnings per share	7	**75.6p**	58.9p

Consolidated statement of comprehensive income

for the year ended 31st December 2010

	2010 **£'000**	2009 £'000
Profit for the year from the income statement	**27,757**	21,012
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**2,483**	(2,418)
Total comprehensive income for the year	**30,240**	18,594

Consolidated balance sheet

at 31st December 2010

	Note	**2010**	2009
		£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment		**24,439**	29,478
Intangible assets		**78,815**	78,158
Deferred tax assets		**7,123**	5,046
Other receivables		**688**	-
Total non-current assets		**111,065**	112,682
Current assets			
Trade and other receivables	9	**69,901**	71,418
Income tax receivable		**3,051**	1,443
Cash and cash equivalents		**62,988**	45,475
Total current assets		**135,940**	118,336
Total assets		**247,005**	231,018
Equity			
Issued capital		**3,617**	3,581
Share premium		**20,289**	18,219
Merger reserve		**17,938**	17,938
Cumulative translation adjustment		**4,005**	1,522
Retained earnings		**88,046**	82,055
Total equity		**133,895**	123,315
Liabilities			
Non-current liabilities			
Other payables	10	**7,864**	9,132
Deferred tax liabilities		**4,356**	5,496
Total non-current liabilities		**12,220**	14,628
Current liabilities			
Trade and other payables	10	**90,853**	87,081
Current income tax liabilities		**10,037**	5,994
Total current liabilities		**100,890**	93,075
Total liabilities		**113,110**	107,703
Total equity and liabilities		**247,005**	231,018

Consolidated statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2009		3,517	17,020	13,947	3,940	65,863	104,287
Total comprehensive income for the year							
Profit for the year		-	-	-	-	21,012	21,012
Other comprehensive income		-	-	-	(2,418)	-	(2,418)
		-	-	-	(2,418)	21,012	18,594
Transactions with owners of the Company							
Issue of shares – acquisition		36	-	3,991	-	-	4,027
Issue of shares – exercise of options		28	1,199	-	-	-	1,227
Employee share incentive charges	3	-	-	-	-	1,285	1,285
Current tax recognised direct to equity		-	-	-	-	509	509
Deferred tax recognised direct to equity		-	-	-	-	2,885	2,885
Purchase of own shares by employee share trust		-	-	-	-	(465)	(465)
Sale of own shares by employee share trust		-	-	-	-	497	497
Dividends paid	11	-	-	-	-	(9,531)	(9,531)
Balance at 1st January 2010		3,581	18,219	17,938	1,522	82,055	123,315
Total comprehensive income for the year							
Profit for the year		**-**	**-**	**-**	**-**	**27,757**	**27,757**
Other comprehensive income		**-**	**-**	**-**	**2,483**	**-**	**2,483**
		-	**-**	**-**	**2,483**	**27,757**	**30,240**
Transactions with owners of the Company							
Issue of shares – exercise of options		**36**	**2,070**	**-**	**-**	**-**	**2,106**
Employee share incentive charges	3	**-**	**-**	**-**	**-**	**1,735**	**1,735**
Current tax recognised direct to equity		**-**	**-**	**-**	**-**	**963**	**963**
Deferred tax recognised direct to equity		**-**	**-**	**-**	**-**	**650**	**650**
Purchase of own shares by employee share trust		**-**	**-**	**-**	**-**	**(277)**	**(277)**
Sale of own shares by employee share trust		**-**	**-**	**-**	**-**	**418**	**418**
Dividends paid	11	**-**	**-**	**-**	**-**	**(25,255)**	**(25,255)**
Balance at 31st December 2010		**3,617**	**20,289**	**17,938**	**4,005**	**88,046**	**133,895**

Consolidated cash flow statement

for the year ended 31st December 2010

	Note	2010 £'000	2009 £'000
Cash flows from operating activities			
Profit before income tax for the year		**39,714**	31,013
Adjustments for:			
Staff costs – share incentives	3	**1,735**	1,285
Depreciation of property, plant and equipment	3	**12,449**	12,744
Amortisation of product development	3	**15,729**	11,317
Amortisation of acquisition intangibles	3	**2,517**	6,074
Amortisation of other intangible assets	3	**1,296**	1,490
Loss on sale of property, plant and equipment	3	**-**	20
Finance cost		**-**	131
Finance income	5	**(2,394)**	(1,209)
Cash generated from operations before changes in working capital		**71,046**	62,865
Movement in trade and other receivables		**562**	(13,937)
Movement in trade and other payables		**1,901**	20,188
Cash generated from operations		**73,509**	69,116
Income tax paid		**(11,075)**	(8,854)
Net cash generated from operating activities		**62,434**	60,262
Cash flows from investing activities			
Acquisition of LatentZero		**-**	(6,597)
Purchase of property, plant and equipment		**(6,893)**	(12,440)
Proceeds from sale of property, plant and equipment		**-**	69
Purchase of other intangible assets		**(484)**	(1,807)
Product development capitalised	3	**(19,706)**	(18,100)
Interest received on cash and cash equivalents		**142**	230
Proceeds from sale of Touchpaper ordinary and preferred ordinary shares		**3,432**	346
Net cash used in investing activities		**(23,509)**	(38,299)
Cash flows from financing activities			
Proceeds from shares issued		**2,106**	1,224
Purchase of own shares by employee share trust		**(277)**	(465)
Proceeds from sale of own shares by employee share trust		**418**	497
Dividends paid	11	**(25,255)**	(9,531)
Net cash used in financing activities		**(23,008)**	(8,275)
Net increase in cash and cash equivalents		**15,917**	13,688
Cash and cash equivalents at 1st January		**45,475**	33,146
Effect of exchange rate fluctuations on cash held		**1,596**	(1,359)
Cash and cash equivalents at 31st December		**62,988**	45,475

Notes to the consolidated financial statements

1 **Preparation of the Preliminary Announcement**

The preliminary results announcement for the year ended 31st December 2010 has been prepared by the directors based upon the results and position which are reflected in the statutory accounts. The statutory accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRS").

The financial information for the year to 31st December 2010 and 2009 do not constitute statutory accounts and has been extracted from the Company's consolidated accounts for the year to 31st December 2010.

Statutory accounts for 2009 have been delivered to the Registrar of Companies, and those for 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain statements under section 498(2) or 498(3) Companies Act 2006.

2 **Segment reporting**

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

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

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

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

No single external customer accounts for 10% or more of the Group revenue. Recurring revenue reflects the periodic fees for software and related services that is charged on a rental or subscription basis. Non-recurring revenue comprises the consultancy fees for implementation, configuration and ongoing support activity.

For the year ended 31st December 2010	Enterprise	Hosted	Buy-side	Total
	£'000	£'000	£'000	£'000
Recurring revenue	**61,709**	**136,735**	**15,013**	**213,457**
Non-recurring revenue	**37,195**	**5,256**	**6,435**	**48,886**
Total revenue from external customers	**98,904**	**141,991**	**21,448**	**262,343**
Inter-business unit revenue	**-**	**15,326**	**2,152**	**17,478**
Business unit profit contribution	**57,830**	**57,209**	**8,781**	**123,820**

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

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

	2010	2009
	£'000	£'000
Business unit profit contribution	**123,820**	109,822
Core product development	**(23,203)**	(20,874)
Central staff costs	**(28,635)**	(27,079)
Building costs	**(18,684)**	(19,355)
Other unallocated costs	**(17,438)**	(13,288)
Operating profit as monitored by the Operating Board	**35,860**	29,226
Amortisation of acquisition intangibles	**(2,517)**	(6,074)
Product development capitalised	**19,706**	18,100
Product development amortised	**(15,729)**	(11,317)
Operating profit in the income statement	**37,320**	29,935
Finance income	**2,394**	1,209
Finance cost	**-**	(131)
Profit before income tax in the income statement	**39,714**	31,013

Other segmental disclosures:

For the year ended 31st December 2010	Enterprise	Hosted	Buy-side	Not allocated	Total
	£'000	£'000	£'000	£'000	£'000
Depreciation of property, plant and equipment	**-**	**7,021**	**-**	**5,428**	**12,449**
Amortisation of intangible assets	**-**	**-**	**2,517**	**17,025**	**19,542**
Property, plant and equipment	**-**	**12,271**	**-**	**12,168**	**24,439**
Intangible assets	**-**	**5,655**	**43,865**	**29,295**	**78,815**

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

For the year ended 31st December 2010	UK	USA	Asia	Other	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	**130,912**	**80,947**	**40,040**	**10,444**	**262,343**
Property, plant and equipment	**13,109**	**8,721**	**2,037**	**572**	**24,439**
Intangible assets	**78,664**	**109**	**30**	**12**	**78,815**

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

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

3 Operating expenses

	2010	2009
	£'000	£'000
Staff costs – salaries	**107,755**	100,537
Staff costs – social security	**10,237**	9,701
Staff costs – pension	**1,904**	1,675
Staff costs – share incentives expense	**1,735**	1,285
Total staff costs	**121,631**	113,198
Amounts payable to subcontractors	**3,155**	4,310
Depreciation of property, plant and equipment	**12,449**	12,744
Amortisation of other intangible assets	**1,296**	1,490
Capitalisation of product development	**(19,706)**	(18,100)
Amortisation of product development	**15,729**	11,317
Communications and data	**36,786**	36,402
Operating lease rentals – property	**15,187**	13,843
Operating lease rentals – plant and machinery	**27**	33
Loss on sale of property, plant and equipment	**-**	20
Exchange loss	**595**	919
Other operating expenses	**35,745**	26,709
Operating expenses before amortisation of acquisition intangibles	**222,894**	202,885
Amortisation of acquisition intangibles	**2,517**	6,074
Total operating expenses	**225,411**	208,959

4 Staff numbers

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

	2010	2009
	Number	Number
Europe	**812**	795
North America	**517**	467
Asia	**203**	180
Total average staff numbers in the year	**1,532**	1,442

The number of people employed by the Group at 31st December each year was as follows:

	2010	2009
	Number	Number
Technical	**837**	801
Product development	**367**	307
Sales and marketing	**178**	155
Management and administration	**206**	212
Total staff numbers at 31st December	**1,588**	1,475

5 **Finance income**

	2010	2009
	£'000	£'000
Interest receivable on cash and cash equivalents	**136**	148
Other interest receivable	**6**	85
Sale of Touchpaper ordinary and preferred ordinary shares	**2,179**	976
Interest on Touchpaper escrows	**73**	-
Total finance income	**2,394**	1,209

6 **Income tax expense**

	2010	2009
	£'000	£'000
Current tax expense:		
Current year domestic tax	**6,452**	4,415
Current year foreign tax	**7,732**	7,222
Adjustments for prior years	**(19)**	607
Total current tax expense	**14,165**	12,244
Deferred tax expense:		
Origination and reversal of temporary differences	**(2,106)**	(2,067)
Benefit and utilisation of tax losses	**(6)**	(176)
Adjustments for prior years due to tax rate change	**(96)**	(176)
Total deferred tax expense	**(2,208)**	(2,243)
Total income tax expense in income statement	**11,957**	10,001

Reconciliation of effective tax rate	**2010**	**2010**	2009	2009
		£'000		£'000
Profit before tax		**39,714**		31,013
Income tax using the domestic corporation tax rate	**28%**	**11,120**	28%	8,684
Effective tax rates in foreign jurisdictions		**1,810**		2,693
Expenses not deductible for tax purposes		**1,190**		362
Tax incentives		**(1,373)**		(1,302)
Non-taxable items		**(675)**		(1,043)
Adjustment relating to prior years		**(115)**		607
Tax expense and effective tax rate for the year	**30%**	**11,957**	32%	10,001

Tax recognised directly in equity	**2010**	2009
	£'000	£'000
Current tax credit relating to equity settled share incentives	**(963)**	(509)
Deferred tax credit relating to equity settled share incentives	**(650)**	(2,885)

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 1411p (2009: 1017p) for the year.

	2010	2009
	£'000	£'000
Profit attributable to owners of the Company	**27,757**	21,012
Add amortisation of acquisition intangibles net of deferred tax	**1,812**	4,373
Add notional interest on contingent consideration	**-**	131
Less gains relating to Touchpaper net of tax	**(2,232)**	(976)
Profit attributable to owners of the Company after adjustments	**27,337**	24,540

	2010	2009
	Number '000	Number '000
Weighted average number of shares in issue	**35,986**	35,573
Weighted average number of shares held by employee share trusts	**(323)**	(423)
Shares used to calculate basic earnings per share	**35,663**	35,150
Dilution due to share options	**1,032**	538
Shares used to calculate diluted earnings per share	**36,695**	35,688

Basic earnings per share	**77.8p**	59.8p
Diluted earnings per share	**75.6p**	58.9p
Basic earnings per share on adjustments	**(1.1)p**	10.0p
Diluted earnings per share on adjustments	**(1.2)p**	9.9p
Basic earnings per share after adjustments	**76.7p**	69.8p
Diluted earnings per share after adjustments	**74.4p**	68.8p

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

8 Sale of investment in Touchpaper in 2008

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

On 30th June 2008 Avocent Ireland Holdings Limited acquired the entire share capital of Touchpaper and the preference shares and loan notes were redeemed. The Company received proceeds in 2008 of £11,035,000 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 sale agreement provided for amounts held in escrow in respect of working capital at completion as well as indemnities and general warranties. During 2009, £346,000 was received in settlement of the working capital at completion escrow. The period for indemnity and general warranty claims expired on 30th June 2010. £1,180,000 of the value of this escrow was recognised in 2009 and a further £2,179,000 has been recognised in 2010. All cash in respect of the indemnities and general warranties escrow has been received during 2010 and no further proceeds are expected.

9 Trade and other receivables

	2010	2009
	£'000	£'000
Trade receivables	**60,893**	60,475
Prepayments	**5,435**	4,974
Accrued revenue	**1,386**	1,913
Other receivables	**2,187**	4,056
Total trade and other receivables	**69,901**	71,418

10 **Trade and other payables**

Current liabilities	**2010**	2009
	£'000	£'000
Trade payables	**3,374**	6,093
Accrued expenses	**31,721**	27,767
Other liabilities	**3,541**	754
Deferred revenue	**47,491**	47,666
Other taxes and social security	**4,726**	4,801
Total trade and other payables	**90,853**	87,081

Non-current liabilities	**2010**	2009
	£'000	£'000
Accrued expenses	**1,036**	2,511
Other liabilities	**6,828**	6,621
Total trade and other payables	**7,864**	9,132

11 **Dividends**

On 29th March 2010 the 2009 second interim dividend of 20.0 pence per share, £7,110,000, (2009: final dividend for 2008 of 17.0 pence per share, £5,988,000) was paid. Also, on 29th March 2010 a special dividend of 40.0 pence per share, £14,219,000, was paid. On 27th September 2010 an interim dividend of 11.0 pence per share, £3,926,000, (2009: 10.0 pence per share, £3,543,000) was paid.

The directors propose a final dividend of 22.0 pence per share, £7,893,000, and a special dividend of 45.0 pence per share, £16,145,000. These will be payable on 13th June 2011 to shareholders on the register on 13th May 2011, with an ex-dividend date of 11th May 2011. These dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.