

Enghouse Releases Fourth Quarter Results and Announces Dividend

FOR IMMEDIATE RELEASE

Markham, Ontario – (December 17, 2009) – Enghouse Systems Limited (TSX:ESL) today announced its unaudited fourth quarter and year end financial results for the period ended October 31, 2009.

Fourth quarter revenue was \$20.0 million compared to \$14.6 million reported in the fourth quarter of last year, an increase of 37%. Operating income was \$5.2 million compared to \$3.2 million in the prior year's fourth quarter, an increase of 64%. Net income for the fourth quarter was \$2.6 million or \$0.10 per diluted share compared to \$2.3 million or \$0.09 per diluted share in the fourth quarter of fiscal 2008.

For the fiscal year, revenue was \$78.4 million compared to \$53.0 million in the prior year, an increase of 48%, while operating income was \$15.6 million compared to \$9.6 million in the prior year, an increase of 63%. Net income for the fiscal year was \$6.7 million or \$0.27 per diluted share compared to \$6.0 million or \$0.23 per diluted share in the prior year. The increase in revenue in the quarter and fiscal year is attributable to stronger license and maintenance revenue and contributions from acquired operations, Envox and Trio and the impact of foreign exchange. Also as a result of acquisitions, operating expenses increased to \$36.8 million for the year compared to \$23.7 million in the prior year.

The Company recorded non-cash amortization charges of \$1.8 million in the quarter compared to \$1.7 million in the prior year's fourth quarter. For the fiscal year, the Company reported amortization charges of \$7.3 million compared to \$6.2 million.

For the fiscal year, the Company generated operating cash flows of \$15.8 million compared to \$9.2 million in the prior fiscal year and closed the year with \$93.2 million in cash and short-term investments. The Company remained active during the year in its normal course issuer buyback, repurchasing 949,562 common shares at a total cost of \$4.6 million or \$4.80 per share. Total cash spent on acquisitions, share buybacks and dividends to shareholders since October 31, 2008 was \$14.7 million. Enghouse continues to have no long-term debt.

Stephen Sadler, Chairman and Chief Executive Officer said "We are pleased with our progress this year in a difficult environment. Enghouse remains strong financially and continues to investigate accretive acquisitions to increase shareholder value."

At its meeting held today, the Board of Directors authorized the payment of an eligible quarterly dividend of \$0.03 per common share payable on February 26, 2010 to shareholders of record as at the close of business on February 12, 2010.

The Company was put on the list of reporting issuers in default by the Ontario Securities Commission on December 14, 2009. This was a result of technical deficiencies in its business acquisition report relating to its acquisition of Envox. Enghouse has been advised by the Ontario Securities Commission that Enghouse will be removed from the list of reporting issuers in default after the filing today of its audited financials for the year ended October 31, 2009 which consolidate the Envox results.

About Enghouse

Enghouse Systems Limited is a leading global provider of enterprise software solutions serving a variety of distinct vertical markets. Its strategy is to build a larger and more diverse software company through strategic acquisitions and managed growth. Enghouse shares are listed on the Toronto Stock

Exchange under the symbol “ESL”. Further information about Enghouse may be obtained from the Company’s web site at www.enghouse.com.

Operating income is not a measure recognized by generally accepted accounting principles (“GAAP”) and does not have standardized meaning in accordance with such principles. Therefore, operating income may not be comparable to similar measures presented by other issuers. Operating income is calculated as net income before amortization of acquired software and other intangibles, net interest income, other income, foreign exchange gains and losses and the provision for income taxes. This is denoted as “Income before the undernoted” on the Consolidated Statements of Operations and Retained Earnings of the Company. Management uses operating income to evaluate performance as it excludes amortization of software and intangibles and foreign exchange gains and losses.

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For further information please contact:

Stephen Sadler
Chief Executive Officer
Enghouse Systems Limited
Tel: (905) 946-3200
Email: investor@enghouse.com

Enghouse Systems Limited
Consolidated Balance Sheets
(in thousands of Canadian dollars)
(Unaudited)

	October 31, 2009	October 31, 2008
Assets		
Current		
Cash	\$ 39,276	\$ 12,331
Short-term investments	53,876	82,099
Accounts receivable, net	17,017	17,515
Future income taxes	973	1,895
Prepaid expenses and other assets	2,434	2,947
	<u>113,576</u>	<u>116,787</u>
Property and equipment, net	1,576	2,471
Acquired software and other intangibles, net	22,934	27,373
Goodwill	19,965	21,953
Future income taxes	3,183	3,228
	<u>\$ 161,234</u>	<u>\$ 171,812</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 17,107	\$ 16,490
Income taxes payable	1,473	4,958
Dividend payable	746	636
Deferred revenue	15,765	18,585
	<u>35,091</u>	<u>40,669</u>
Future income taxes	8,693	7,945
Long-term income taxes payable	1,043	1,321
Deferred revenue	197	686
	<u>45,024</u>	<u>50,621</u>
Shareholders' Equity		
Share capital	49,780	50,568
Contributed surplus	2,047	1,827
Retained earnings	73,142	72,015
Accumulated other comprehensive loss	(8,759)	(3,219)
	<u>116,210</u>	<u>121,191</u>
	<u>\$ 161,234</u>	<u>\$ 171,812</u>

Enghouse Systems Limited
Consolidated Statements of Operations and Retained Earnings
(in thousands of Canadian dollars except per share amounts)
(Unaudited)

	Three months ended October 31		Twelve months ended October 31	
	2009	2008	2009	2008
Revenue				
Software licenses	\$ 5,683	\$ 3,166	\$ 23,133	\$ 10,985
Services	13,737	11,329	51,547	40,688
Hardware	583	153	3,738	1,336
	20,003	14,648	78,418	53,009
Cost of sales				
Software licenses	744	475	3,773	2,488
Services	4,512	4,469	19,263	16,112
Hardware	519	166	3,037	1,130
	5,775	5,110	26,073	19,730
Gross margin	14,228	9,538	52,345	33,279
Operating expenses				
Selling, general and administrative	5,903	4,191	23,552	14,921
Research and development	2,834	1,928	11,951	7,857
Amortization of property and equipment	296	250	1,275	941
	9,033	6,369	36,778	23,719
Income before the undernoted	5,195	3,169	15,567	9,560
Amortization of acquired software and other intangibles	(1,826)	(1,696)	(7,331)	(6,208)
Interest income, net	134	615	1,309	3,256
Other income	212	-	236	768
Foreign exchange gain	12	1,531	194	1,936
Income before income taxes	3,727	3,619	9,975	9,312
Provision for income taxes				
Current	(317)	(247)	1,102	2,161
Future	1,473	1,533	2,139	1,149
Net income for the period	\$ 2,571	\$ 2,333	\$ 6,734	\$ 6,002
Retained earnings, beginning of period	\$ 71,375	\$ 70,329	\$ 72,015	\$ 69,931
Dividends	(746)	(636)	(2,861)	(2,537)
Purchase and cancellation of common shares	(58)	(11)	(2,746)	(1,381)
Retained earnings, end of period	\$ 73,142	\$ 72,015	\$ 73,142	\$ 72,015
Earnings per share				
Basic	\$ 0.10	\$ 0.09	\$ 0.27	\$ 0.24
Diluted	\$ 0.10	\$ 0.09	\$ 0.27	\$ 0.23
Weighted average shares outstanding during period (millions)				
- basic	24.9	25.5	24.9	25.3
- diluted	25.2	25.8	25.1	25.7

Enghouse Systems Limited
Consolidated Statements of Comprehensive Income and Accumulated Other
Comprehensive Loss
(in thousands of Canadian dollars)
(Unaudited)

	Three months ended October 31		Twelve months ended October 31	
	2009	2008	2009	2008
Net income for the period	\$ 2,571	\$ 2,333	\$ 6,734	\$ 6,002
Other comprehensive (loss) income:				
Unrealized (loss) gain on translating financial statements of self-sustaining foreign operations	(1,836)	6,292	(5,675)	9,871
Transfer to net income of realized gains on available for sale investments, net of tax of (\$72) (year to date – (\$160))	(140)	-	(312)	(209)
Unrealized gain (loss) on available for sale investments, net of tax of \$629 (year to date – \$370)	1,225	(627)	720	(383)
Unrealized foreign currency translation (loss) gain on available for sale investments, net of tax of (\$516) (year to date – (\$140))	(1,004)	340	(273)	365
Other comprehensive (loss) income	\$ (1,755)	\$ 6,005	\$ (5,540)	\$ 9,644
Comprehensive income	\$ 816	\$ 8,338	\$ 1,194	\$ 15,646
Accumulated other comprehensive loss, beginning of period	\$ (7,004)	\$ (9,224)	\$ (3,219)	\$(12,863)
Other comprehensive (loss) income	(1,755)	6,005	(5,540)	9,644
Accumulated other comprehensive loss, end of period	\$ (8,759)	\$ (3,219)	\$ (8,759)	\$ (3,219)

Enghouse Systems Limited
Consolidated Statements of Cash Flows
(in thousands of Canadian dollars)
(Unaudited)

	For the three months ended October 31		For the twelve months ended October 31	
	2009	2008	2009	2008
Cash flows from operating activities				
Net income for the period	\$ 2,571	\$ 2,333	\$ 6,734	\$ 6,002
Add (deduct) items not involving cash				
Amortization of property and equipment	296	250	1,275	941
Amortization of acquired software and other intangibles	1,826	1,696	7,331	6,208
Stock-based compensation expense	71	51	240	268
Gain on sale of short-term investments	(212)	-	(236)	(327)
Gain on sale of patents	-	-	-	(441)
Future income taxes	1,473	1,533	2,139	1,149
Cash flows before changes in operating assets and liabilities	6,025	5,863	17,483	13,800
Changes in operating assets and liabilities				
(Increase) decrease in accounts receivable, net	(967)	65	2,159	1,205
Decrease (increase) in prepaid expenses and other assets	464	214	733	(224)
(Decrease) increase in accounts payable and accrued liabilities	(142)	1,032	1,480	786
Decrease in current income taxes payable	(1,221)	(679)	(3,598)	(2,659)
Decrease in deferred revenue	(2,235)	(1,505)	(2,295)	(1,234)
Unrealized foreign exchange loss (gain)	28	(2,091)	(116)	(2,456)
Cash flows from operating activities	1,952	2,899	15,846	9,218
Cash flows from investing activities				
Purchase of property and equipment, net	(20)	(85)	(374)	(881)
Acquisitions, net of cash acquired	-	(15,504)	(6,935)	(20,246)
Proceeds from sale of patents	-	-	-	441
Proceeds from sale of short-term investments	5,931	16,502	27,099	12,583
Cash flows from investing activities	5,911	913	19,790	(8,103)
Cash flows from financing activities				
Issuance of share capital	51	-	1,006	2,285
Payment of cash dividend	(746)	(638)	(2,751)	(2,531)
Purchase and cancellation of common shares	(83)	(21)	(4,560)	(1,980)
Cash flows from financing activities	(778)	(659)	(6,305)	(2,226)
Effect of foreign exchange rate changes on cash	(44)	1,278	(2,386)	2,121
Net increase in cash during the period	7,041	4,431	26,945	1,010
Cash – beginning of period	32,235	7,900	12,331	11,321
Cash – end of period	\$ 39,276	\$ 12,331	\$ 39,276	\$ 12,331
Supplementary cash flow information:				
Cash paid during the period for income taxes	\$ -	\$ 143	\$ 1,665	\$ 3,628

Note: Cash excludes short-term investments

Enghouse Systems Limited
Selected Segment Reporting Information

(in thousands of Canadian dollars)
(Unaudited)

	Three Months ended		Twelve Months ended	
	October 31, 2009	October 31, 2008	October 31, 2009	October 31, 2008
Revenue:				
Asset Management Division	\$ 2,306	\$ 2,769	\$ 9,527	\$ 9,816
Syntellect Division	17,697	11,879	68,891	43,193
Total	\$ 20,003	\$ 14,648	\$ 78,418	\$ 53,009
Segment Profit (EBIT):				
Asset Management Division	\$ 209	\$ 502	\$ (231)	\$ 89
Syntellect Division	3,798	1,536	10,929	5,440
Corporate	(638)	(565)	(2,462)	(2,177)
Foreign Exchange	12	1,531	194	1,936
Interest and other income	346	615	1,545	4,024
Total	\$ 3,727	\$ 3,619	\$ 9,975	\$ 9,312