

# Fidessa group plc

## Interim results for the period ended 30th June 2007

30<sup>th</sup> July 2007

### Fidessa reports strong organic growth and good progress following LatentZero acquisition

	2007	2006	Organic Growth	Growth incl. LatentZero
Revenue	£60.7m	£44.4m	+29%	+37%
Operating profit before amortisation	£8.2m	£5.6m	+43%	+46%
Operating profit	£7.8m	£5.6m	+43%	+39%
Pre-tax profit	£8.2m	£6.1m	+41%	+34%
Adjusted diluted earnings per share*	18.3p	13.2p	+35%	+39%
Dividend per share	6.0p	4.3p	+40%	+40%

Numbers for 2007 include **LatentZero** for the period post completion.

\*EPS adjusted to remove the effect of acquisition intangibles amortisation and notional interest charge

Highlights for the period ended 30<sup>th</sup> June 2007:

- Strong organic growth; revenue up 29% and operating profit up 43%.
- Completed the acquisition of **LatentZero** on 27<sup>th</sup> April 2007, the first major acquisition since the group floated in 1997.
- **LatentZero** performance in line with expectations with revenue growth exceeding 20% and trading profitably month-to-month.
- Significant increase in usage across a range of **Fidessa** services.
- First developments from **Fidessa LatentZero** integration already being delivered.
- Completed name change to **Fidessa**, strengthening the product branding.

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

“2007 is shaping up to be a landmark year in the development of **Fidessa**. Whilst our existing business has continued to accelerate strongly across all the regions delivering strong organic growth in the first half, we have also completed our first major strategic acquisition since the business floated in 1997 through the purchase of **LatentZero**. This acquisition, which was completed at the end of April, has transformed the company into a major vendor to the buy-side as well as to the sell-side thereby securing one of our key strategic objectives.

Across both the buy-side and sell-side business market conditions have remained strong with market activity, regulatory change and our own innovative products all helping to develop momentum. The go-live of our first derivatives systems on both the buy-side and sell-side, the increase in our user base to over 16,000 users, the 65% increase in activity across our connectivity network and the expansion of our hosted services into Canada, are all testament to

the progress we are making. In addition, we have completed two major regulatory/exchange upgrades with the implementation of RegNMS in the US and support for the new London Stock Exchange trading platform, TradElect, in Europe. In the first half of 2007 we have also won several awards for our technology including Futures and Options World (FOW) derivative ISV of the year, the PLC Award for Best Technology, Systems in the City Best Information Display Service and **Fidessa** was also cited by Financial News as one of the 21 technology firms with the potential to shape the industry landscape in the new millennium.

Although at an early stage, integration of the **Fidessa** and **LatentZero** products is moving at a pace with the **Fidessa LatentZero** brand starting to become established in the market. We have already launched our first combined service, the **LatentZero** Trading Network (LTN), and the first customer using this service went live in June. LTN provides a fully managed connectivity service for the buy-side, allowing buy-side firms to route order flow to numerous brokers and trading venues around the world. LTN is underpinned by the **Fidessa connectivity network** which operates from **Fidessa's** data centres around the world and has now become one of the most comprehensive buy-side/sell-side connectivity networks available.

We expect that the market will continue to be very active in the second half with strong demand for our products and services on both the buy-side and sell-side. This demand is anticipated to lead to the strong organic growth levels experienced in the first half being maintained for the full year with **LatentZero** continuing to perform in line with expectations.

Looking further ahead, we are excited about the possibilities resulting from our vision to provide cross-asset trading, market data and connectivity across both the buy-side and sell-side. As in previous years, we will be continuing our investment programme to bring more product to market, and to increase the value we deliver to all our customers whilst developing further shareholder value within the **Fidessa** group."

## Financial Summary

The financial statements include the results of **LatentZero** subsequent to the completion of the acquisition on 27<sup>th</sup> April 2007.

For the six months to 30<sup>th</sup> June 2007 strong growth in consolidated revenue has been achieved, up 37% to £60.7 million, from £44.4 million for the same period last year. **LatentZero's** contribution to revenue was £3.4 million in the first half. Organic revenue from the brought forward **Fidessa** business amounted to £57.3 million, a growth rate of 29%. The organic growth continued to be driven by the momentum in recurring revenue which increased by 34% to £42.4 million, representing 74% of the revenue from the brought forward **Fidessa** business. The year-on-year growth in **LatentZero** revenue was in line with expectations, at greater than 20% with recurring revenue approaching 50%.

Looking at the breakdown of recurring revenue across our areas of focus, indicative values for the first six months of 2007 are that £28 million arose from sell-side trading, £2 million from buy-side trading, £9 million arose from connectivity and £5 million arose from market data. The organic consultancy revenue has increased by 17% to £14.9 million, now representing 26% of the total organic revenue.

Strong growth in operating profit was also achieved. The operating profit was up by 46% to £8.2 million from £5.6 million in the same period last year, being measured before the amortisation of acquired intangibles. Operating profit (before **LatentZero**) was £8.0 million, representing growth of 43% over 2006 and an operating margin of 13.9%. The operating profit contribution from **LatentZero** in the period since acquisition was £0.2 million, the business having consistently traded profitably since completion.

The net interest income of £0.5 million was consistent with 2006. However, offsetting the interest income in 2007 was a notional interest charge based on discounting the contingent consideration for the **LatentZero** acquisition. Excluding the notional interest charge the interest income grew strongly as a result of the healthy cash balance coming into the year.

The effective tax rate of 31% represented an increase on the 28% reported for H1 2006. However, the tax rate was impacted by the notional interest charge and amortisation of acquisition intangibles, neither of which are allowable expenses for tax, and excluding these items the effective tax rate was 29%.

Diluted earnings per share, adjusted to exclude the notional interest charge and amortisation of acquisition intangibles, was 18.3 pence for the period, an increase of 39% from 13.2 pence for H1 2006. The interim dividend has been increased by 40% to 6.0 pence and will be paid on 24<sup>th</sup> September 2007 to shareholders on the register at the close of business on 31<sup>st</sup> August 2007, with an ex-dividend date of 29<sup>th</sup> August 2007.

The business continues to generate cash from operations overall although the first half of the year typically is less cash generative as the annual dividend and bonuses are paid. At the beginning of the period the cash balance was £40.1 million and during the six months a net £26.3 million was paid for the acquisition of **LatentZero** so the closing cash balance of £14.5 million represents a net cash generation of £0.7 million in the period. The operating cash conversion rate continues to be strong at over 150%.

Staff numbers have increased to service the revenue growth and the investment programmes and also as a result of the acquisition. The staff numbers at 30<sup>th</sup> June 2007 have increased to 1,059.

## Operations

### Sell-side Trading

Market conditions remain strong for sell-side trading systems as brokers around the world look to respond to regulatory and market changes, expanding their capabilities into new markets, new regions and new asset-classes and offering more comprehensive services to their clients. This has driven demand for **Fidessa** around the world with 24 new clients signing for our trading systems in the first half of 2007. In addition, many existing clients have extended the services they take from us reinforcing our status as a preferred and trusted supplier.

The trend to embrace a broader geographic range of markets for trading as part of their business is a common theme for the sell-side throughout the world. This is driven in part by the demands of their buy-side clients who are looking for ever more investment opportunities, as well as the broker's desire to be able to meet their needs alone. A number of our European and North American clients who have taken regional trading solutions from us have then seen their business

requirements grow to embrace Japan and Asia. The ability of **Fidessa's** sell-side trading solutions to uniquely scale from an individual workstation through to a regional trading platform and on to a global trading solution, allows us to provide clients with a future-proof product suite that can grow with their business. In Japan and Asia, many local domestic players are now looking at trading either across the region or on a fully global basis. **Fidessa's** reputation as a leading supplier to the global broking community positions us particularly strongly to provide this solution.

In Canada we have achieved two sales of our new hosted Canadian trading platform which was launched at the end of last year. Canada presents an interesting opportunity for **Fidessa** as market changes appear to be mirroring those in the US creating new liquidity venues, as well as opportunities for cross-border trading between the two countries.

Derivatives remains one of the fastest growing sectors within global capital markets. Regulation such as the European UCITS III (Undertakings for Collective Investment in Transferable Securities) is opening the door for greater usage of these instruments by the buy-side which drives the requirement to support them on the sell-side. Accelerated asset class convergence is also being seen amongst exchanges (NYSE/Euronext merger and Deutsche Börse/ISE merger) leading to the creation of a number of global, multi-asset exchanges. This in turn fuels the demand for derivatives capabilities by the sell-side, as brokers expand their services to take advantage of these new opportunities and to meet the evolving buy-side needs.

Within the broking community the clear advantages of multi-asset solutions are gaining broader acceptance, whilst the equity options sector is now one of the most active with volumes growing at around 35-40% annually. There is a growing acceptance within the market that technology needs to be leveraged across multiple business units and that trading across multiple asset classes will become the standard operating model of the future. The **Fidessa** multi-asset solution was launched last year and in the first half of 2007 we signed 3 new customers for derivatives support across our sell-side trading solutions. We have received strong positive feedback, especially in terms of the level of performance and resilience we can provide. In June **Fidessa** was selected as Derivatives ISV of the year by Futures and Options World and the **Fidessa** sell-side offering was also commended for its multi-asset innovation in the 2007 Banker Technology awards shortly afterwards.

Also launched late last year was our algorithmic trading solution **Fidessa BlueBox**, and during the first half of this year we rolled this initiative out internationally to each of the regions. Automated, and in particular Algorithmic, trading remains a growth area of the market as more and more brokers compete to offer faster and more intelligent trading solutions to an increasingly sophisticated and demanding buy-side audience. In Japan and Asia in particular the demand for algorithmic solutions is currently very high. With **Fidessa BlueBox** we now offer the world's first AMS (Algorithmic Management System) which combines a hosted and managed algorithmic trading solution that is fully-integrated with the client's trading and order management system. Demand for **Fidessa BlueBox** has been high and we now have over 15 clients who are taking the product.

In the US the changes in regulations brought about by RegNMS (Regulation National Market System) have brought in new trading rules and changed the market landscape. A key part of this change has been the explosion of new liquidity venues, notably regional exchanges and dark pools.

In Europe the regulatory structure is also in the process of change as part of MiFID (Markets in Financial Instruments Directive) which comes into effect in the second half of this year. Both of these changes mean that we are adding support for more trading venues as well as more sophisticated order handling into **Fidessa** to support our clients' new requirements and obligations.

Looking forward we expect many of these themes to continue throughout the rest of 2007 and into 2008, and we plan to continue to develop and evolve our sell-side trading solutions accordingly.

### **Buy-side Trading**

The market for buy-side software continues to look strong with a number of drivers generating demand. Regulatory changes, such as MiFID are increasing the requirements for operational control and best execution and this is in turn generating demand for the implementation of Order Management System (OMS) functionality within European buy-side firms. However, requirements for MiFID also put pressure on buy-side firms to meet their compliance obligations within the context of all the trading activities they undertake. This requires integration between the compliance components, the OMS and Execution Management (EMS) functionality to ensure that there are no gaps in the work flow.

The integrated **Fidessa LatentZero** product set now provides exactly this functionality allowing the OMS and EMS to integrate together seamlessly both with each other and with the **Fidessa LatentZero** compliance components. The **Fidessa LatentZero** system is the first integrated "OEMS" on the market and this ability to provide a seamlessly integrated solution has been instrumental in winning a number of new buy-side deals with some of these deals being closed since the acquisition. The **Fidessa LatentZero** EMS can also be offered as a standalone workstation and this has continued to be a popular choice with an increase of around 50% in the number of buy-side firms taking the product in this way since last year.

Another key aspect of the **Fidessa LatentZero** product set is its support for multi-asset trading and this has recently been extended to support OTC derivatives with the first customer already live and several others currently in implementation. The Banker magazine commended **Fidessa LatentZero's** multi-asset strategy saying: "So many firms talk about multi-asset class functionality" but **Fidessa LatentZero** "demonstrated a true ability to achieve this."

A further area where **Fidessa LatentZero** is able to take a lead in supporting the needs of the buy-side is in the area of algorithmic trading. **Fidessa** already has a wealth of experience in providing algorithmic trading functionality to brokers and representing broker's trading strategies through the **Fidessa connectivity network**. With the introduction of LTN, **Fidessa LatentZero** is now able to offer the easiest possible access to a wide range of algorithmic trading strategies, seamlessly delivered through an integrated front end.

### **Market Data**

Market data has become a core part of our service offering as the demand for fast, comprehensive data, fully integrated within a trading solution, continues to grow. This growth is being fuelled by a number of factors. The trend for more and more automated and algorithmic trading systems within the marketplace creates demand, as access to low-latency, reliable market data is a vital ingredient for many trading strategies. In addition, these algorithmic trading systems themselves

generate high levels of trading that in turn helps to create a higher volume of market data. The ever-expanding derivatives markets and broader use of different asset classes also fuel growth in global data volumes, whilst regulatory initiatives such as RegNMS and MiFID are causing a change in the liquidity landscape as additional liquidity points, crossing venues, and dark pools appear.

This growth in market data volumes and sources, coupled with the need for ultra low latency feeds, means that any data solution needs to employ leading edge technology and be capable of scaling with evolving market demands. The **Fidessa** market data solution is built using the latest technology and high performance ticker-plants are now in operation in each of our regions handling an ever increasing range of high bandwidth feeds from markets around the world. Investment in this base continues reflecting the importance of the market data offering within our overall product set.

In the first half of 2007 this investment has included extending the breadth of our coverage with new US derivatives and commodity markets as well as a number of additional Asian markets coming on stream. This expansion will continue over the rest of the year as we add new European liquidity pools, additional eastern European markets and extend our Asian coverage into India.

Once again the number of users taking a market data service from us grew strongly with an increase of around 20% in the first half of the year. The **Fidessa** market data workstation product also won the "Systems in the City – Best Information Display Service" award for the third successive year at their awards ceremony in April.

The acquisition of **LatentZero** also presents us with a new opportunity to extend our market data offering further into the buy-side. The integration of our market data service into the **Fidessa LatentZero** suite will allow us to add further value to our buy-side offering whilst also leveraging the investment we have made in the data infrastructure.

The provision of our own market data service integrated into our products provides us with a real differentiator against many of our competitors and allows us to ensure that the performance of the **Fidessa** and the **Fidessa LatentZero** suites remains at the forefront of the solutions that are available.

## **Connectivity**

With the continued growth in the number of liquidity venues available around the globe, and the increase in the number of brokers offering new transactional services such as algorithmic trading, connectivity solutions are an ever more important requirement for both the buy-side and sell-side.

Within the buy-side, investment firms are taking an increasing global view and are investing in new markets and asset-classes, whilst the sell-side brokers compete to offer either broader, more comprehensive coverage or specialisation in a particular region or instrument type. Regulatory initiatives such as RegNMS and MiFID are also fuelling this expansion by spawning new liquidity venues and services across the marketplace as businesses look to leverage the opportunities that the changes in regulation might present. This combines with the frequent system upgrades that take place across exchanges and other destinations to handle increased trading volumes or extend the services that they offer, meaning that there is an unrelenting expansion in connectivity demands. As a result we believe that the days of buy-side and sell-side firms implementing and

managing their own connectivity needs are a thing of the past, and that the demand for comprehensive, proven connectivity solutions will continue to grow.

The **Fidessa connectivity network** provides a fully managed, global solution which links around 1,300 buy-sides, 230 brokers and 80 exchanges around the world. Based on FIX, the public-domain "Financial Information eXchange" protocol, and housed in our own dedicated data centres, the **Fidessa** network now supports over 4,000 individual client connections and is available fully integrated into our own products or as a direct link to a client's own or third party system. During the first half of 2007, the number of firms that use the **Fidessa connectivity network** has grown by over a quarter, and the volume of transactions routed across it by over 65%. We are also seeing significant growth in the derivatives flow across our network as part of our multi-asset initiative, with brokers such as Deutsche Bank, Goldman Sachs, Merrill Lynch and UBS already supporting derivatives flow.

In Europe and North America we have continued to see interest in connectivity to the Japanese and Asian markets both from buy-sides wishing to extend their portfolio of investments into the region and from sell-sides wishing to connect to local brokers to handle niche order flow. In the Japanese and Asian regions the demands for local trading connectivity, as well as connectivity to the outside world, have also grown.

During the first half of 2007 we have continued to extend our connectivity network to encompass more brokers, more buy-sides and more trading venues and also to support multi-asset flows. We have also increased the level of cross border flow and strengthened the level of support we are able to offer when handling orders for instruments in different time zones.

With the acquisition of **LatentZero**, we have also been able to develop LTN as a conveniently packaged, managed connectivity service for the buy-side. This leverages our experience as well as the infrastructure of the **Fidessa connectivity network** which has enabled us to bring this service to market extremely rapidly. The first customer for LTN has already gone live with the service using it to route flow to a number of brokers. Going forward, we anticipate that LTN will be a popular route for the buy-side to gain access to the destinations they require. As we bring these buy-side customers onto LTN, this will in turn encourage more brokers and liquidity providers to join the **Fidessa connectivity network**. This will further help it to consolidate its position as a leading and valuable source of liquidity for participants in the financial markets around the world.

## **LatentZero Acquisition**

On 27<sup>th</sup> April 2007 **Fidessa** completed the acquisition of **LatentZero**. Formed in 1999 and headquartered in the UK, **LatentZero** is a leading supplier of front-office software to the asset management industry and counts several of the world's largest asset management firms amongst its 75 clients. With offices in London, Boston, New York and Paris, **LatentZero** employs around 170 staff and provides software for fund manager decision support, order management, execution management and investment compliance. **LatentZero** has set new standards for investment systems through its unique combination of business knowledge, market vision and technology innovation and its products are used to manage more than \$8 trillion of assets, across equity, fixed income, foreign exchange and derivatives. This acquisition provides considerable strategic benefit to **Fidessa**, **LatentZero** and their respective customers by providing, for the first time, the potential for true integration of multi-asset buy-side and sell-side trading flows on a significant

scale. Furthermore, with the buy-side increasingly requiring sell-side style trading tools integrated into their investment and order management processes and the sell-side striving to deliver enhanced execution solutions to their customers, both **Fidessa** and **LatentZero** will be able to leverage the other's services within their own customer base.

Progress with the integration of the businesses is already well advanced and we are establishing a buy-side brand under the **Fidessa LatentZero** name. This brand will also be used for our new Execution Management System (EMS) which integrates **Fidessa** technology with the **LatentZero** product set to deliver the first fully integrated OEMS within the buy-side. We have already launched LTN, a fully managed FIX connectivity network for buy-side firms which greatly simplifies the process of connecting to brokers and other liquidity venues from a buy-side perspective. We are also establishing support for **LatentZero** products in Japan and throughout Asia where we already have a significant buy-side customer base and are now able to leverage **Fidessa's** local presence to provide a high quality support service for the buy-side product set. We are also looking at the extension of our data services for the buy-side and the possibilities of leveraging our hosting facilities to provide a fully hosted offering for the buy-side.

Going forward we believe that the growing sophistication of trading and the increasing regulatory burdens will continue to fuel demand for automation of business flows in both the buy-side and the sell-side. Additionally, we believe there will be a growing need for rapid communication and additional information flow between the two sides as well as increasing access to alternative liquidity venues and trading strategies by both sides. Through the strength of its products on both the buy-side and sell-side, we believe that **Fidessa** will be ideally placed to meet this demand.

## Lava Patent Lawsuit

The Annual Report for the year ended 31st December 2006 included a summary of the history of the patent infringement claim brought by Lava Trading Inc<sup>1</sup>.

In this summary we confirmed that our view from the outset remains unchanged in that we believe the case brought by Lava is without merit and we re-affirmed that we would continue to defend our position vigorously. The process of discovery, which we noted in the Annual Report had re-started, is continuing and we are advised that in cases of this nature this process can take a significant period of time.

## Outlook

Looking ahead, we expect the market will continue to be active resulting in further growth in both the buy-side and sell-side business. Further, we believe that the growing acceptance of **Fidessa** by both the buy-side and sell-side will help develop our business across the regions and will provide further opportunity for the development of new products and business services. Looking forward to the second half, we expect that the market will continue to be very active and that demand for our products and services will be strong in both the buy-side and sell-side. This demand is anticipated to lead to the strong organic growth levels experienced in the first half being maintained for the full year with **LatentZero** continuing to perform in line with expectations.

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<sup>1</sup> Lava Trading Inc was acquired by Citigroup Inc in 2004.

Looking further ahead, we believe that our strategy of providing a global integrated solution for cross-asset trading, market data and connectivity across both the buy-side and sell-side leaves us in a unique and valuable position in the market. We remain very excited about the opportunities we see in both the buy-side and sell-side as well as in the potential to develop new integrated services which touch both sides of the business. In delivering against this strategy we will continue with our investment programmes which we believe will deliver substantial opportunities well into the future.

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## Condensed Consolidated Interim Income Statement

For the six months ended 30<sup>th</sup> June 2007

		2007	2007	2007	2006	2006
		6 months to	Period to	6 months to	6 months to	12 months to
		30 <sup>th</sup> June	30 <sup>th</sup> June	30 <sup>th</sup> June	30 <sup>th</sup> June	31 <sup>st</sup> December
		Brought	Acquisition	Total	Total	Total
		forward				
		activities				
		unaudited	unaudited	unaudited	unaudited	audited
Note		£'000	£'000	£'000	£'000	£'000
Revenue	5	57,272	3,434	60,706	44,397	94,637
Operating expenses	6	(49,477)	(3,231)	(52,708)	(39,037)	(82,754)
before amortisation of acquisition intangibles						
Other operating income		191	-	191	235	470
Operating profit before amortisation of acquisition intangibles		7,986	203	8,189	5,595	12,353
Amortisation of acquisition intangibles	6			(439)	-	-
Operating profit				7,750	5,595	12,353
Finance income	7			637	479	1,941
Finance cost – bank and other				(13)		
Finance cost – notional interest on contingent consideration				(149)	-	-
Total finance cost				(162)	-	-
Profit before income tax				8,225	6,074	14,294
Income tax expense	8			(2,542)	(1,712)	(3,983)
Profit for the period				5,683	4,362	10,311
Earnings per share:	9					
Basic				17.0p	13.6p	31.9p
Diluted				16.6p	13.2p	30.9p
Dividend per share:	10					
Interim				6.0p	4.3p	4.3p
Final						8.8p

## Condensed Consolidated Interim Balance Sheet

As at 30<sup>th</sup> June 2007

		2007	2006	2006
		30 <sup>th</sup> June	30 <sup>th</sup> June	31 <sup>st</sup> December
		unaudited	unaudited	audited
	Note	£'000	£'000	£'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		13,126	9,570	9,828
Intangible assets	13	75,119	8,839	9,922
Deferred tax assets		4,239	2,711	3,711
Other receivables		898	898	898
<b>Total non-current assets</b>		<b>93,382</b>	<b>22,018</b>	<b>24,359</b>
<b>Current assets</b>				
Trade and other receivables	11	34,538	20,738	20,940
Income tax receivable		109	589	261
Cash and cash equivalents		14,470	28,584	40,069
<b>Total current assets</b>		<b>49,117</b>	<b>49,911</b>	<b>61,270</b>
<b>Total assets</b>		<b>142,499</b>	<b>71,929</b>	<b>85,629</b>
<b>Equity</b>				
Issued capital		3,457	3,284	3,356
Share premium		25,555	12,106	15,715
Cumulative translation adjustment		(2,000)	(376)	(1,466)
Retained earnings		39,880	30,135	36,841
<b>Total equity</b>		<b>66,892</b>	<b>45,149</b>	<b>54,446</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Contingent consideration	13	11,903	-	-
Other payables		957	500	719
Deferred tax liabilities		6,135	1,225	931
<b>Total non-current liabilities</b>		<b>18,995</b>	<b>1,725</b>	<b>1,650</b>
<b>Current liabilities</b>				
Contingent consideration	13	11,604	-	-
Trade and other payables	12	43,368	23,741	27,686
Current income tax liabilities		1,640	1,314	1,847
<b>Total current liabilities</b>		<b>56,612</b>	<b>25,055</b>	<b>29,533</b>
<b>Total liabilities</b>		<b>75,607</b>	<b>26,780</b>	<b>31,183</b>
<b>Total equity and liabilities</b>		<b>142,499</b>	<b>71,929</b>	<b>85,629</b>

## Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

	Note	Issued capital £'000	Share premium £'000	Cumulative translation adjustment £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1<sup>st</sup> January 2006</b> <b>(audited)</b>		3,272	11,743	(51)	27,241	42,205
Profit for the period from the income statement		-	-	-	4,362	4,362
Currency translation adjustments		-	-	(599)	-	(599)
Total income and expense for the period		-	-	(599)	4,362	3,763
Issue of shares - exercise of options		12	363	-	-	375
Employee share incentive charges	6	-	-	-	370	370
Current tax recognised direct to equity		-	-	-	222	222
Deferred tax recognised direct to equity		-	-	-	162	162
Sale of own shares by employee share trust		-	-	-	298	298
Dividends paid	10	-	-	-	(2,246)	(2,246)
<b>Balance at 30<sup>th</sup> June 2006</b> <b>(unaudited)</b>		3,284	12,106	(650)	30,409	45,149
Profit for the period from the income statement		-	-	-	5,949	5,949
Currency translation adjustments		-	-	(816)	-	(816)
Total income and expense for the period		-	-	(816)	5,949	5,133
Issue of shares - exercise of options		72	3,609	-	-	3,681
Employee share incentive charges	6	-	-	-	365	365
Current tax recognised direct to equity		-	-	-	168	168
Deferred tax recognised direct to equity		-	-	-	1,266	1,266
Sale of own shares by employee share trust		-	-	-	93	93
Dividends paid	10	-	-	-	(1,409)	(1,409)
<b>Balance at 31<sup>st</sup> December 2006</b> <b>(audited)</b>		3,356	15,715	(1,466)	36,841	54,446
Profit for the period from the income statement		-	-	-	5,683	5,683
Currency translation adjustments		-	-	(534)	-	(534)
Total income and expense for the period		-	-	(534)	5,683	5,149
Issue of shares - acquisition	13	85	9,298	-	-	9,383

Issue of shares - exercise of options		16	542	-	-	558
Employee share incentive charges	6	-	-	-	372	372
Current tax recognised direct to equity		-	-	-	348	348
Deferred tax recognised direct to equity		-	-	-	(399)	(399)
Sale of own shares by employee share trust		-	-	-	28	28
Dividends paid	10	-	-	-	(2,993)	(2,993)
<b>Balance at 30<sup>th</sup> June 2007</b>		<b>3,457</b>	<b>25,555</b>	<b>(2,000)</b>	<b>39,880</b>	<b>66,892</b>
<b>(unaudited)</b>						

# Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30<sup>th</sup> June 2007

		2007	2006	2006
		6 months	6 months	12 months
		to 30 <sup>th</sup>	to 30 <sup>th</sup>	to 31 <sup>st</sup>
		June	June	December
		unaudited	unaudited	audited
Note		£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
	Profit before tax	8,225	6,074	14,294
	Adjustments for:			
	Staff costs – share incentives	6 372	370	735
	Product development amortised	6 3,187	2,428	5,026
	Depreciation of property, plant and equipment	6 2,644	2,118	4,458
	Amortisation of acquisition intangibles	6 439	-	-
	Amortisation of other intangible assets	6 236	154	367
	(Gain)/loss on sale of property, plant and equipment	(41)	32	32
	Interest payable	162	-	-
	Interest receivable	(637)	(476)	(1,941)
	Cash generated from operations before changes in working capital	14,587	10,700	22,971
	Movement in trade and other receivables	(5,581)	(3,095)	(2,715)
	Movement in trade and other payables	5,055	4,292	8,031
	Cash generated from operations	14,061	11,897	28,287
	Income tax paid	(1,458)	(1,270)	(2,801)
	<b>Net cash generated from operating activities</b>	<b>12,603</b>	<b>10,627</b>	<b>25,486</b>
<b>Cash flows from investing activities</b>				
	Acquisition of subsidiaries (net of cash acquired)	(26,261)	-	-
	Purchase of property, plant and equipment	(4,917)	(3,318)	(6,210)
	Proceeds from sale of property, plant and equipment	50	8	8
	Purchase of other intangible assets	(149)	(234)	(473)
	Product development	6 (4,970)	(3,212)	(6,874)
	Interest received	702	476	1,366
	Proceeds from capital repayment of Touchpaper "B" Loan Note	-	-	500
	<b>Net cash used in investing activities</b>	<b>(35,545)</b>	<b>(6,280)</b>	<b>(11,683)</b>
<b>Cash flows from financing activities</b>				
	Proceeds from shares issued	558	375	4,056
	Proceeds from sale of own shares by employee share trust	28	298	391
	Interest paid	(13)	-	-
	Dividends paid	10 (2,993)	(2,246)	(3,655)
	<b>Net cash (used)/generated in financing activities</b>	<b>(2,420)</b>	<b>(1,573)</b>	<b>792</b>
	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(25,362)</b>	<b>2,774</b>	<b>14,595</b>
	Cash and cash equivalents at 1 <sup>st</sup> January	40,069	26,120	26,120
	Effect of exchange rate fluctuations on cash held	(237)	(310)	(646)
	<b>Cash and cash equivalents at end of period</b>	<b>14,470</b>	<b>28,584</b>	<b>40,069</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. Reporting entity

Fidessa group plc (the "Company"), formerly called royalblue group plc, is a company incorporated in England and Wales. These condensed consolidated interim financial statements of the Company as at and for the six months ended 30<sup>th</sup> June 2007 comprise the Company and its subsidiaries (together the "Group"). These condensed consolidated interim financial statements are presented in pounds sterling, rounded to the nearest thousand.

The comparative figures for the financial year ended 31<sup>st</sup> December 2006 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The consolidated financial statements of the Group as at and for the year ended 31<sup>st</sup> December 2006 are available upon request from the Company's registered office at Dukes Court, Duke Street, Woking, Surrey GU21 5BH or at [www.fidessa.com](http://www.fidessa.com).

These condensed consolidated interim financial statements are unaudited but have been reviewed by KPMG Audit Plc and their report is set out below.

## 2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31<sup>st</sup> December 2006.

The condensed consolidated interim financial statements were approved by the Board of Directors on 27<sup>th</sup> July 2007.

## 3. Significant accounting policies

The accounting policies and presentation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31<sup>st</sup> December 2006.

## 4. Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results for which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were

the same as those that applied to the consolidated financial statements as at and for the year ended 31<sup>st</sup> December 2006.

## 5. Segmental reporting

The group operates in one business segment; that of supply of software and related services to financial institutions. For further details see the Operations Review. The operations are monitored by the geographic regions of Europe, North America and Asia. Certain activities and costs are managed and monitored centrally. The segment information in respect of the regions is presented below.

For the six months ended 30 <sup>th</sup> June 2007	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'000
Segment revenue	30,925	22,227	7,554	60,706
Segment result	5,948	3,633	3,434	13,015
Product development amortised				(3,187)
Acquisition intangibles amortised				(439)
Central costs				(1,639)
Operating profit				7,750
For the six months ended 30 <sup>th</sup> June 2006	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'000
Segment revenue	22,728	15,663	6,006	44,397
Segment result	4,759	2,029	2,696	9,484
Product development amortised				(2,428)
Central costs				(1,461)
Operating profit				5,595
For the year ended 31 <sup>st</sup> December 2006	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'000
Segment revenue	48,746	32,610	13,281	94,637
Segment result	9,680	4,280	6,293	20,253
Product development amortised				(5,026)
Central costs				(2,874)
Operating profit				12,353

## 6. Operating expenses

	6 months to 30 <sup>th</sup> June 2007 unaudited £'000	6 months to 30 <sup>th</sup> June 2006 unaudited £'000	12 months to 31 <sup>st</sup> December 2006 audited £'000
Staff costs – salaries	27,584	20,377	43,161
Staff costs – social security	2,598	2,114	4,355
Staff costs – pension	233	-	-
Staff costs – share incentives	372	370	735
Total staff costs	30,787	22,861	48,251
Depreciation of property, plant and equipment	2,644	2,118	4,458
Amortisation of other intangible assets	236	154	367
Product development capitalised	(4,970)	(3,212)	(6,874)
Product development amortised	3,187	2,428	5,026
Other operating expenses	20,824	14,688	31,526
Operating expenses before amortisation of acquisition intangibles	52,708	39,037	82,754
Amortisation of acquisition intangibles	439	-	-
Total operating expenses	53,147	39,037	82,754

## 7. Finance income

	6 months to 30 <sup>th</sup> June 2007 Unaudited £'000	6 months to 30 <sup>th</sup> June 2006 unaudited £'000	12 months to 31 <sup>st</sup> December 2006 audited £'000
Interest receivable on cash and cash equivalents	637	479	1,132
Other interest receivable	-	-	19
Interest received on Touchpaper "A" and "B" Loan Notes	-	-	290
Capital repayment of Touchpaper "B" Loan Notes	-	-	500
Total interest receivable	637	479	1,941

## 8. Income tax expense

The charge for tax for the six months ended 30<sup>th</sup> June 2007 has been calculated based on the best estimate of the weighted average annual income tax rate expected for the full year. The change in the UK statutory tax rate has been incorporated in the calculation of the carrying value of the deferred tax assets and liabilities in the UK, the effect being a credit to the tax charge of £40,000 included in total in the tax charge for the six months to 30<sup>th</sup> June 2007. Differences between the anticipated effective tax rate and the statutory rate include, but are not limited to, the effect of tax rates in foreign jurisdictions, non-deductible expenses, tax incentives not recognised in the income statement and under or over provisions in previous periods.

## 9. 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 period, details of which are below. The diluted earnings per share have been calculated using an average share price of 1083p (for six months to 30<sup>th</sup> June 2006 816p, for 12 months to 31<sup>st</sup> December 2006 845p).

	6 months to 30 <sup>th</sup> June 2007 unaudited £'000	6 months to 30 <sup>th</sup> June 2006 unaudited £'000	12 months to 31 <sup>st</sup> December 2006 audited £'000
Profit attributable to shareholders	5,683	4,362	10,311
Add amortisation of acquisition intangibles	439	-	-
Add notional interest on contingent consideration	149	-	-
Less gain relating to capital repayment of Touchpaper "B" Loan Notes	-	-	(500)
Profit attributable to shareholders excluding amortisation of acquisition intangibles, notional interest and capital repayment	<u>6,271</u>	<u>4,362</u>	<u>9,811</u>
	6 months to 30 <sup>th</sup> June 2007 unaudited Number '000	6 months to 30 <sup>th</sup> June 2006 unaudited Number '000	12 months to 31 <sup>st</sup> December 2006 audited Number '000
Weighted average number of shares in issue	33,931	32,768	33,026
Weighted average number of shares held by the employee trusts	(595)	(751)	(711)
Shares used to calculate basic earnings per share	<u>33,336</u>	<u>32,017</u>	<u>32,315</u>
Dilution due to share options and warrants	965	1,131	1,037
Shares used to calculate diluted earnings per share	<u>34,301</u>	<u>33,148</u>	<u>33,352</u>
Basic earnings per share excluding amortisation of acquisition intangibles, notional interest and capital repayment	18.8p	13.6p	30.4p
Diluted earnings per share excluding amortisation of acquisition intangibles, notional interest and capital repayment	18.3p	13.2p	29.4p
Basic earnings per share on amortisation of acquisition intangibles, notional interest and gain relating to capital repayment of Touchpaper "B" Loan Notes	(1.8)p	-	1.5p
Diluted earnings per share on amortisation of acquisition intangibles, notional interest and gain relating to capital repayment of Touchpaper "B" Loan Notes	(1.7)p	-	1.5p

Basic earnings per share	17.0p	13.6p	31.9p
Diluted earnings per share	16.6p	13.2p	30.9p

## 10. Dividends

The dividends paid in the period covered by these condensed consolidated interim financial statements are detailed below.

	Dividend value per share	Dividend value £'000
2005 final dividend paid 5 <sup>th</sup> June 2006	7.0p	2,246
2006 interim dividend paid 25 <sup>th</sup> September 2006	4.3p	1,409
2006 final dividend paid 4 <sup>th</sup> June 2007	8.8p	2,993

An interim dividend in respect of 2007 of 6.0p per share, amounting to an expected dividend of £2,036,000, was declared by the directors at their meeting on 27<sup>th</sup> July 2007. This interim dividend will be payable on 24<sup>th</sup> September 2007 to shareholders on the register at the close of business on 31<sup>st</sup> August 2007, with an ex-dividend date of 29<sup>th</sup> August 2007. These condensed consolidated interim financial statements do not reflect this dividend payable.

## 11. Trade and other receivables

As at:	30 <sup>th</sup> June 2007 unaudited £'000	30 <sup>th</sup> June 2006 unaudited £'000	31 <sup>st</sup> December 2006 audited £'000
Trade receivables	28,010	16,070	16,739
Prepayments	2,842	1,546	1,973
Accrued revenue	2,304	1,618	1,184
Other receivables	1,382	1,504	1,044
Total trade and other receivables	<u>34,538</u>	<u>20,738</u>	<u>20,940</u>

## 12. Current liabilities; trade and other payables

As at:	30 <sup>th</sup> June 2007 unaudited £'000	30 <sup>th</sup> June 2006 unaudited £'000	31 <sup>st</sup> December 2006 audited £'000
Trade payables	4,792	3,181	2,176
Accrued expenses	14,188	8,481	11,084
Deferred revenue	21,993	10,404	12,276
Other taxes and social security	2,395	1,675	2,150
Total trade and other payables	<u>43,368</u>	<u>23,741</u>	<u>27,686</u>

### 13. Acquisition

On 27<sup>th</sup> April 2007 the Group completed the acquisition of 100% of LatentZero Limited for a total consideration of up to £62.3 million (including £1.5 million of related costs and net of £1.6 million of discounting of the contingent consideration). Consideration of £37.4 million was paid on completion, comprising £28.0 million of cash and £9.4 million of ordinary shares in Fidessa group plc; 852,239 shares were issued at a fair value of 1101p each, being the closing mid-price on 27<sup>th</sup> April 2007. Further contingent consideration of £25.0 million is expected to be paid and is dependent on the achievement of performance objectives related to revenue, operating profit and order intake in 2007 and 2008. The total contingent consideration comprises £15.5 million of cash and £9.5 million of ordinary shares in Fidessa group plc. The contingent consideration has been discounted by £1.6 million, the unwinding of which will be charged as notional interest in the income statement over the period up to settlement.

If this acquisition had completed on 1<sup>st</sup> January 2007, the start of the period being reported in the condensed consolidated interim financial statements, the unaudited consolidated results for the Group would have been revenue of £67,113,000, operating profit before share incentive charges in LatentZero and amortisation of acquisition intangibles of £8,310,000 and an overall operating profit before any adjustments of £7,615,000.

The goodwill arising on the acquisition results from the value of the assembled workforce, the synergistic nature of the acquisition due to cross-selling opportunities between the buy-side and sell-side clients, potential cost savings, and the expected future growth, the earn out being a function of future financial performance which cannot be entirely attributable to existing identifiable intangibles.

Identifiable intangibles relate to the value of LatentZero's customer relationships, marketing related intangibles and intellectual property and are being amortised over their estimated useful lives of between five and ten years.

The investment in LatentZero has been consolidated into the balance sheet at its fair value at the date of acquisition. These fair values are provisional and will be amended as necessary in light of subsequent knowledge or events to the extent that these reflect conditions as at the date of acquisition.

	Book values	Fair value to
	£'000	Group £'000
Intangible assets (excluding goodwill)	2,704	17,600
Property, plant and equipment	919	1,186
Deferred tax assets/(liabilities)	1,505	(3,423)
Current assets	8,016	8,016
Cash and cash equivalents	3,286	3,286
Liabilities	(10,719)	(10,719)
Net assets	5,711	15,946
Goodwill arising on acquisition		46,342
Total consideration		62,288
Satisfied by:		
Cash consideration		28,023
Shares issued		9,383
Provision for future consideration payable		23,358
Directly attributable costs		1,524
		62,288

Net cash outflow arising on acquisition:	
Cash consideration paid	28,023
Directly attributable costs paid	1,524
Cash and cash equivalents acquired	(3,286)
	<u>26,261</u>

The intangible assets acquired as part of the acquisition of LatentZero can be analysed as follows:

	£'000
Customer relationships	7,300
Marketing related	2,100
Intellectual property	8,200
	<u>17,600</u>

#### **14. Contingent liability**

The Annual Report for the year ended 31<sup>st</sup> December 2006 included a summary of the history of the patent infringement claim brought by Lava Trading Inc. In this summary we confirmed that our view from the outset remains unchanged in that we believe the case brought by Lava is without merit and we re-affirmed that we would continue to defend our position vigorously. The process of discovery, which we noted in the Annual Report had re-started, is continuing and we are advised that in cases of this nature this process can take a significant period of time. Due to the uncertainty of the eventual outcome of this case, no provision is being made in accordance with the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

#### **15. Circulation to shareholders**

Copies of this interim report will be sent to shareholders and copies will be available to the public at the Company's registered office; Dukes Court, Duke Street, Woking, Surrey GU21 5BH.

# Independent Review Report to Fidessa group plc

## Introduction

We have been instructed by the Company to review the financial information for the six months ended 30<sup>th</sup> June 2007 which comprises the Condensed Consolidated Interim Income Statement, the Condensed Consolidated Interim Balance Sheet, the Condensed Consolidated Interim Statement of Changes in Shareholders' Equity, the Condensed Consolidated Interim Cash Flow Statement and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Statements on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30<sup>th</sup> June 2007.

KPMG Audit Plc  
Chartered Accountants  
Crawley  
27<sup>th</sup> July 2007