

3<sup>rd</sup> August 2009

## Fidessa group plc

### Interim results for the period ended 30th June 2009

#### Fidessa reports strong growth despite unpredictable markets.

	2009	2008	Change	At constant currency
Revenue	£116.0m	£85.0m	+36%	+19%
Adjusted operating profit*	£15.7m	£11.2m	+40%	+22%
Operating profit	£12.6m	£8.9m	+42%	
Adjusted diluted earnings per share*	29.7p	22.5p	+32%	
Diluted earnings per share	23.2p	53.1p	-56%	
Dividend per share	10.0p	7.5p	+33%	

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

Highlights for the period ended 30<sup>th</sup> June 2009:

- Revenue up 19% and adjusted operating profit up 22%, both at constant currency.
- Recurring revenue now accounting for 81% of total revenue.
- Cash of £25m and no debt.
- User numbers growing and transaction volumes increasing over network.
- New contract wins across buy-side, sell-side and central markets.
- Strong growth in consultancy revenue.

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

“**Fidessa** has delivered high growth during the first half of 2009. This growth has benefited from the weakness of sterling during the first half compared to the prior year but even at constant currency the underlying growth rate is still strong.

Generally, stability has started to return to the market during the first half of 2009 although cost pressure on some of our customers, combined with volatile exchange rates, are still making conditions difficult to predict. Overall, we have been able to make good progress across both existing accounts and new business lines, particularly where some of our customers are now gearing up to take advantage of the opportunities that are arising as a result of the improving markets. However, where customers are experiencing challenging conditions we are seeing some impact as these customers look to reduce their costs or explore strategic options.

In the short-term, the impact of structural changes within the industry, coupled with movements in exchange rates, makes the future difficult to predict. However, based on what we are currently seeing, we believe that we can deliver strong growth for 2009 as a whole, although we do not believe that the overall rate of growth for 2009 will be as high as that seen during the first half particularly when the impact of recent currency movements is taken into account.

Overall, we continue to view the changes that are occurring in the markets positively and believe that they will generate further opportunities for us over the longer term. We believe that in the current market conditions, it is vital that we maintain our strategy of investment in the business as we look to assist our customers in developing their businesses in new ways throughout all the regions in which we operate."

## Financial Summary

For the six months to 30<sup>th</sup> June 2009 strong growth in revenue has been achieved, up 36% to £116.0 million, from £85.0 million for the same period last year. The growth has been assisted by sterling being weak in the early months of the period although this benefit has diminished towards the end of the period. At constant currencies the revenue growth was 19%. The strong growth continued to be driven by the momentum in recurring revenue which increased to £93.9 million (2008: £65.5 million), now representing 81% of total revenue. Growth continued to be strong across all regions and consultancy revenue continues to be robust with an increase of 14% over the same period last year. The deferred revenue in the balance sheet at the period end was £38.1 million, representing 16% of annualised revenue that can be recognised in future months.

Looking at the breakdown of recurring revenue across our areas of focus, indicative values for the first six months are that £59 million (2008: £40 million) arose from sell-side trading, £7 million (2008: £6 million) from buy-side trading, £18 million (2008: £12 million) from connectivity and £10 million (2008: £8 million) from market data.

Strong growth in operating profit was also achieved, up 40% to £15.7 million (2008: £11.2 million), being an operating margin of 13.5% (2008: 13.1%). This has been measured before the amortisation of acquired intangibles and with the settlement of the patent dispute removed from the comparable period. The unadjusted operating profit was up 42% to £12.6 million (2008: £8.9 million). In order to be more prudent and consistent, the estimated lives of the complete technology and marketing related intangible assets arising from the LatentZero acquisition have been reduced and as a result the amortisation of acquisition intangibles has increased to £3.0 million (2008: £1.3 million).

In 2008 the disposal of the investment in Touchpaper provided a material one-off gain and this, combined with the reduction in interest rates on bank and other deposits, accounts for the decrease in finance income to £0.1m (2008: £12.9 million).

The effective tax rate was 35.2%, being a small improvement on the underlying rate of 35.5% for 2008. The cash tax rate continues to be materially lower than the charge in the income statement and was 31.3% in the period.

Diluted earnings per share, adjusted to exclude the amortisation of acquisition intangibles, Touchpaper gains, patent dispute settlement and notional interest charge, which the directors believe provides a better indication of the underlying performance of the business, was 29.7 pence for the period, an increase of 32% from 22.5 pence for the first half of 2008.

The business continues to generate cash from operations and the operating cash conversion rate was 170%. The cash balance decreased to £25.0 million from £33.1 million at the year end as the final part of the contingent consideration from the LatentZero acquisition was paid and the final dividend for 2008 was paid. Capital expenditure in the period was 7% of revenue.

The interim dividend has been increased by 33% to 10.0 pence and will be paid on 28<sup>th</sup> September 2009 to shareholders on the register at the close of business on 28<sup>th</sup> August 2009, with an ex-dividend date of 26<sup>th</sup> August 2009.

# Operations

## Introduction

The first half of 2009 has seen a degree of stability returning to the financial markets. However, the effects of the events of 2008 continue to be felt with the pressure causing many of our customers to re-evaluate their business models. Decreased asset prices have inevitably led to significant decreases in values traded and asset managers have seen significant reductions in their fee income. Pressure on costs throughout the industry is causing an impact on the structure of the markets for many participants. Some of the resulting changes are beneficial for **Fidessa**, such as increased fragmentation of liquidity as participants search for lower cost execution. Automated and smart trading solutions have also become more important, with focus increasing on multi-asset class support across both the buy-side and sell-side.

The cost pressure throughout the industry is forcing all firms to look closely at their business models, whether they are buy-sides, sell-sides or central markets. Some of these firms are reviewing their strategic options, and the last 12 months has seen an increased level of M&A activity across our customer base. Some smaller firms, which were less affected by the market turmoil during 2008, are now coming under sustained cost pressure in a more competitive environment. At the same time, other smaller firms are now thriving as the market pressures have created opportunities for niche players with specific understanding of areas of the market. Within **Fidessa's** larger customers, particularly on the sell-side, where the conditions in 2008 resulted in capacity being rapidly removed from the market, there has been a resurgence as these firms benefit from stabilised balance sheets and are able to expand in a less competitive market.

Although there has been acute pressure across the market to reduce headcount, this has not resulted in a reduction in the total number of **Fidessa** positions which has increased to over 24,000 (from around 22,000 at the end of 2008) as the number of customers taking a **Fidessa** solution has increased.

Following the events of 2008 there is a strong expectation across the industry of increased regulation. This has yet to manifest in specific detail, but reviews are already underway of the rules surrounding MiFID as well as potential changes within the roles of the regulators themselves. The outcome of these reviews is likely to result in changes to workflow and increased reporting requirements. These changes should benefit **Fidessa** on both the buy-side and sell-side, as firms look for a leading automated compliance and reporting solution in order to meet their obligations without incurring substantial increases in their costs.

## Buy-side

The current markets have generally been challenging for buy-side firms with an unpredictable investment climate combined with pressure on fee income. This has resulted in a number of buy-side firms reviewing their operations and some prospects have put projects on hold as they wait for more certainty. There has, however, been a continued stream of additional projects mainly focused around reducing the total cost of ownership of the systems that are used. This manifests in customers looking for wider asset class support within the **Fidessa LatentZero** product set so that they can maximise the value they get from these products across their business. In this area there has been particular interest in increased use of OTC derivatives, with support for these assets being rolled out more widely across the customer base. The drive to reduce the cost of ownership has also resulted in customers looking to take more services from **Fidessa** in order to outsource more functions to their strategic vendor.

In anticipation of additional regulation of the financial markets, there has been a marked increase in demand for solutions to assist with compliance and operational control. This has particularly been the case amongst the larger hedge funds which are becoming increasingly similar to institutional asset managers in their management approach. Compliance is an area in which **Fidessa** is particularly well positioned and with one of the market leading products in this area, further investment is planned throughout the remainder of 2009 to extend this lead. Within its larger buy-side customers, **Fidessa** is seeing increased opportunities to extend the functionality provided within the **Fidessa LatentZero** suite, and will be working with these customers to ensure the products deliver to their requirements.

During the first half of 2009 **Fidessa** has continued to make progress in Asia, with LIM Advisors Limited, an Asian-based multi-strategy investment group with approximately US\$900 million in assets under management, going live successfully with the full **Fidessa LatentZero** front office suite. It is expected that there will be growing interest from the Asian buy-side community for automation of their workflow and further investment in the **Fidessa LatentZero** products and support capability are planned for this region.

The **Fidessa LatentZero** execution management workstation (EMS), which provides order routing and execution tools for non-member firms to trade financial markets, has continued to expand its client base. The second half of 2009 will see the launch of support for US options and for program trading functionality, positioning it well for use by long only funds.

The drive to reduce the total cost of operations has also resulted in further interest in a hosted version of the **Fidessa LatentZero** products. This would allow customers to reduce the level of technical infrastructure and support that they need in order to operate a market leading workflow solution. **Fidessa** will continue to pursue this option further, leveraging the datacentres and high quality market data resources it already has in place, as well as the connectivity network already being operated from within these datacentres.

### **Global Connectivity**

**Fidessa's** connectivity solutions are an increasingly important part of the services that it offers to both the buy-side and sell-side communities. The network connects buy-side investment firms to sell-side brokers, links brokers to the world's financial markets for trading and offers a broad range of other services in support of these processes. Integrated into **Fidessa's** own buy-side and sell-side products or available as a discrete global network solution in its own right, connectivity has become a core service offering for which the company is now recognised as a market leader.

With the turmoil that has been seen over the last year in the financial markets, and the changing shape of the sell-side landscape that has ensued, many buy-side firms no longer wish to rely on the services of one or two large brokers, but instead want diversification with connections to a larger number to spread any risk. There is also a desire to be able to select multiple brokers based on specific skills, such as geography or asset-class, or by the particular services that they offer. Brokers correspondingly are trying to link to more and more buy-sides to retain order flow levels, and want to offer broader coverage and more innovative trading services to remain competitive and so both attract and retain clients.

The markets themselves continue to evolve too, with more and more new venues appearing and existing venues offering more diverse services in order to compete. This has led to the increasing fragmentation of liquidity across disparate trading venues and a corresponding need for firms to monitor and connect to a broader range of markets to ensure they can find the liquidity they require and achieve the best price. Indeed, regulations such as MiFID in Europe dictate that firms

need to have best execution policies in place and to be able to show that they are adhering to them.

Within the buy-side, many investment firms are expanding their horizons in terms of the international markets and asset classes they use in the search for Alpha as well as for hedging purposes. The communications infrastructure involved in this is large and complex, and outsourcing this requirement is helping to drive demand for connectivity networks.

Over the first six months of 2009, **Fidessa** has continued the expansion of the connectivity solutions that it offers as an increasing number of firms have connected. There are now over 400 brokers available on the **Fidessa** network offering a mixture of both direct and algorithmic trading services to around 2,300 buy-side clients across over 120 markets around the world. Despite the pressure in the financial markets, the usage of **Fidessa's** network has continued to increase with traffic up by over 20% (since the end of 2008) to around 220 million messages a month. This equates to carrying business flow with a value of around \$600 billion per month.

Over the rest of the year **Fidessa** expects to extend its network further as more buy-sides and brokers connect to take advantage of the liquidity that can be accessed. The number of brokers is expected to increase, particularly with the addition of those offering niche services in some of the newer regions that **Fidessa** covers, such as Latin America and the Middle East, and with the addition of those covering some of the more exotic asset classes for which demand is growing. For smaller specialist brokers the **Fidessa** network has become an increasingly attractive option, as becoming a destination can enable them to access a substantial global buy-side audience from which they can potentially source significant new business flows.

### **Sell-side Trading**

Despite the challenging market conditions, **Fidessa** has continued to make progress with its sell-side offerings and has taken orders for around 30 new sell-side trading platforms spread across all regions. This has been driven by customers looking to reduce their costs as well as requirements for cross asset class solutions. In North America the first customer has gone live with **Fidessa's** US equity options support and further customers for this functionality are anticipated in the second half.

As a result of market conditions, several of **Fidessa's** smaller customers have seen continued pressure on their margins and this has had an inevitable impact on **Fidessa** with some of these customers reducing the level of service that they are looking to take or exploring alternatives. However, the same pressure has also benefited **Fidessa** with some customers looking to take **Fidessa** services and switch from other suppliers in order to reduce their costs while maintaining the level of quality and reliability that they need. The net impact of this has, so far, been in **Fidessa's** favour with any losses more than offset by new client wins.

The strength and value of **Fidessa's** propositions in market data were illustrated during the first half at Brewin Dolphin, one of the biggest independent private client investment managers in the UK. Here, **Fidessa** signed its largest ever market data workstation contract covering more than 700 positions. The contract was only awarded after a comprehensive evaluation of **Fidessa** against all the key competitors in this segment of the marketplace, looking at quality, value and functionality of the offerings.

Within **Fidessa's** larger customers, an appetite for expansion has started to develop with many of these customers looking to extend the service that they offer or increase the support they provide within different geographies. As a result, **Fidessa** is seeing demand developing for support of the Latin American, Nordic and Russian markets with firms looking to support flows in these regions

from within their global platform. In addition to the opportunities being developed by the large tier 1 firms, there are also opportunities developing within the existing exchanges and liquidity venues as these seek to differentiate themselves. The new liquidity venues are looking to develop innovative new business models, while traditional exchanges are focusing on extending their models and reducing their costs in order to compete with the new entrants. During the first half of 2009 **Fidessa** was awarded a contract to supply the London Stock Exchange's (LSE) Baikal dark pool with smart order routing technology as part of the LSE's response to the changed liquidity landscape and the first phase of this project is already live.

During the first half of 2009 interest has started to develop for "broad touch" trading. **Fidessa** has always provided a combination of products for high and low touch trading where high touch trading is centred on providing a relationship intensive service, giving access to specific market intelligence through highly experienced sales traders. High touch trading also typically involves providing aspects of customer relationship management. Low touch trading involves little manual intervention and requires low cost automated trading solutions. Over recent years, changes in the markets and the resulting competition between exchanges has resulted in strong growth in the requirements for low touch services. The current dynamics in the market have resulted in a move towards a combination of services which encapsulates both the full broker service for less liquid orders and also the highly sophisticated low cost electronic services where these are most appropriate. This change fits very well with **Fidessa's** strategy of providing a complete range of products across the entire workflow which can help its customers to provide a fully integrated "broad touch" service.

**Fidessa's** success has also continued in Asia with strong growth for the sell-side platform in Hong Kong. In addition, during the first half **Fidessa** also announced that Mito Securities Ltd, one of the most well-known Japanese domestic securities houses established for over 80 years, had selected **Fidessa's** hosted Japanese trading platform for trading Japanese cash equities. This represented the first sale of **Fidessa's** hosted Japanese trading platform to a domestic broker and illustrates the acceptance of **Fidessa** within the domestic Japanese trading community. As in other regions, the central market in Japan continues to invest in a new system, Arrowhead, which is scheduled to go live during 2010 and will significantly increase the performance of the central market. This will put pressure on local firms to examine the performance and scalability of their own systems and will provide an opportunity for **Fidessa** to provide its high performance technology more widely in this market.

**Fidessa's** strength in the US market was reaffirmed again during the first half when **Fidessa** was voted Best Sell-side Order Management System (OMS) in the annual Waters magazine readers' rankings. This was the second straight year **Fidessa** has won top position in this category.

## **First Half Important Events**

During the first half the key events in the Group's development have been the implementation of the Group's business plan against the background of the worst recession for several decades. The market has been unpredictable and currency movements have increased the level of risk faced by the Group compared to prior years. Despite this environment the Group has continued to deliver strong growth through focus on market requirements, most notably delivering lower cost of ownership whilst still allowing customers to maintain their position in the market and participate within the more fragmented liquidity environment.

During the first half the Group has continued with the fit out of new datacentre space in both Europe and North America in order to provide further capacity for growth in its ability to offer

software as a service (SaaS) across all its businesses. The Group believes that its range of SaaS offerings will be an increasingly important part of its service in the future.

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, 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 2009 is the challenging macroeconomic environment caused by the global financial crisis, which could have a material impact on the Group's performance over the next year and could cause actual results to differ materially from expected and historical results. A 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

During the first half of 2009 stability has started to return to the market although cost pressure on some of our customers, combined with volatile exchange rates, are still making conditions difficult to predict. Overall, we have been able to make good progress across both existing accounts and new business lines, particularly where some of our customers are now gearing up to take advantage of the opportunities that are arising as a result of the improving markets. However, where customers are experiencing challenging conditions we are seeing some impact as these customers look to reduce their costs or explore strategic options.

In the short-term, the impact of structural changes within the industry, coupled with movements in exchange rates, makes the future difficult to predict. However, based on what we are currently seeing, we believe that we can deliver strong growth for 2009 as a whole, although we do not believe that the overall rate of growth for 2009 will be as high as that seen during the first half particularly when the impact of recent currency movements is taken into account.

Overall, we continue to view the changes that are occurring in the markets positively and believe that they will generate further opportunities for us over the longer term. We believe that in the current market conditions, it is vital that we maintain our strategy of investment in the business as we look to assist our customers in developing their businesses in new ways throughout all the regions in which we operate.

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## Condensed Consolidated Interim Income Statement

For the six months ended 30<sup>th</sup> June 2009

		2009	2008	2008
		6 months to	6 months to	12 months to
		30 <sup>th</sup> June	30 <sup>th</sup> June	31 <sup>st</sup> December
		unaudited	unaudited	audited
	Note	£'000	£'000	£'000
Revenue	5	116,049	85,011	189,102
Operating expenses before amortisation of acquisition intangibles, patent dispute settlement and Lehman receivable write off	6	(100,560)	(74,044)	(162,735)
Other operating income		194	194	392
Operating profit before amortisation of acquisition intangibles, patent dispute settlement and Lehman receivable write off		15,683	11,161	26,759
Patent dispute settlement		-	(980)	(980)
Lehman receivable write off		-	-	(626)
Amortisation of acquisition intangibles		(3,037)	(1,316)	(2,631)
Operating profit		<u>12,646</u>	<u>8,865</u>	<u>22,522</u>
Finance income – bank and other		139	336	826
Finance income – gain from Touchpaper		-	12,525	13,075
Total finance income	7	<u>139</u>	<u>12,861</u>	<u>13,901</u>
Finance cost – notional interest on contingent consideration		(131)	(204)	(465)
Profit before income tax		<u>12,654</u>	<u>21,522</u>	<u>35,958</u>
Income tax expense	8	<u>(4,456)</u>	<u>(2,983)</u>	<u>(8,293)</u>
Profit for the period		<u>8,198</u>	<u>18,539</u>	<u>27,665</u>
Earnings per share:	9			
Basic		23.5p	53.9p	80.1p
Diluted		23.2p	53.1p	79.1p

## Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30<sup>th</sup> June 2009

	2009	2008	2008
	6 months to	6 months to	12 months to
	30 <sup>th</sup> June	30 <sup>th</sup> June	31 <sup>st</sup> December
	unaudited	unaudited	audited
	£'000	£'000	£'000
Profit for the period from the income statement	8,198	18,539	27,665
Currency translation adjustments	(3,423)	320	5,399
Current tax not recognised in the income statement	1,049	171	485
Deferred tax not recognised in the income statement	1,823	125	(463)
Total comprehensive income for the period	<u>7,647</u>	<u>19,155</u>	<u>33,086</u>

## Condensed Consolidated Interim Balance Sheet

As at 30<sup>th</sup> June 2009

		2009	2008	2008
		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		30,632	20,265	31,317
Intangible assets		76,312	76,163	77,150
Deferred tax assets		3,547	2,793	3,184
<b>Total non-current assets</b>		<b>110,491</b>	<b>99,221</b>	<b>111,651</b>
<b>Current assets</b>				
Trade and other receivables	11	63,109	42,666	60,636
Income tax receivable		131	366	230
Cash and cash equivalents		25,001	29,987	33,146
<b>Total current assets</b>		<b>88,241</b>	<b>73,019</b>	<b>94,012</b>
<b>Total assets</b>		<b>198,732</b>	<b>172,240</b>	<b>205,663</b>
<b>Equity</b>				
Issued capital		3,573	3,508	3,517
Share premium		17,755	16,614	17,020
Merger reserve		17,938	13,947	13,947
Cumulative translation adjustment		517	(1,139)	3,940
Retained earnings		71,822	59,313	65,863
<b>Total equity</b>		<b>111,605</b>	<b>92,243</b>	<b>104,287</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other payables		478	1,280	553
Deferred tax liabilities		6,596	5,812	8,425
<b>Total non-current liabilities</b>		<b>7,074</b>	<b>7,092</b>	<b>8,978</b>
<b>Current liabilities</b>				
Contingent consideration		-	9,731	9,987
Trade and other payables	12	77,824	60,914	80,320
Current income tax liabilities		2,229	2,260	2,091
<b>Total current liabilities</b>		<b>80,053</b>	<b>72,905</b>	<b>92,398</b>
<b>Total liabilities</b>		<b>87,127</b>	<b>79,997</b>	<b>101,376</b>
<b>Total equity and liabilities</b>		<b>198,732</b>	<b>172,240</b>	<b>205,663</b>

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

	Issued capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Note						
<b>Balance at 1<sup>st</sup> January 2008 (audited)</b>	3,463	16,488	9,298	(1,459)	44,147	71,937
Total comprehensive income for the period	-	-	-	320	18,835	19,155
Issue of shares - acquisition	42	-	4,649	-	-	4,691
Issue of shares - exercise of options	3	126	-	-	-	129
Employee share incentive charges	6	-	-	-	467	467
Sale of own shares by employee share trust	-	-	-	-	13	13
Dividend paid	10	-	-	-	(4,149)	(4,149)
<b>Balance at 30<sup>th</sup> June 2008 (unaudited)</b>	3,508	16,614	13,947	(1,139)	59,313	92,243
Total comprehensive income for the period	-	-	-	5,079	8,852	13,931
Issue of shares - exercise of options	9	406	-	-	-	415
Employee share incentive charges	6	-	-	-	674	674
Purchase of own shares by employee share trust	-	-	-	-	(473)	(473)
Sale of own shares by employee share trust	-	-	-	-	99	99
Dividend paid	10	-	-	-	(2,602)	(2,602)
<b>Balance at 31<sup>st</sup> December 2008 (audited)</b>	3,517	17,020	13,947	3,940	65,863	104,287
Total comprehensive income for the period	-	-	-	(3,423)	11,070	7,647
Issue of shares - acquisition	36	-	3,991	-	-	4,027
Issue of shares - exercise of options	19	735	-	-	-	754
Employee share incentive charges	6	-	-	-	624	624
Sale of own shares by employee share trust	-	-	-	-	254	254
Dividend paid	10	-	-	-	(5,988)	(5,988)
<b>Balance at 30<sup>th</sup> June 2009 (unaudited)</b>	3,572	17,755	17,938	517	71,823	111,605

## Condensed Consolidated Interim Cash Flow Statement

For the six months ended 30<sup>th</sup> June 2009

		2009 6 months to 30 <sup>th</sup> June unaudited £'000	2008 6 months to 30 <sup>th</sup> June unaudited £'000	2008 12 months to 31 <sup>st</sup> December audited £'000
	Note			
<b>Cash flows from operating activities</b>				
Profit before income tax		12,654	21,522	35,958
Adjustments for:				
Staff costs – share incentives	6	624	467	1,141
Product development amortised	6	6,223	4,816	10,229
Depreciation of property, plant and equipment	6	6,398	4,037	9,274
Amortisation of acquisition intangibles	6	3,037	1,316	2,631
Amortisation of other intangible assets	6	599	345	1,060
Loss on sale of property, plant and equipment	6	66	-	-
Finance cost		131	204	465
Finance income		(139)	(12,861)	(13,901)
Cash generated from operations before changes in working capital		29,593	19,846	46,857
Movement in trade and other receivables		(6,610)	(6,007)	(13,870)
Movement in trade and other payables		2,522	9,776	16,431
Cash generated from operations		25,505	23,615	49,418
Income tax paid		(3,966)	(3,327)	(6,731)
<b>Net cash generated from operating activities</b>		<b>21,539</b>	<b>20,288</b>	<b>42,687</b>
<b>Cash flows from investing activities</b>				
Acquisition of LatentZero		(6,597)	(7,753)	(7,753)
Purchase of property, plant and equipment		(7,663)	(9,977)	(22,724)
Purchase of other intangible assets		(387)	(593)	(1,010)
Product development capitalised	6	(8,669)	(6,960)	(14,916)
Interest received on cash and cash equivalents		139	340	809
Interest received on Touchpaper loan notes	13	-	488	488
Proceeds from capital repayment of Touchpaper loan notes	13	-	1,900	1,900
Proceeds from sale of Touchpaper ordinary and preferred ordinary shares	13	346	11,201	11,035
<b>Net cash used in investing activities</b>		<b>(22,831)</b>	<b>(11,354)</b>	<b>(32,171)</b>
<b>Cash flows from financing activities</b>				
Shares issued		754	129	544
Purchase of own shares by employee share trust		-	-	(473)
Sale of own shares by employee share trust		254	13	112
Dividends paid	10	(5,988)	(4,149)	(6,751)
<b>Net cash used in financing activities</b>		<b>(4,980)</b>	<b>(4,007)</b>	<b>(6,568)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(6,272)</b>	<b>4,927</b>	<b>3,948</b>
Cash and cash equivalents at 1 <sup>st</sup> January		33,146	24,820	24,820
Effect of exchange rate fluctuations on cash held		(1,873)	240	4,378
<b>Cash and cash equivalents at end of period</b>		<b>25,001</b>	<b>29,987</b>	<b>33,146</b>

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. Reporting entity

Fidessa group plc (the "Company") 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 2009 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 2008 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 2008 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 the Disclosure and Transparency Rules of the Financial Services Authority and with the 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 2008.

The condensed consolidated interim financial statements were approved by the Board of Directors on 31<sup>st</sup> July 2009.

## 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 2008 with the exception of IFRS8 *Operating Segments* and revised IAS1 *Presentation of Financial Statements* which have been adopted.

## 4. Estimates

The preparation of condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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 in the same areas as those that applied to the consolidated financial statements as at and for the year ended 31<sup>st</sup> December 2008. The Directors have reviewed the estimated life of the intangible assets arising from the acquisition of LatentZero. The estimated life for complete technology has been revised from five years to three years, this now being consistent with the estimated life for product development that the group undertakes. The estimated life for brands and marketing related assets has been revised from eight years to three years, reflecting the prevalence of the Fidessa brand as the synergistic opportunities between the buy-side and sell-side continue to develop. The estimated life of customer relationships remains unchanged at ten years as no material change in this area has been detected. The impact of these changes to estimated life is that the amortisation for the six month period has increased from £1,316,000 to £3,037,000.

## 5. Segment reporting

The business is structured into three business units; Enterprise, Hosted and LatentZero. Shared and support services such as 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 LatentZero business unit is 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 capitalised and amortised, which is not an IFRS measure. Finance income, finance costs, assets and liabilities are not reported by business unit.

For the six months to 30 <sup>th</sup> June 2009	Enterprise	Hosted	LatentZero	Total
	£'000	£'000	£'000	£'000
Revenue from external customers	45,713	58,957	11,379	116,049
Inter-business unit revenue	-	5,706	691	6,397
Business unit profit contribution	29,568	20,395	3,537	53,500

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

For the six months to 30 <sup>th</sup> June 2009	£'000
Business unit profit contribution	53,500
Product development	(10,391)
Central staff costs	(13,093)
Building costs	(9,377)
Other unallocated costs	<u>(7,402)</u>
Operating profit as monitored by the Operating Board	13,237
Amortisation of acquisition intangibles	(3,037)
Product development capitalised	8,669
Product development amortised	<u>(6,223)</u>
Operating profit in the Income Statement	12,646
Finance income	139
Finance cost	<u>(131)</u>
Profit before income tax in the Income Statement	<u>12,654</u>

The business unit structure was established during the second half of 2008. Comparable numbers for 2008 are available for revenue from external customers but not for inter-business unit revenue or business unit profit contribution. The comparable revenue from external customers for 2008 is as follows:

Revenue from external customers	Enterprise £'000	Hosted £'000	LatentZero £'000	Total £'000
For the six months to 30 <sup>th</sup> June 2008	31,704	43,426	9,881	85,011
For the year ended 31 <sup>st</sup> December 2008	69,648	99,441	20,013	189,102

IFRS 8 *Operating Segments* requires that when the internal structure of an organisation changes and corresponding numbers for prior periods cannot be produced then the segment information under the previous structure should also be presented for the current and prior period. The following tables present the segment information in the same format as reported in prior years.

For the six months ended 30 <sup>th</sup> June 2009	Europe £'000	North America £'000	Asia £'000	Total £'000
Segment revenue	<u>57,435</u>	<u>43,271</u>	<u>15,343</u>	<u>116,049</u>
Segment result	9,129	10,124	4,795	24,048
Product development amortised				(6,223)
Acquisition intangibles amortised				(3,037)
Central costs				<u>(2,142)</u>
Operating profit				<u>12,646</u>

For the six months ended 30 <sup>th</sup> June 2008	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'000
Segment revenue	44,959	29,528	10,524	85,011
Segment result	7,542	5,537	4,749	17,828
Patent dispute settlement				(980)
Product development amortised				(4,816)
Acquisition intangibles amortised				(1,316)
Central costs				(1,851)
Operating profit				8,865
For the year ended 31 <sup>st</sup> December 2008	Europe	North America	Asia	Total
	£'000	£'000	£'000	£'000
Segment revenue	95,849	69,492	23,761	189,102
Segment result	14,149	14,192	10,104	38,445
Patent dispute settlement				(980)
Lehman receivable write off				(626)
Product development amortised				(10,229)
Acquisition intangibles amortised				(2,631)
Central costs				(1,457)
Operating profit				22,522

## 6. Operating expenses

	6 months to 30 <sup>th</sup> June 2009 unaudited £'000	6 months to 30 <sup>th</sup> June 2008 unaudited £'000	12 months to 31 <sup>st</sup> December 2008 audited £'000
Staff costs – salaries	49,929	37,155	80,031
Staff costs – social security	5,069	3,716	7,399
Staff costs – pension	771	347	1,127
Staff costs – share incentives	624	467	1,141
<b>Total staff costs</b>	<b>56,393</b>	<b>41,685</b>	<b>89,698</b>
Amounts payable to subcontractors	2,289	2,575	4,773
Depreciation of property, plant and equipment	6,398	4,037	9,274
Amortisation of other intangible assets	599	345	1,060
Product development capitalised	(8,669)	(6,960)	(14,916)
Product development amortised	6,223	4,816	10,229
Communications and data	16,684	12,061	26,901
Operating lease rentals - property	6,491	4,433	10,014
Operating lease rentals – plant and machinery	14	13	25
Loss on sale of property, plant and equipment	66	-	-
Exchange loss/(gain)	1,154	(37)	(1,657)
Other operating expenses	12,918	11,076	27,334
<b>Operating expenses before amortisation of acquisition intangibles, patent dispute settlement and Lehman receivable write off</b>	<b>100,560</b>	<b>74,044</b>	<b>162,735</b>
Patent dispute settlement	-	980	980
Lehman receivable write off	-	-	626
Amortisation of acquisition intangibles	3,037	1,316	2,631
<b>Total operating expenses</b>	<b>103,597</b>	<b>76,340</b>	<b>166,972</b>

## 7. Finance income

	6 months to 30 <sup>th</sup> June 2009 unaudited £'000	6 months to 30 <sup>th</sup> June 2008 unaudited £'000	12 months to 31 <sup>st</sup> December 2008 audited £'000
Interest receivable on cash and cash equivalents	106	328	791
Other interest receivable	33	8	35
Interest received on Touchpaper "A" and "B" loan notes	-	488	488
Capital repayment of Touchpaper "A" and "B" loan notes	-	1,900	1,900
Sale of Touchpaper ordinary and preferred ordinary shares	-	10,137	10,687
<b>Total finance income</b>	<b>139</b>	<b>12,861</b>	<b>13,901</b>

## 8. Income tax expense

The charge for tax for the six months ended 30<sup>th</sup> June 2009 has been calculated based on the estimate of the weighted average annual income tax rate expected for the full year. 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, tax deductions not recognised in the income statement and under or over provisions in previous periods.

The total tax charge for the six months ended 30<sup>th</sup> June 2009 is £4.5 million (six months ended 30<sup>th</sup> June 2008: £3.0 million). The tax charge includes an overseas charge of £2.7 million (six months ended 30<sup>th</sup> June 2008 £1.9 million). The tax charge equates to an effective tax rate of 35.2% (2008: 13.9%). The increase in the effective tax rate is due to the majority of the gain on the Touchpaper sale in 2008 being non-taxable.

## 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 861p (for six months to 30<sup>th</sup> June 2008 803p, for 12 months to 31<sup>st</sup> December 2008 765p).

	6 months to 30 <sup>th</sup> June 2009 unaudited £'000	6 months to 30 <sup>th</sup> June 2008 unaudited £'000	12 months to 31 <sup>st</sup> December 2008 audited £'000
Profit attributable to shareholders	8,198	18,539	27,665
Amortisation of acquisition intangibles net of deferred tax	2,187	948	1,881
Patent dispute settlement net of income tax	-	550	550
Lehman receivable write off net of income tax	-	-	514
Notional interest on contingent consideration	131	202	465
Gains relating to Touchpaper net of income tax	-	(12,386)	(12,936)
Profit attributable to shareholders after adjustments	<u>10,516</u>	<u>7,853</u>	<u>18,139</u>

	6 months to 30 <sup>th</sup> June 2009 unaudited Number '000	6 months to 30 <sup>th</sup> June 2008 unaudited Number '000	12 months to 31 <sup>st</sup> December 2008 audited Number '000
Weighted average number of shares in issue	35,387	34,852	34,994
Weighted average number of shares held by the employee share trusts	(481)	(487)	(477)
Shares used to calculate basic earnings per share	34,906	34,365	34,517
Dilution due to share incentives	462	526	471
Shares used to calculate diluted earnings per share	35,368	34,891	34,988
Basic earnings per share	23.5p	53.9p	80.1p
Diluted earnings per share	23.2p	53.1p	79.1p
Basic earnings per share on adjustments	6.6p	(31.0)p	(27.5)p
Diluted earnings per share on adjustments	6.5p	(30.6)p	(27.3)p
Basic earnings per share after adjustments	30.1p	22.9p	52.6p
Diluted earnings per share after adjustments	29.7p	22.5p	51.8p

## 10. Dividends

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

	Dividend value per share	Dividend value £'000
2007 final dividend paid 2 <sup>nd</sup> June 2008	12.0p	4,149
2008 interim dividend paid 29 <sup>th</sup> September 2008	7.5p	2,602
2008 final dividend paid 8 <sup>th</sup> June 2009	17.0p	5,988

An interim dividend in respect of 2009 of 10.0p per share, amounting to an expected dividend of £3,530,000, was declared by the directors at their meeting on 31<sup>st</sup> July 2009. This interim dividend will be payable on 28<sup>th</sup> September 2009 to shareholders on the register at the close of business on 28<sup>th</sup> August 2009, with an ex-dividend date of 26<sup>th</sup> August 2009. These condensed consolidated interim financial statements do not reflect this dividend payable.

## 11. Trade and other receivables

As at:	30 <sup>th</sup> June 2009 unaudited £'000	30 <sup>th</sup> June 2008 unaudited £'000	31 <sup>st</sup> December 2008 audited £'000
Trade receivables	52,913	35,858	49,891
Prepayments	4,190	2,930	3,981
Accrued revenue	2,575	2,010	2,148
Other receivables	3,431	1,868	4,616
Total trade and other receivables	<u>63,109</u>	<u>42,666</u>	<u>60,636</u>

## 12. Current liabilities; trade and other payables

As at:	30 <sup>th</sup> June 2009 unaudited £'000	30 <sup>th</sup> June 2008 unaudited £'000	31 <sup>st</sup> December 2008 audited £'000
Trade payables	7,252	7,368	4,094
Accrued expenses	28,285	21,477	33,017
Deferred revenue	38,147	29,409	38,241
Other taxes and social security	4,140	2,660	4,968
Total trade and other payables	<u>77,824</u>	<u>60,914</u>	<u>80,320</u>

## 13. Sale of investment in Touchpaper in 2008

In July 2001 the royalblue technologies help desk and call centres 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 31<sup>st</sup> 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 30<sup>th</sup> June 2008 Avocent Ireland Holdings Limited acquired the entire share capital of Touchpaper and the preference shares and loan notes were redeemed. The Company recorded a gain in 2008 of £10,687,000 for the sale and redemption of the ordinary and preference shares, £1,900,000 for the redemption of the loan notes and £488,000 for the accrued interest on the loan notes. The consideration recognised to date comprises payment at completion of £12,525,000 plus amounts held in escrow in respect of working capital at completion and indemnities and general warranties of £550,000. During 2009 £346,000 has been received in respect of the working capital escrow. The maximum value of the escrow money in respect of the indemnities and general warranties is £3,404,000 and is not due for release until the second half of 2010 at the earliest.

**14. 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 at Dukes Court, Duke Street, Woking, Surrey GU21 5BH and on the Company's website, [www.fidessa.com](http://www.fidessa.com).

## Responsibility Statement of the Directors in respect of the interim financial report

We confirm that to the best of our knowledge:

- (a) the condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed financial statements; and a description of principal risks and uncertainties for the remaining six months of the year; and
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R of the *Disclosure and Transparency Rules* (being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so).

By order of the Board

Andy Malpass

Director

31<sup>st</sup> July 2009

# Independent Review Report to Fidessa group plc

## Introduction

We have been engaged by the Company to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30<sup>th</sup> June 2009 which comprises the Condensed Consolidated Interim Income Statement, the Condensed Consolidated Interim Statement of Comprehensive Income, 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 explanatory notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed financial statements.

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 Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). 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 half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed financial statements included in this half-yearly financial report have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed financial statements in the half-yearly financial report based on our review.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Statements on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements in the half-yearly financial report for the six months ended 30<sup>th</sup> June 2009 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Paul R Gresham  
For and on behalf of  
KPMG Audit Plc  
Chartered Accountants  
31<sup>st</sup> July 2009

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