

Fidessa group plc

Preliminary results for the year ended 31st December 2011

Fidessa delivers good performance despite the challenges in the financial markets

	2011	2010	Change	At constant currencies
Revenue	£278.3m	£262.3m	+6%	+7%
Adjusted operating profit ¹	£42.9m	£39.8m	+8%	+9%
Operating profit	£42.1m	£37.3m	+13%	
Adjusted pre-tax profit ¹	£43.2m	£40.0m	+8%	
Pre-tax profit	£42.5m	£39.7m	+7%	
Adjusted diluted earnings per share ¹	82.4p	74.4p	+11%	
Diluted earnings per share	81.0p	75.6p	+7%	
Annual dividend per share	36.5p	33.0p	+11%	
Special dividend per share	45.0p	45.0p	–	

¹Adjusted where relevant to remove the effect of Touchpaper gains and acquisition intangibles amortisation.

Highlights for the year ended 31st December 2011:

- Revenue up 7% at constant currencies with 82% recurring.
- Growth across all regions.
- Growth across all market sectors.
- Over 50% of revenue now coming from outside Europe with Asia and the Americas delivering stronger growth.
- Multi-asset initiative coming to fruition.
- Cash of £70.9m after payment of £28.8m in annual and special dividends.

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

“Fidessa has continued delivering good growth throughout 2011 despite the challenging conditions that have persisted within the markets. These challenges included low volumes of trading across the equity markets, uncertainty around the stability of the Eurozone, uncertainty with regard to regulation, high levels of volatility, the earthquake in Japan as well as continued structural pressure on many market participants. Despite this, we have continued to make progress across the regions, particularly with our larger customers as they seek strategic partners with the scale, vision and resource to

support their broadening needs. The investment we have been making in our multi-asset offering has started to come to fruition, with Citi selecting Fidessa to provide a workflow and trading platform to support their global listed derivatives business. This deal confirms the strength of our proposition for the derivatives markets and positions us well for significant revenue growth in this area of the business. The pressure our smaller customers have been experiencing in recent years has continued and we believe that this has further to go, with more of these firms expected to consolidate or leave the market during 2012. Within our larger customer base we have also seen some instability with the demise of MF Global and the RBS announcement that it is exiting its equities business. Whilst the situations at MF Global and RBS clearly indicate the difficulties being experienced by some of our customers, we believe that they are related to specific issues at these firms and are not representative of a general market trend among larger firms.”

Commenting on current trading, Chris Aspinwall continued:

“In the short-term, given the stress that is still apparent within the financial markets, we believe that conditions will remain difficult for some time to come. However, we believe there will still be good opportunities for growth, particularly through extending our derivatives presence and leveraging our infrastructure to deliver greater value to our larger customers. In order to develop these opportunities we are increasing our development spend, both in terms of actual product development and also in terms of investment in the infrastructure and expertise required to support these initiatives. As a result of this investment and the ongoing market conditions, we believe that whilst we can continue to deliver growth in 2012, this growth is likely to be at levels which are lower than we have seen during 2011.

Looking further ahead, we believe that we will see stability returning to the markets and that reduced headwinds will enable us to return to more historic growth levels as our new initiatives gain momentum. Fidessa will continue to play an important role in providing the solutions that the industry needs and we will maintain our position as an important participant within the financial community. We expect that there will be a long-term, ongoing focus on efficiency within the market resulting in further significant growth opportunities, and we will maintain our strategy of investment in the business to bring the right solutions to our customers across all the regions in which we operate.”

Financial Summary

In 2011, Fidessa delivered growth in revenue of 6% to £278.3 million (2010: £262.3 million). The growth rate has been constrained by the relative strength of Sterling and at constant currencies the revenue growth would have been 7%. There continues to be an impact on revenue growth from insolvencies, consolidation and restructuring across the sector and in the absence of these events the growth rate could have been more than six percentage points higher. There was a step up in the level of these events in the latter part of 2011, with the largest individual item being the closure of MF Global, which represented 1.3% of total revenue. The turbulence has continued into 2012 and the impact on the revenue growth rate in the current year from events that have already occurred is expected to be at a similar level to that seen in 2011.

The growth achieved in the year has been in both recurring and non-recurring revenue with the recurring revenue now representing 82% of total revenue, being £228.7 million (2010: £213.5 million). The breakdown of recurring revenue generated by market sector is £139 million (2010: £133 million) from sell-side trading, £15 million (2010: £14 million) from buy-side trading, £50 million (2010: £43 million) from connectivity and £24 million (2010: £23 million) from market data.

On a regional basis, the Americas showed the strongest growth with an increase of 12% and accounted for 36% of total revenue, whilst Asia grew by 8% and accounted for 15% of total revenue and Europe grew by 2% and accounted for 49% of total revenue. The tragic events in Japan have impacted the growth rate for Asia. They resulted in an immediate loss of fee-earning days that reduced revenue by £0.5 million. There has been an ongoing consequential effect through the year resulting in the revenue from Japan declining 8% in the year.

The deferred revenue in the balance sheet at the end of the year was £48.2 million (2010: £47.5 million). The deferred revenue balance represents 17% of revenue and can be recognised as such in the forthcoming months.

Growth in EBITDA (earnings before interest, tax, depreciation and amortisation) and operating profit has also been achieved. EBITDA has increased by 6% to £52.7 million (2010: £49.6 million). The adjusted operating profit was up 8% to £42.9 million (2010: £39.8 million). The growth rate has been constrained by the relative strength of Sterling and at constant currencies the growth in adjusted operating profit would have been 9%. This represents an operating margin of 15.4% for the year, up slightly from the 15.2% achieved in 2010. The adjusted operating profit has been measured before the amortisation of acquired intangibles. The unadjusted operating profit was up 13% to £42.1 million (2010: £37.3 million). Staff numbers have increased in the period and the average headcount for the year was up 10% at 1,681 (2010: 1,532).

The underlying tax rate has improved to 29.5% (2010: 31.9%), benefiting from the lower UK tax rates and the mix of earnings from overseas operations. This measure excludes from the 2010 calculation the effect of the majority of the Touchpaper gains being non-taxable. The effective tax rate including these gains is 29.5% for 2011 compared to 30.1% for 2010. The cash tax rate continues to be lower than the charge in the income statement and was 26.2% (2010: 27.9%).

Diluted earnings per share, adjusted to exclude the amortisation of acquisition intangibles and Touchpaper gains, was up 11% to 82.4 pence (2010: 74.4 pence). The directors believe this measure of earnings per share provides a better indication of the underlying performance of the business. The unadjusted diluted earnings per share was up 7% at 81.0 pence (2010: 75.6 pence).

The business continues to be strongly cash generative, closing the period with a cash balance of £70.9 million and no debt. During the year dividends of £28.8 million (2010: £25.3 million) were paid, which included the payment of a special dividend of £16.4 million (2010: £14.2 million). The net cash generated from operating activities was £70.5 million, representing an operating cash conversion rate of 166%.

The ordinary dividend for the full year is being increased by 11% to 36.5 pence (2010: 33.0 pence). The final dividend, if approved by shareholders, will be 24.5 pence, to be paid on 28th May 2012 to shareholders on the register on 27th April 2012, with an ex-dividend date of 25th April 2012. In addition, a special dividend of 45.0 pence (2010: 45.0 pence) is proposed and, if approved by shareholders, will be paid at the same time as the final dividend.

Market Review¹

Introduction

Conditions in the financial markets during 2011 were generally more difficult than many of our customers were anticipating, with a widely expected uptick in the second half failing to materialise as the Eurozone crisis deepened. Trading volumes across most of the main equity markets in 2011 were at their lowest levels for many years and there were also high levels of volatility. These conditions had an inevitable impact on Fidessa's customer base, with more companies looking at reducing their expenditure and increased levels of consolidation and corporate failure. As expected, the pressure was most keenly felt by the smaller firms whilst larger firms have generally been able to maintain their position, although there is clearly a strong focus on cost within this segment as well. Against this backdrop Fidessa has continued to make good progress through a programme of helping its customers reduce their costs, extending the range of asset classes it supports, extending its regional coverage and providing increasingly sophisticated infrastructure and data services. This has been demonstrated by the continued strength of the consultancy revenue and contracts for 81 new buy-side or sell-side platforms across the regions. These have included significant sales in North America and Europe as well as Asia, Latin America, the Nordics and Australia. During 2011 almost the entire headwind experienced by Fidessa has been due to market conditions and Fidessa has continued to win market share from its competitors, whilst losses of existing customers to competitors remained negligible. Overall new customer wins have offset the losses due to consolidation and business failures so that the number of customers using Fidessa services has remained stable, although the overall number of users has reduced slightly to just over 26,000.

Buy-side Trading

Despite the challenging economic conditions experienced by many buy-side firms, Fidessa's buy-side business delivered good growth during 2011. Economic conditions, along with an increasing regulatory burden, meant that market sentiment within the buy-side remained mixed and continued cost controls at many firms meant that moving ahead with new, large investment management deployments remained difficult. However, firms did look to leverage their existing investments for further asset classes, regions or users in a cost-effective manner and this presented a number of opportunities to expand the usage of Fidessa software and to extend service based solutions. Compliance and regulation also remained key areas of opportunity, and compliance systems spearheaded Fidessa's new sales to larger buy-side firms including the company's first roll out to a domestic Japanese buy-side institution. Fidessa also won Buy-side Technology's 'Best Buy-side Compliance Product' award for the fourth year running, cementing Fidessa's position as the vendor that sets the standard in this space.

Over the year Fidessa has continued to evolve its buy-side business such that it has now become a high quality, strategic partner for its clients, with a robust delivery methodology to match its heritage and pedigree on the sell-side. Fidessa has now forged long-term relationships with its larger buy-side clients that broaden the scope of its activities and allow it to take increased ongoing responsibilities. In 2011, over 25% of existing clients signed up for significantly expanded levels of service from

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

Fidessa, covering a range of services including software, consultancy, connectivity and hosting activities. This included one of the largest global asset managers, State Street Global Advisors (SSgA), who have extended their use of Fidessa's buy-side investment solution to cover fixed income and compliance. In one of SSgA's largest upgrades to its front office systems, the firm now benefits from a single platform covering connectivity, trading workflow and pre-trade compliance for all asset classes.

Market execution capabilities were a key area of growth in the buy-side segment and Fidessa's Buy-side Workstation, with its software as a service (SaaS) based delivery model and broad coverage of trading venues, brokers and asset classes, proved popular. A number of new customers signed globally, including a deal covering users in London and Hong Kong and providing connections to over 40 remote brokers. The Buy-side Workstation's integrated transaction cost analysis (TCA) tools were an important element of this sale and these, combined with its basket trading functionality and handling of allocations, made it the compelling choice in this competitive market segment. During the year the capabilities and breadth of coverage of the Buy-side Workstation were extended still further, including the addition of FX trading functionality and access to FX trading venues.

Fidessa's portfolio of buy-side products and services is now firmly established within the industry and Fidessa is recognised as a market leader in this space. Going forward, Fidessa plans to continue to evolve its buy-side business model and build on the success it has had with its existing clients to grow the business further. Investment in the product set will continue, particularly with regard to leveraging its hosting, delivery and connectivity capabilities, and expanding further the range of services it can offer on a SaaS basis. This work, along with its close partnerships with key clients, positions Fidessa well to build on the sound foundations that have been established and leverage the opportunities that will arise as market conditions improve.

Global Connectivity and Market Data

The Fidessa community not only includes clients that use its trading software solutions, but also the broad range of buy-sides, sell-sides, venues and partners that connect to its global connectivity network to send, receive, trade and service order flow. With the increasing globalisation of markets, the growing desire of many firms to play on the global stage and the ever more complex trading strategies employed, resilient high-performance connectivity to the world's financial markets is now a vital necessity.

Fidessa's multi-asset network operates across the globe and now connects around 2,900 investment firms to 700 brokers facilitating trading on over 200 exchanges and other trading venues. As well as handling order and trade flow, it also supports a broad range of other functions, including pre-trade indications of interest (IOIs) and trade adverts, post-trade confirmations and allocations, and comprehensive real-time market prices and reference data as well.

With the challenging economic conditions that prevailed during 2011, the financial markets remained volatile with reduced trading volumes across most markets. Usage of Fidessa's global network continued to increase over the year, but the value of transactions handled by the network was broadly flat at around US\$800 billion per month, reflecting the conditions in the marketplace. The increased usage has come from expansion of the community of brokers using the network, particularly from the emerging regions, increased use by buy-side firms as they adopt Fidessa as their network of choice for their connectivity, as well as from more broker to broker flow. This broker to broker flow is created when smaller niche players leverage the capabilities of their larger counterparts, in terms of reach,

scale and advanced trading tools, thus enabling them to offer new services to their clients in a highly cost-effective and efficient manner. Another important feature of the Fidessa network is its multi-asset capability and as Fidessa builds on its success in the derivatives space, this positions it well for further expansion of the supporting connectivity solutions.

During 2011, Fidessa has continued to build the breadth and depth of its data coverage with around 20 new markets added. This growth is driven primarily by the need to provide high quality market data to Fidessa's trading platform clients and, as part of this, Fidessa has already extended its coverage to include many of the derivatives markets around the world. This expansion has meant that Fidessa's capability to offer high quality market data has become an increasingly valuable asset for the business in its own right. As a result, Fidessa is now able to offer pure data-feed services whether this is to trading system clients or other types of user. In 2011 ten such deals were signed and, because data from this type of service is often used across a large number of users, third party systems or in-house services within an organisation, the size of these deals tends to be larger than would normally be seen with a typical workstation transaction.

Fidessa believes the trading landscape will continue to change, fuelled by new regulations, new technology and the drive for competitive edge. This will result in the emergence of more new trading venues as well as new interfaces at existing trading destinations. These, coupled with the ever-increasing levels of data and the drive for faster and faster performance, mean that Fidessa will continue to invest in the network infrastructure and the development of connectivity software as a key element of its business. During 2011, Fidessa continued to enhance its offering with new data centre locations, the launch of a new, high-performance market data collection and dissemination architecture, and upgraded technology within its network infrastructure providing higher capacity with lower levels of latency. During 2012 Fidessa will continue these investments ensuring that it remains at the forefront of this key area of trading infrastructure, and creating new opportunities for Fidessa to deliver new services to the financial community.

Sell-side Trading

Fidessa's sell-side customers continued to face challenging market conditions during 2011. Fidessa has responded by supporting its clients' aspirations as they diversify their operations across more regions and asset classes, and look for a supplier with the scale and integrated global platform capabilities they need. This has resulted in further expansion of Fidessa's footprint with systems now live across the Nordics, Brazil, Mexico, Australia and a number of Asian countries. The expansion of Fidessa's footprint has also been accompanied by an expansion of Fidessa's global infrastructure capability adding new regional data centres, increased network capacity and new facilities in São Paulo and Sydney. In total over 20 new trading venues were added to Fidessa's platform during the year. These investments are enabling Fidessa to offer all its customers, regardless of size, a greater breadth of services which help them to rationalise their infrastructure and reduce their overall operating costs and maintain Fidessa's position as a class leader.

Fidessa has continued to work hard on the development of its multi-asset sell-side strategy focusing on the addition of support for the derivatives markets. Increasing market coverage and building better execution tools combined with industrial strength workflow remain the cornerstones of this development. During 2011 this initiative has been rapidly gaining momentum, with over 40 customers now using elements of Fidessa's derivative offering within their workflow. This progress was underlined in October when Fidessa signed an agreement with Citi to provide it with a class leading workflow and trading platform for the bank's global listed derivatives business. This partnership will

see Citi leverage Fidessa's scale and distribution to deliver a fully managed service that satisfies its listed derivatives needs around the world. As part of this solution Fidessa will be providing Citi with a global order management and distributed low latency execution platform along with Fidessa's integrated algorithmic trading engine. The Fidessa solution will also deliver next-generation risk management functionality, comprehensive market data and a global order routing service. As Fidessa maintains its investment in this area it is continuing to work with some of the leading firms in the derivatives markets and expects to further expand its franchise in this important area.

With trading becoming more global and cost pressures increasing, fragmentation of liquidity has remained a universal issue and, despite lower volumes, Fidessa has continued to see an increase in the level of fragmentation as liquidity venues have set up regional operations. This included Australia, where regulatory changes have allowed trading of equities to become multi-market, opening the market to competition in a similar way to that seen in the US, Canada and Europe. In 2011 Fidessa signed a deal with the Australian Stock Exchange (ASX) to provide a new breed of smart workstation which provides smart order routing and enables the ASX's customers to trade efficiently in the newly fragmented market. Fidessa has now established data centres and office facilities in Australia to support its growing presence in this market and expects to extend its Australian customer base during 2012.

During 2011 Fidessa has been expanding its range of "Fidessa Intelligence" services. These services are designed to help customers understand and analyse trading performance, identify and leverage trading opportunities, provide better and timelier information to their clients and to better understand cost and revenue dynamics. A range of consistent tools enables firms to leverage the wealth of information within Fidessa to identify client opportunities and then flow seamlessly into their best execution policies. Comprehensive post trade analysis and industry standard analytics then support their actions enabling them to tangibly demonstrate to their clients the quality of service provided. These services bring together many of the disparate elements that are already being used in the industry including TCA, execution cost analysis (ECA) and fragmentation analysis, as well as some additional services which enable customers to provide a better service to their clients and gain a better understanding of the profitability of each client. In a cost conscious market, Fidessa expects the use of these services will continue to expand during 2012 and plans further investment in the offering.

As expected, the new regulation that was proposed following the financial crisis in 2008 has not materialised within the published timelines. The proposals for both US and European regulation are running significantly behind plan, with the proposals for MiFID II, which had already been pushed back to Q4 2011, now slated for Q1 2012 at the earliest. The rule making on OTC derivatives in the US resulting from the Dodd-Frank Act has been delayed until Q2/Q3 2012; however there remains a commitment made at the recent G-20 meeting that "all standardised OTC derivatives contracts should be traded on exchanges or electronic platforms, where appropriate, and cleared through central counterparties by end 2012 at the latest". It therefore remains unclear, at this time, the extent to which tangible progress will be made in implementing new regulatory compliance rules during 2012; however Fidessa expects that the regulatory environment should gradually start to get clearer and that this will create opportunities.

2011 Important Events

During 2011 the key event in the Group's development has been the implementation of the Group's business plan against the background of challenging markets and an unstable macroeconomic environment. The unpredictable nature of the markets has increased the level of risk faced by the Group compared to prior years. Despite this environment, the Group has continued to deliver good growth through focus on market requirements, delivering lower cost of ownership whilst still allowing customers to maintain their position in the market. In particular, the Group has expanded its multi-asset class offerings, provided solutions allowing its customers to participate within the more fragmented liquidity environment, expanded its data services, provided increased connectivity to electronic trading flows and extended its support within new regions.

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

Risk Factors

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

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

In addition to the foregoing, the primary risk and uncertainty related to the Group's performance for 2012 is the challenging macroeconomic environment caused by the global financial crisis and its impact on Fidessa's customers, which could have a material impact on the Group's performance over the year and could cause actual results to differ materially from expected and historical results. A continued downturn in buy-side trading or in company market valuations, or an increase in discount rates, could result in an impairment to the carrying value of goodwill from the LatentZero acquisition.

Outlook

Fidessa expects that, in the short-term, conditions will remain difficult for some time to come given the stress that is still apparent within the financial markets. However, it believes there will still be good opportunities for growth, particularly through extending its derivatives presence and leveraging its infrastructure to deliver greater value to its larger customers. In order to develop these opportunities Fidessa is increasing its development spend, both in terms of actual product development and also in terms of investment in the infrastructure and expertise required to support these initiatives. As a result of this investment and the ongoing market conditions, Fidessa believes that whilst it can continue to deliver growth in 2012, this growth is likely to be at levels which are lower than those seen during 2011.

Looking further ahead, Fidessa believes that it will see stability returning to the markets and that reduced headwinds will enable it to return to more historic growth levels as its new initiatives gain momentum. Fidessa will continue to play an important role in providing the solutions that the industry needs and will maintain its position as an important participant within the financial community.

Fidessa expects that there will be a long-term, ongoing focus on efficiency within the market resulting in further significant growth opportunities, and will maintain its strategy of investment in the business to bring the right solutions to its customers across all the regions in which it operates.

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Consolidated income statement
for the year ended 31st December 2011

	Note	2011 £'000	2010 £'000
Revenue	2	278,264	262,343
Operating expenses before amortisation of acquisition intangibles	3	(235,791)	(222,894)
Other operating income		388	388
Operating profit before amortisation of acquisition intangibles		42,861	39,837
Amortisation of acquisition intangibles		(730)	(2,517)
Operating profit		42,131	37,320
Finance income – bank and other	5	321	142
Finance income – gain from Touchpaper	5	-	2,252
Total finance income		321	2,394
Profit before income tax		42,452	39,714
Income tax expense	6	(12,526)	(11,957)
Profit for the year attributable to owners of the Company		29,926	27,757
Basic earnings per share	7	82.2p	77.8p
Diluted earnings per share	7	81.0p	75.6p

Consolidated statement of comprehensive income
for the year ended 31st December 2011

	2011 £'000	2010 £'000
Profit for the year from the income statement	29,926	27,757
Other comprehensive income		
Exchange differences arising on translation of foreign operations	517	2,483
Total comprehensive income for the year	30,443	30,240

Consolidated balance sheet

at 31st December 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment		26,021	24,439
Intangible assets		82,045	78,815
Deferred tax assets		5,710	7,123
Other receivables		2,166	688
Total non-current assets		<u>115,942</u>	111,065
Current assets			
Trade and other receivables	9	70,604	69,901
Income tax receivable		248	3,051
Cash and cash equivalents		70,885	62,988
Total current assets		<u>141,737</u>	135,940
Total assets		<u>257,679</u>	247,005
Equity			
Issued capital		3,698	3,617
Share premium		22,466	20,289
Merger reserve		17,938	17,938
Cumulative translation adjustment		4,522	4,005
Retained earnings		90,964	88,046
Total equity		<u>139,588</u>	133,895
Liabilities			
Non-current liabilities			
Other payables	10	9,705	5,453
Provisions		3,649	2,411
Deferred tax liabilities		5,134	4,356
Total non-current liabilities		<u>18,488</u>	12,220
Current liabilities			
Trade and other payables	10	93,107	90,853
Provisions		95	-
Current income tax liabilities		6,401	10,037
Total current liabilities		<u>99,603</u>	100,890
Total liabilities		<u>118,091</u>	113,110
Total equity and liabilities		<u>257,679</u>	247,005

Consolidated statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balances at 1 st January 2010		3,581	18,219	17,938	1,522	82,055	123,315
Total comprehensive income for the year							
Profit for the year		-	-	-	-	27,757	27,757
Other comprehensive income		-	-	-	2,483	-	2,483
		-	-	-	2,483	27,757	30,240
Transactions with owners of the Company							
Issue of shares – exercise of options		36	2,070	-	-	-	2,106
Employee share incentive charges	3	-	-	-	-	1,735	1,735
Current tax recognised direct to equity		-	-	-	-	963	963
Deferred tax recognised direct to equity		-	-	-	-	650	650
Purchase of own shares by employee share trust		-	-	-	-	(277)	(277)
Sale of own shares by employee share trust		-	-	-	-	418	418
Dividends paid	8	-	-	-	-	(25,255)	(25,255)
Balances at 1 st January 2011		3,617	20,289	17,938	4,005	88,046	133,895
Total comprehensive income for the year							
Profit for the year		-	-	-	-	29,926	29,926
Other comprehensive income		-	-	-	517	-	517
		-	-	-	517	29,926	30,443
Transactions with owners of the Company							
Issue of shares – exercise of options		81	2,177	-	-	-	2,258
Employee share incentive charges	3	-	-	-	-	1,696	1,696
Current tax recognised direct to equity		-	-	-	-	2,588	2,588
Deferred tax recognised direct to equity		-	-	-	-	(2,653)	(2,653)
Sale of own shares by employee share trust		-	-	-	-	185	185
Dividends paid	8	-	-	-	-	(28,824)	(28,824)
Balances at 31 st December 2011		3,698	22,466	17,938	4,522	90,964	139,588

Consolidated cash flow statement

for the year ended 31st December 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Profit before income tax for the year		42,452	39,714
Adjustments for:			
Staff costs – share incentives	3	1,696	1,735
Depreciation of property, plant and equipment	3	12,676	12,449
Amortisation of product development	3	18,523	15,729
Amortisation of acquisition intangibles	3	730	2,517
Amortisation of other intangible assets	3	944	1,296
(Profit) on sale of property, plant and equipment	3	(198)	-
Finance income	5	(321)	(2,394)
Cash generated from operations before changes in working capital		76,502	71,046
Movement in trade and other receivables		(2,720)	562
Movement in trade and other payables		7,835	1,901
Cash generated from operations		81,617	73,509
Income tax paid		(11,110)	(11,075)
Net cash generated from operating activities		70,507	62,434
Cash flows from investing activities			
Purchase of property, plant and equipment		(14,536)	(6,893)
Proceeds from sale of property, plant and equipment		741	-
Purchase of other intangible assets		(1,113)	(484)
Product development capitalised		(22,311)	(19,706)
Interest received on cash and cash equivalents		321	142
Proceeds from sale of Touchpaper ordinary and preferred ordinary shares		-	3,432
Net cash used in investing activities		(36,898)	(23,509)
Cash flows from financing activities			
Proceeds from shares issued		2,258	2,106
Purchase of own shares by employee share trust		-	(277)
Proceeds from sale of own shares by employee share trust		185	418
Dividends paid	8	(28,824)	(25,255)
Net cash used in financing activities		(26,381)	(23,008)
Net increase in cash and cash equivalents		7,228	15,917
Cash and cash equivalents at 1 st January		62,988	45,475
Effect of exchange rate fluctuations on cash held		669	1,596
Cash and cash equivalents at 31 st December		70,885	62,988

Notes to the consolidated financial statements

1 Preparation of the Preliminary Announcement

The preliminary results announcement for the year ended 31st December 2011 has been prepared by the directors based upon the results and position which are reflected in the statutory accounts. The statutory accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (Adopted IFRS).

The financial information for the year to 31st December 2011 and 2010 do not constitute statutory accounts and has been extracted from the Company's consolidated accounts for the year to 31st December 2011.

Statutory accounts for 2010 have been delivered to the Registrar of Companies, and those for 2011 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; its report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain statements under section 498(2) or 498(3) Companies Act 2006.

2 Segment reporting

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

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

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

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

No single external customer accounts for 10% or more of the Group revenue. Recurring revenue reflects the periodic fees for software and related services that is charged on a rental or subscription basis. Non-

recurring revenue comprises the consultancy fees for implementation, configuration and ongoing support activity.

For the year ended 31 st December 2011	Enterprise	Hosted	Buy-side	Total
	£'000	£'000	£'000	£'000
Recurring revenue	63,704	149,393	15,608	228,705
Non-recurring revenue	35,115	6,285	8,159	49,559
Total revenue from external customers	98,819	155,678	23,767	278,264
Inter-business unit revenue	-	15,072	4,179	19,251
Business unit profit contribution	50,627	60,936	14,250	125,813

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

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

	2011	2010
	£'000	£'000
Business unit profit contribution	125,813	123,820
Core product development	(27,485)	(23,203)
Central staff costs	(26,619)	(28,635)
Building costs	(18,678)	(18,684)
Other unallocated costs	(13,958)	(17,438)
Operating profit as monitored by the Operating Board	39,073	35,860
Amortisation of acquisition intangibles	(730)	(2,517)
Product development capitalised	22,311	19,706
Product development amortised	(18,523)	(15,729)
Operating profit in the income statement	42,131	37,320
Finance income	321	2,394
Profit before income tax in the income statement	42,452	39,714

Other segmental disclosures:

For the year ended 31 st December 2011	Enterprise	Hosted	Buy-side	Not allocated	Total
	£'000	£'000	£'000	£'000	£'000
Depreciation of property, plant and equipment	-	7,305	-	5,371	12,676
Amortisation of intangible assets	-	-	730	19,467	20,197
Property, plant and equipment	-	15,096	-	10,925	26,021
Intangible assets	-	5,655	43,135	33,255	82,045

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

For the year ended 31 st December 2011	UK	USA	Asia	Other	Total
	£'000	£'000	£'000	£'000	£'000
Revenue	134,728	89,725	43,044	10,767	278,264
Property, plant and equipment	12,537	9,619	2,502	1,363	26,021
Intangible assets	81,872	48	125	-	82,045

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

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

3 Operating expenses

	2011	2010
	£'000	£'000
Staff costs – salaries	120,208	107,755
Staff costs – social security	11,123	10,237
Staff costs – pension	2,243	1,904
Staff costs – share incentives expense	<u>1,696</u>	<u>1,735</u>
Total staff costs	135,270	121,631
Amounts payable to subcontractors	2,289	3,155
Depreciation of property, plant and equipment	12,676	12,449
Amortisation of other intangible assets	944	1,296
Capitalisation of product development	(22,311)	(19,706)
Amortisation of product development	18,523	15,729
Communications and data	37,900	36,786
Operating lease rentals – property	15,443	15,187
Operating lease rentals – plant and machinery	22	27
Profit on sale of property, plant and equipment	(198)	–
Exchange loss	1	595
Other operating expenses	<u>35,232</u>	<u>35,745</u>
Operating expenses before amortisation of acquisition intangibles	235,791	222,894
Amortisation of acquisition intangibles	<u>730</u>	<u>2,517</u>
Total operating expenses	<u>236,521</u>	<u>225,411</u>

4 Staff numbers

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

	2011	2010
	Number	Number
Europe	870	812
The Americas	567	517
Asia	<u>244</u>	<u>203</u>
Total average staff numbers in the year	<u>1,681</u>	<u>1,532</u>

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

	2011	2010
	Number	Number
Technical	918	837
Product development	424	367
Sales and marketing	169	178
Management and administration	237	206
Total staff numbers at 31 st December	1,748	1,588

5 Finance income

	2011	2010
	£'000	£'000
Interest receivable on cash and cash equivalents	315	136
Other interest receivable	6	6
Sale of Touchpaper ordinary and preferred ordinary shares	–	2,179
Interest on Touchpaper escrows	–	73
Total finance income	321	2,394

6 Income tax expense

	2011	2010
	£'000	£'000
Current tax		
Current year domestic tax	5,899	6,452
Current year foreign tax	7,305	7,732
Adjustments for prior years	(412)	(19)
Total current tax	12,792	14,165
Deferred tax		
Origination and reversal of temporary differences	313	(2,106)
Benefit and utilisation of tax losses	278	(6)
Adjustments for prior years – tax rate change	(464)	(181)
Adjustments for prior years – other	(393)	85
Total deferred tax	(266)	(2,208)
Total income tax in income statement	12,526	11,957

Reconciliation of effective tax rate	2011	2011	2010	2010
		£'000		£'000
Profit before tax		42,452		39,714
Income tax using the domestic corporation tax rate	26.5%	11,250	28.0%	11,120
Effective tax rates in foreign jurisdictions		2,198		1,810
Expenses not deductible for tax purposes		1,523		1,190
Tax incentives		(1,149)		(1,373)
Non-taxable items		(27)		(675)
Adjustment relating to prior years		(1,269)		(115)
Total income tax and effective tax rate for the year	29.5%	12,526	30.1%	11,957

Tax recognised directly in equity	2011	2010
	£'000	£'000
Current tax credit relating to equity settled share incentives	(2,588)	(963)
Deferred tax debit/(credit) relating to equity settled share incentives	2,653	(650)

7 Earnings per share

Earnings per share have been calculated by dividing profit attributable to shareholders by the weighted average number of shares in issue during the year, details of which are below. The diluted earnings per share have been calculated using an average share price of 1693p (2010: 1411p) for the year.

	2011	2010
	£'000	£'000
Profit attributable to owners of the Company	29,926	27,757
Add amortisation of acquisition intangibles net of deferred tax	537	1,812
Less gains relating to Touchpaper net of tax	–	(2,232)
Profit attributable to owners of the Company after adjustments	30,463	27,337

	2011	2010
	Number '000	Number '000
Weighted average number of shares in issue	36,640	35,986
Weighted average number of shares held by employee share trusts	(246)	(323)
Shares used to calculate basic earnings per share	36,394	35,663
Dilution due to share options	568	1,032
Shares used to calculate diluted earnings per share	36,962	36,695

	2011	2010
	Pence	Pence
Basic earnings per share	82.2p	77.8p
Diluted earnings per share	81.0p	75.6p
Basic earnings per share on adjustments	1.5p	(1.1)p
Diluted earnings per share on adjustments	1.4p	(1.2)p
Basic earnings per share after adjustments	83.7p	76.7p
Diluted earnings per share after adjustments	82.4p	74.4p

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

8 Dividends paid and proposed

	2011	2010
	£'000	£'000
Declared and paid during the year		
Interim 2011 dividend of 12.0 pence per share (interim 2010 dividend of 11.0 pence per share)	4,391	3,926
Final 2010 dividend of 22.0 pence per share (second interim 2009 dividend of 20.0 pence per share)	8,023	7,110
Special 2010 dividend 45.0 pence per share (special 2009 dividend of 40.0 pence per share)	16,410	14,219
	28,824	25,255

The directors propose a final dividend of 24.5 pence per share, £9,007,000, and a special dividend of 45.0 pence per share, £16,543,000. These will be payable on 28th May 2012 to shareholders on the register on 27th April 2012, with an ex-dividend date of 25th April 2012. These dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

9 Trade and other receivables

	2011	2010
	£'000	£'000
Trade receivables	64,057	60,893
Prepayments	4,414	5,435
Accrued revenue	1,208	1,386
Other receivables	925	2,187
Total trade and other receivables	70,604	69,901

10 Trade and other payables

Current liabilities	2011 £'000	2010 £'000
Trade payables	7,174	3,374
Accrued expenses	30,864	31,721
Other liabilities	2,099	3,541
Deferred revenue	48,219	47,491
Other taxes and social security	4,751	4,726
Total trade and other payables	93,107	90,853

Non-current liabilities	2011 £'000	2010 £'000
Accrued expenses	2,041	1,036
Other liabilities	7,664	4,417
Total trade and other payables	9,705	5,453