Fidessa group plc
Interim results for the period ended 30th June 2014

4th August 2014

Fidessa reports underlying growth in improving markets.

	2014	2013	Change	At constant currencies
Revenue	£137.1m	£139.3m	-2%	+4%
Adjusted operating profit[1]	£19.9m	£20.8m	-4%	+5%
Operating profit	£19.5m	£20.4m	-4%	+5%
Adjusted pre-tax profit[1]	£20.1m	£20.9m	-4%	+5%
Pre-tax profit	£19.7m	£20.5m	-4%	+6%
Adjusted diluted earnings per share[1]	38.7p	40.1p	-3%	+7%
Diluted earnings per share	38.0p	39.4p	-4%	+7%
Interim dividend per share	13.1p	12.5p	+5%	
Cash	£57.8m	£50.3m	+15%	

[1]Adjusted to remove the effect of acquired intangibles amortisation.

Highlights for the period ended 30th June 2014:

- Return to underlying growth with increases of 4% on revenue and 5% on adjusted profit at constant currency.
- Continuation of improvement in market conditions.
- Multi-asset revenue doubles as derivatives programme bears fruit.
- New derivatives signings continue and strong pipeline.
- Increased interest in service-based solutions from both the buy-side and the sell-side.
- Good international spread, with 57% of total revenue accounted for outside of Europe.
- Recurring revenue maintained at 85% of total revenue.
- Strong cash generation, with £57.8 million cash balance after dividend payments of £26.3 million.

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

“The first half of 2014 has seen a welcome return to underlying growth as we have continued to make progress across the business against a backdrop of slowly improving market conditions. As expected, the improving market conditions have resulted in a reduction in the headwind we have been suffering in recent years from consolidations, restructurings and closures in our customer base. This has allowed some of the growth we are generating through sales of our derivatives platforms, our service-based platforms and our regional expansion to flow through into overall growth rather than being masked by the decline in equities. Whilst the return to underlying growth is welcome, the exceptional strength of sterling during the first half has more than offset this growth and has affected the reported numbers. Whilst we expect this effect to be transient, we believe it is likely to be a factor for the remainder of the year."

Commenting on current trading, Chris Aspinwall continued:

“As we move into the second half, we are seeing improvement across the markets in which we operate and this is reflected in our current deal pipeline. In particular, we are seeing increased interest in new functionality within our core markets as well as strong demand for our derivatives and service-based offerings. Due to the depth, longevity and severity of the financial crisis, we expect that the improvement we are seeing will be gradual and this combined with the effect of our recurring revenue model means that we expect modest constant currency growth for the year as a whole.

Looking further ahead, we believe that as stability and opportunity return to the markets, the headwind reduction, coupled with further openings as our multi-asset initiative gains momentum, will enable us to return to growth levels closer to those we have seen in the past. We remain excited by the potential of our service-based offerings across all asset classes and segments of our market and believe that we will continue to play an important role as customers focus on efficiency, transparency, compliance and performance.”

Finance review

For the six months to 30th June 2014, Fidessa has seen an increase in underlying constant currency revenue of 4%. However, the currency movements caused this to be a reduction of 2% on a reported basis to £137.1 million (2013: £139.3 million). Recurring revenue increased by 3% on a constant currency basis with the sector mix being sell-side derivatives doubling, sell-side equities down 1% and buy-side increasing 1%. The strong growth for derivatives means that it now accounts for 6% of recurring revenue, up from 4% for 2013 as a whole. In addition, overall consultancy revenue improved in the period with underlying growth of 6%.

The revenue impact from consolidation, restructuring and closures across the customer base has continued although at a lower rate than previously seen. The direct effect of these events was a reduction in revenue of 3%, which compares to a reduction of 5% in 2013 and a peak of 8%. From what is currently known, the impact from these events for the year as a whole is expected to be at a similar rate to that experienced in the first six months of the year. The rate at which such new events have occurred has been slower than that in recent periods indicating that the impact from consolidation, restructuring and closures may continue to fall.

On a regional basis, 57% of total revenue was accounted for outside of Europe. Asia showed the strongest growth with a constant currency increase of 11% (0% on a reported basis) and accounted for 17% of total revenue, whilst the Americas increased by 6% (down 2% on a reported basis) and accounted for 40% of total revenue. Europe decreased by 2% and accounted for 43% of total revenue.

The deferred revenue in the balance sheet at 30th June 2014 was £45.1 million (30th June 2013: £50.3 million). The deferred revenue balance represented 16% of annualised revenue with the majority of it expected to be recognised as revenue during the second half of the year.

The investment in the derivatives opportunity has continued at a consistent level to that in 2013. However, due to the time lag effect, the product development amortisation reflected the rate of growth in capitalisation in recent years and increased by 12%. Across the business the costs have continued to be carefully managed throughout the period.

The constant currency adjusted operating profit has increased by 5%. However, the currency movements caused this to be a reduction of 4% on a reported basis to £19.9 million at an operating margin of 14.5% (2013: £20.8 million, operating margin of 14.9%). The adjusted operating profit has been measured before the amortisation of acquired intangibles. The unadjusted operating profit was £19.5 million (2013: £20.4 million).

The headline tax rate for the year is estimated to be 25.9% (2013: 26.3%), with a decrease in the UK corporation tax rate being offset by an increase arising from the regional mix of growth rates. Diluted earnings per share on a constant currency basis and adjusted to exclude the amortisation of acquired intangibles have increased by 7%. However, the currency movements caused this to be a reduction of 3% on a reported basis to 38.7 pence (2013: 40.1 pence). The directors believe the adjusted measure of earnings per share provides a better long-term indication of the relative performance of the business period to period. The unadjusted diluted earnings per share were 38.0 pence (2013: 39.4 pence).

As anticipated in the preliminary results announcement in February, the strength of sterling relative to the primary currencies in which Fidessa operates has had a significant influence on headline performance for the first half of 2014 when compared to the first half of 2013. Sterling was 7% stronger against the US dollar and currencies pegged to the US dollar, 18% stronger against the Japanese yen and 16% stronger against the Canadian dollar.

Fidessa continued to be strongly cash generative, closing the period with a cash balance of £57.8 million and no debt (2013: £50.3 million). During the period dividends of £26.3 million (2013: £25.8 million) were paid, which included the payment of a special dividend of £17.0 million (2013: £16.7 million).

The interim dividend has increased 5% to 13.1 pence (2013: 12.5 pence). It will be paid on 15th September 2014 to shareholders on the register on 22nd August 2014, with an ex-dividend date of 20th August 2014.

Market review

Introduction

The first half of 2014 has seen a slow and steady improvement in the financial markets. Whilst volumes across the main markets have been somewhat patchy, with low volatility hitting secondary market activity, Fidessa's customers are now starting to cautiously position themselves for expansion and growth. In particular, customers are looking at the regions that they cover and at extending the services they can offer to their customers. Underlying this more optimistic outlook there is still a strong focus on cost, with most firms believing that there has been a fundamental structural change in the market which will put pressure on their margins for the foreseeable future. This pressure on cost means that firms are looking for operating efficiencies, whether this is through scaling their operations, focusing on niche opportunities or reducing their costs through more efficient use of technology. Many of these are areas in which Fidessa can assist its customers through its scale, its service-based offerings or its extended product suite.

The regulatory environment continues to be uncertain with the majority of proposed changes slow to materialise. The rules for MiFID II are now expected to be phased in from 2016 with some rules having a transition period of up to three years. Despite this, some areas of regulation are starting to take shape and Fidessa also sees that there may be the opportunity to develop in front of this regulation as firms move to position themselves for when the changes come into effect.

Fidessa's investment programme to extend the range of asset classes it supports, expand its regional coverage and build out its global infrastructure continues to position it well for the recovery. As conditions continue to improve Fidessa is also looking to extend the services it can offer between the buy-side and sell-side, particularly in areas where there is the opportunity to improve the workflow and efficiency in the buy-side/sell-side relationship.

Despite the market conditions Fidessa's market share has continued to hold up well with total users remaining flat at around 24,000, whilst the total value of business going through Fidessa's connectivity network has continued to increase to well over $1 trillion per month.

Sell-side trading

Within its sell-side business Fidessa has started to see some improvement in line with market conditions. In particular, there has been a reduction in the number of consolidations, restructurings and closures within Fidessa's customer base and more firms are beginning to look at a potential expansion in the services they take. In addition, firms are starting to consider a longer term approach to investment decisions, and this makes service-based solutions increasingly attractive as the initial investment in deployment offers substantial long-term cost benefits. As a result, Fidessa is seeing an increase in the pipeline of service-based opportunities which cover both the equity and the derivatives platforms.

As firms review the services they offer, they are increasingly looking at expanding the regions they are able to service and Fidessa is particularly well placed to assist with this requirement. As a result, Fidessa has seen good constant currency growth across both Asia and the Americas as it brings in both new customers and also provides additional regional platforms to existing customers. In the Americas this has resulted in further progress in Canada and Latin America, whilst in Asia there have been additional deals with both foreign and domestic firms. In Asia there has also been significant interest in the new Shanghai-Hong Kong Stock Connect service which was announced by the Chinese regulatory authorities earlier this year. This link, which is due to be available in October of this year, will enable some Shanghai stocks to be traded directly from Hong Kong and vice versa. Removing barriers in this way to make it significantly easier for investors in both regions to trade, clear and settle certain stocks offered in the other region is seen as another sign that the Chinese securities market may be starting to open up.

Fidessa's derivatives programme has continued to make good progress in the first half with revenue doubling and more firms taking elements of the solution. This has included a further US investment bank which has signed to take the platform to support its global derivatives operation alongside its existing Fidessa equity platform. Fidessa has also continued to expand the functional line of its derivatives offering across a number of areas including the addition of support for US Treasuries. This expansion into US Treasuries also includes intelligent connectivity to BrokerTec and NASDAQ OMX eSpeed, immediately offering access to deep liquidity venues for these instruments. Fidessa's derivatives offering continues to generate great interest across the sector resulting in a strong and growing pipeline and, accordingly, Fidessa expects that it will continue to see very strong growth in this area.

Fidessa has continued to invest in its ability to deliver connectivity across all the regions in which its customers operate. Fidessa's global network now serves around 800 brokers, 4,000 buy-sides and over 200 trading venues worldwide, with the value of activity going across the network growing to well in excess of $1 trillion per month. During the first half, Fidessa has expanded its network to bring on new derivatives and equity liquidity venues, and has also continued to invest in more low latency and co-location solutions as it builds out its market leading execution service. This investment included a deal to co-locate at the Singapore Exchange's (SGX) data centre which will provide Fidessa's customers across Southeast Asia with sub-millisecond access to the SGX matching engine, as well as improved trading links across the region. Fidessa expects further expansion in Singapore as part of its Asia growth strategy with additional facilities and resources on the ground.

Buy-side trading

Although there continue to be signs that market conditions are improving for buy-side firms, these firms are still facing a challenging environment with increased market complexity across a broad range of asset classes, on-going pressures from regulatory reform and reduced margins. Consequently sentiment remains somewhat mixed, as firms focus on finding ways to address these as well as streamline processes and improve efficiency. Fidessa’s comprehensive range of investment management solutions, along with its capabilities in the provision of service-based solutions and global technology infrastructure, mean it is well positioned to work with customers to help them meet these challenges.

Fidessa's Investment Management System (IMS) provides customers with portfolio management, position management, compliance, order management and execution facilities that operate across business lines, geographies and asset classes. During the first half of 2014 Fidessa launched the latest version of this workflow platform with key new features including enhanced compliance functionality, expanded reporting and a new set of tools operating across all stages of workflow from intelligent modelling to smart order routing. Fidessa has also completed the implementation of its first service-based IMS platform, which successfully went live during the first half and is now being expanded across further asset classes.

Compliance remains a key focus for the buy-side and as firms see more complex mandates and instructions from their customers, so the requirement for comprehensive and flexible compliance systems remains strong. The latest version of Fidessa’s award-winning Sentinel compliance system introduces Active Compliance, providing a suite of real-time, pre-trade compliance checking controls that operate across the entire order lifecycle, as well as new features to assist compliance staff to create and maintain complex rule sets more easily. Additionally, the first customers are now live with the new service-based version of Sentinel, for the first time leveraging Fidessa's Software as a Service (SaaS) capability in this field.

With its valuable knowledge of both the buy-side and sell-side communities, Fidessa is ideally placed to deliver innovative services that allow them to work together in new and more effective ways. Fidessa has done this for some time within the connectivity space, where it offers a managed global trading service that gives buy-side firms access to a broad range of venues and broker services around the world. Another area where Fidessa is now starting to leverage its expertise is in the post-trade space. Last year Fidessa launched its Post-trade Hub which allows larger asset management firms to connect their existing post-trade systems to the sell-side using the industry standard FIX protocol. This enables them to exchange allocation and confirmation instructions with their brokers via this open protocol, thereby removing the need for expensive, proprietary alternatives. Fidessa has now announced its new Affirmation Management Service (AMS) that delivers the same benefits experienced by the larger firms using the Post-trade Hub to the mid and lower tier communities. This new service will provide these firms with the business workflow they need to interact directly and seamlessly over FIX with the global broker community allowing affirmations to be processed more quickly and efficiently.

Regulation

The regulatory environment continues to be uncertain with the majority of proposed regulatory changes slow to materialise. Having passed through the European Parliament, MiFID II has entered its consultation phase with a complex document covering 800 questions. Although the consultation is still in progress, there is a general view that the rules will be phased in from 2016 with some rules having a transition period of up to three years after this. Despite this, Fidessa is already starting to see some areas where opportunities may be created as a result of new regulation. One such example is around the area of Central Counterparties (CCP) where it is proposed that firms will be able to keep their margin with one counterparty while trading related products across multiple venues, rather than having to maintain multiple clearing relationships as at present. In some ways this is analogous to the situation post MiFID I where, within the equity markets, trades could be settled in a single Central Security Depository, regardless of the trading venue. In the equity market this was a major driver of fragmentation, as it meant that liquidity venues could compete on a level playing field and drive cost out of the system. If a similar effect was to occur as a result of the CCP change, this could see much greater competition between derivatives venues and greater fragmentation of liquidity, requiring a range of tools to help take advantage of the cost benefits on offer.

Fidessa will continue to keep a close watch on all the areas of regulatory change as they progress and expects that these will gradually create significant new opportunities.

Outlook

As Fidessa moves into the second half, it is seeing improvement across the markets in which it operates and this is reflected in its current deal pipeline. In particular, Fidessa is seeing increased interest in new functionality within its core markets as well as strong demand for its derivatives and service-based offerings. Due to the depth, longevity and severity of the financial crisis, Fidessa expects that the improvement it is seeing will be gradual and this combined with the effect of its recurring revenue model means that it expects modest constant currency growth for the year as a whole. Whilst Fidessa anticipates that the exceptional strength of sterling it has seen during the first half of the year will be a transient effect, Fidessa believes it is still likely to be a factor for the remainder of the year.

Looking further ahead, Fidessa believes that as stability and opportunity return to the markets, the headwind reduction, coupled with further openings as its multi-asset initiative gains momentum, will enable it to return to growth levels closer to those it has seen in the past. Fidessa remains excited by the potential of its service-based offerings across all asset classes and segments of its market and believes that it will continue to play an important role as customers focus on efficiency, transparency, compliance and performance.

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Condensed consolidated interim income statement

for the six months ended 30th June 2014

	Note	2014 6 months to 30th June unaudited £'000	2013 6 months to 30th June unaudited £'000	2013 12 months to 31st December audited £'000
Revenue	5	**137,116**	139,291	279,018
Operating expenses before gain on property sale and amortisation of acquired intangibles	6	**(117,378)**	(118,573)	(237,615)
Other operating income		**167**	58	207
Operating profit before gain on property sale and amortisation of acquired intangibles		**19,905**	20,776	41,610
Gain on property sale		**-**	-	2,032
Amortisation of acquired intangibles		**(365)**	(365)	(730)
Operating profit	5	**19,540**	20,411	42,912
Finance income		**149**	122	234
Profit before income tax		**19,689**	20,533	43,146
Income tax expense on ordinary activities	7	**(5,108)**	(5,485)	(10,480)
Income tax expense on property sale		**-**	-	(849)
Total income tax expense		**(5,108)**	(5,485)	(11,329)
Profit for the period attributable to owners		**14,581**	15,048	31,817
Basic earnings per share	8	**38.6p**	40.6p	85.5p
Diluted earnings per share	8	**38.0p**	39.4p	83.5p

Condensed consolidated interim statement of comprehensive income

for the six months ended 30th June 2014

	2014 6 months to 30^{th} June unaudited £'000	2013 6 months to 30^{th} June unaudited £'000	2013 12 months to 31^{st} December audited £'000
Profit for the period from the income statement	**14,581**	15,048	31,817
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	**(727)**	591	(1,791)
Total comprehensive income for the period	**13,854**	15,639	30,026

Condensed consolidated interim balance sheet

at 30th June 2014

	Note	2014 30th June unaudited £'000	2013 30th June unaudited £'000	2013 31st December audited £'000
Assets				
Non-current assets				
Property, plant and equipment		**19,291**	20,331	19,104
Intangible assets		**89,890**	87,609	89,327
Deferred tax assets		**8,343**	6,506	8,251
Other receivables		**1,505**	2,053	905
Total non-current assets		**119,029**	116,499	117,587
Current assets				
Trade and other receivables	10	**64,859**	78,959	72,806
Cash and cash equivalents		**57,754**	50,272	73,019
Total current assets		**122,613**	129,231	145,825
Total assets		**241,642**	245,730	263,412
Equity				
Issued capital		**3,797**	3,732	3,784
Share premium		**28,597**	25,300	27,921
Merger reserve		**17,938**	17,938	17,938
Cumulative translation adjustment		**(163)**	2,946	564
Retained earnings		**88,191**	84,129	98,319
Total equity		**138,360**	134,045	148,526
Liabilities				
Non-current liabilities				
Other payables	11	**6,845**	8,522	7,280
Provisions		**2,723**	3,502	2,655
Deferred tax liabilities		**6,175**	5,180	6,340
Total non-current liabilities		**15,743**	17,204	16,275
Current liabilities				
Trade and other payables	11	**81,997**	86,191	91,578
Provisions		**785**	395	1,158
Current income tax liabilities		**4,757**	7,895	5,875
Total current liabilities		**87,539**	94,481	98,611
Total liabilities		**103,282**	111,685	114,886
Total equity and liabilities		**241,642**	245,730	263,412

Condensed consolidated interim 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 1st January 2013 (audited)		3,715	23,838	17,938	2,355	92,279	140,125
Total comprehensive income for the period							
Profit for the period		-	-	-	-	15,048	15,048
Other comprehensive income		-	-	-	591	-	591
		-	-	-	591	15,048	15,639
Transactions with owners							
Issue of shares – exercise of options		17	1,462	-	-	-	1,479
Employee share incentive charges	6	-	-	-	-	1,000	1,000
Current tax recognised direct to equity		-	-	-	-	441	441
Deferred tax recognised direct to equity		-	-	-	-	1,661	1,661
Purchase of shares by employee share trust		-	-	-	-	(508)	(508)
Sale of shares by employee share trust		-	-	-	-	33	33
Dividends paid	9	-	-	-	-	(25,825)	(25,825)
Balances at 30th June 2013 (unaudited)		3,732	25,300	17,938	2,946	84,129	134,045
Total comprehensive income for the period							
Profit for the period		-	-	-	-	16,769	16,769
Other comprehensive income		-	-	-	(2,382)	-	(2,382)
		-	-	-	(2,382)	16,769	14,387
Transactions with owners							
Issue of shares – exercise of options		52	2,621	-	-	-	2,673
Employee share incentive charges		-	-	-	-	1,128	1,128
Current tax recognised direct to equity		-	-	-	-	1,519	1,519
Deferred tax recognised direct to equity		-	-	-	-	(353)	(353)
Purchase of shares by employee share trust		-	-	-	-	(241)	(241)
Sale of shares by employee share trust		-	-	-	-	18	18
Dividends paid	9	-	-	-	-	(4,650)	(4,650)
Balances at 31st December 2013 (audited)		3,784	27,921	17,938	564	98,319	148,526
Total comprehensive income for the period							
Profit for the period		**-**	**-**	**-**	**-**	**14,581**	**14,581**
Other comprehensive income		**-**	**-**	**-**	**(727)**	**-**	**(727)**
		-	**-**	**-**	**(727)**	**14,581**	**13,854**
Transactions with owners							
Issue of shares – exercise of options		**13**	**676**	**-**	**-**	**-**	**689**
Employee share incentive charges	6	**-**	**-**	**-**	**-**	**1,612**	**1,612**
Current tax recognised direct to equity		**-**	**-**	**-**	**-**	**896**	**896**
Deferred tax recognised direct to equity		**-**	**-**	**-**	**-**	**(197)**	**(197)**
Purchase of shares by employee share trust		**-**	**-**	**-**	**-**	**(747)**	**(747)**
Sale of shares by employee share trust		**-**	**-**	**-**	**-**	**11**	**11**
Dividends paid	9	**-**	**-**	**-**	**-**	**(26,284)**	**(26,284)**
Balances at 30th June 2014 (unaudited)		**3,797**	**28,597**	**17,938**	**(163)**	**88,191**	**138,360**

Condensed consolidated interim cash flow statement

for the six months ended 30th June 2014

	Note	2014 6 months to 30th June unaudited £'000	2013 6 months to 30th June unaudited £'000	2013 12 months to 31st December audited £'000
Cash flows from operating activities				
Profit before income tax for the period		**19,689**	20,533	43,146
Adjustments for:				
Staff costs – share incentives	6	**1,612**	1,000	2,128
Depreciation of property, plant and equipment	6	**5,250**	6,651	12,578
Amortisation of product development	6	**12,893**	11,541	23,764
Amortisation of acquired intangibles	6	**365**	365	730
Amortisation of other intangible assets	6	**431**	610	1,120
Profit on sale of property, plant and equipment	6	**-**	-	(2,040)
Finance income		**(149)**	(122)	(234)
Cash generated from operations before changes in working capital		**40,091**	40,578	81,192
Movement in trade and other receivables		**7,347**	(5,777)	(528)
Movement in trade and other payables		**(10,419)**	(6,998)	(435)
Cash generated from operations		**37,019**	27,803	80,229
Income tax paid		**(5,788)**	(4,925)	(12,263)
Net cash generated from operating activities		**31,231**	22,878	67,966
Cash flows from investing activities				
Purchase of property, plant and equipment		**(5,624)**	(5,844)	(11,704)
Proceeds from sale of property, plant and equipment		**-**	-	2,316
Purchase of other intangible assets		**(195)**	(215)	(417)
Product development capitalised	6	**(14,058)**	(14,149)	(28,781)
Interest received on cash and cash equivalents		**149**	122	234
Net cash used in investing activities		**(19,728)**	(20,086)	(38,352)
Cash flows from financing activities				
Proceeds from shares issued		**689**	1,479	4,152
Purchase of shares by employee share trust		**(747)**	(508)	(749)
Proceeds from sale of shares by employee share trust		**11**	33	51
Dividends paid	9	**(26,284)**	(25,825)	(30,475)
Net cash used in financing activities		**(26,331)**	(24,821)	(27,021)
Net (decrease)/increase in cash and cash equivalents		**(14,828)**	(22,029)	2,593
Cash and cash equivalents at 1st January		**73,019**	72,078	72,078
Effect of exchange rate fluctuations on cash held		**(437)**	223	(1,652)
Cash and cash equivalents at end of period		**57,754**	50,272	73,019

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 30th June 2014 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 information relating to the year ended 31st December 2013 is an extract from the audited financial statements for that year. Those financial statements have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group as at and for the year ended 31st December 2013 are available at www.fidessa.com or upon request from the Company's registered office at Dukes Court, Duke Street, Woking, Surrey GU21 5BH.

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

Consistent with the information in the most recent annual report, the Group continues to have significant financial resources, no debt, trade profitably and be strongly cash generative. Therefore, after considering the Group's financial forecasts and potential commitments for the foreseeable future, a period of not less than 12 months from the date of this report, the Board is satisfied that the Group's funding and liquidity position means the going concern basis of preparation is appropriate in preparing these condensed consolidated interim financial statements.

2 **Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 31st December 2013.

The condensed consolidated interim financial statements were approved by the Board of Directors on 1st August 2014.

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 31st December 2013. There are no new standards effective for the first time in the current financial period with significant impact on the Group's consolidated results or financial position.

4 **Estimates**

The preparation of financial statements in conformity with IFRSs requires management to make estimates, judgements and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions take account of the circumstances and facts at the period end, historical experience of similar situations and other factors that are believed to be reasonable and relevant, 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 ultimately 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 31st December 2013.

5 Segment reporting

During 2013 the business restructured with the former Enterprise and Hosted business units combining to form the Sell-side business unit. This change reflects the marketplace trend for larger customers to want to take more of their solution as a managed service. The primary management and performance monitoring continues to be undertaken by the Operating Board which comprises the heads of the business units and global functional heads.

The Sell-side business unit provides solutions and tools to support the trading of cash equities and derivatives globally. The solutions are scalable from the largest to the smallest operations in the sector. The Buy-side business unit provides the solutions to cover all stages of the investment process for multiple asset classes. The systems are used by the largest investment managers in the world, as well as some of the boutiques and hedge funds. Both business units leverage the connectivity and market data infrastructure.

The Operating Board monitors overall operating profit excluding amortisation of acquired intangibles and product development capitalisation and amortisation, which is not an IFRS measure. Finance income, assets and liabilities are not reported by business unit.

No single external customer accounts for 5% or more of 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.

Six months ended 30th June 2014 (unaudited)	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	**107,886**	**8,558**	**116,444**
Non-recurring revenue	**18,179**	**2,493**	**20,672**
Total revenue from external customers	**126,065**	**11,051**	**137,116**
Inter-business unit revenue	**-**	**3,420**	**3,420**
Operating profit	**16,738**	**2,002**	**18,740**

The segment information for the six months to 30th June 2013 has been restated to reflect the new business structure.

Six months ended 30th June 2013 (unaudited)	Sell-side	Buy-side	Total
	restated	restated	restated
	£'000	£'000	£'000
Recurring revenue	109,819	8,780	118,599
Non-recurring revenue	17,612	3,080	20,692
Total revenue from external customers	127,431	11,860	139,291
Inter-business unit revenue	-	2,643	2,643
Operating profit	16,140	2,028	18,168

12 months ended 31st December 2013 (audited)	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	220,653	17,882	238,535
Non-recurring revenue	34,225	6,258	40,483
Total revenue from external customers	254,878	24,140	279,018
Inter-business unit revenue	-	5,285	5,285
Operating profit	31,767	4,826	36,593

A reconciliation of the operating profit reported to the Operating Board to profit before income tax is provided as follows:

	2014	2013	2013
	6 months to	6 months to	12 months to
	30th June	30th June	31st December
	unaudited	unaudited	audited
		restated	
	£'000	£'000	£'000
Operating profit as monitored by the Operating Board	**18,740**	18,168	36,593
Amortisation of acquired intangibles	**(365)**	(365)	(730)
Gain on property sale	**-**	-	2,032
Product development capitalised	**14,058**	14,149	28,781
Product development amortised	**(12,893)**	(11,541)	(23,764)
Operating profit	**19,540**	20,411	42,912
Finance income	**149**	122	234
Profit before income tax	**19,689**	20,533	43,146

Revenue is attributed to a country based on the ownership of the customer contract and where the work is being performed. The revenue by region is detailed below.

	2014	2013	2013
	6 months to	6 months to	12 months to
	30th June	30th June	31st December
	unaudited	unaudited	audited
	£'000	£'000	£'000
Europe	**58,521**	59,477	118,733
Americas	**54,341**	55,645	111,725
Asia	**24,254**	24,169	48,560
Total revenue	**137,116**	139,291	279,018

Within the regional analysis the following individual countries have attributed revenue accounting for 10% or more of total revenue.

	2014 6 months to 30th June unaudited £'000	2013 6 months to 30th June unaudited £'000	2013 12 months to 31st December audited £'000
UK	**58,521**	59,477	118,733
USA	**47,261**	47,432	95,333
Hong Kong	**15,867**	15,083	30,619

6 **Operating expenses**

	2014 6 months to 30th June unaudited £'000	2013 6 months to 30th June unaudited £'000	2013 12 months to 31st December audited £'000
Staff costs – salaries	**59,153**	61,442	120,944
Staff costs – social security	**5,187**	5,589	10,255
Staff costs – pension	**2,358**	2,083	4,419
Staff costs – share incentives	**1,612**	1,000	2,128
Total staff costs	**68,310**	70,114	137,746
Amounts payable to subcontractors	**727**	1,031	2,005
Depreciation of property, plant and equipment	**5,250**	6,651	12,578
Amortisation of other intangible assets	**431**	610	1,120
Capitalisation of product development	**(14,058)**	(14,149)	(28,781)
Amortisation of product development	**12,893**	11,541	23,764
Communications and data	**19,253**	18,838	38,565
Operating lease rentals – property	**8,523**	9,547	17,706
Operating lease rentals – plant and machinery	**38**	80	110
Profit on sale of property, plant and equipment	**-**	-	(8)
Exchange loss/(gain)	**43**	(569)	(74)
Other operating expenses	**15,968**	14,879	32,884
Operating expenses before gain on property sale and amortisation of acquired intangibles	**117,378**	118,573	237,615
Gain on property sale	**-**	-	(2,032)
Amortisation of acquired intangibles	**365**	365	730
Total operating expenses	**117,743**	118,938	236,313

7 **Income tax expense**

The charge for tax for the six months to 30th June 2014 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 to 30th June 2014 is £5,108,000 (six months to 30th June 2013: £5,485,000). The tax charge equates to an effective tax rate of 25.9% (six months to 30th June 2013: 26.7%, 12 months to 31st December 2013: 26.3%).

8 **Earnings per share**

Earnings per share have been calculated by dividing profit attributable to owners 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 2398p (six months to 30th June 2013: 1808p, 12 months to 31st December 2013: 1949p).

	2014 6 months to 30th June unaudited £'000	2013 6 months to 30th June unaudited £'000	2013 12 months to 31st December audited £'000
Profit attributable to owners	**14,581**	15,048	31,817
Gain on property sale net of income tax	**-**	-	(1,183)
Add amortisation of acquired intangibles net of deferred tax	**291**	280	560
Profit attributable to owners after adjustments	**14,872**	15,328	31,194

	2014 6 months to 30th June unaudited Number '000	2013 6 months to 30th June unaudited Number '000	2013 12 months to 31st December audited Number '000
Weighted average number of shares in issue	**37,911**	37,238	37,374
Weighted average number of shares held by employee share trusts	**(176)**	(175)	(175)
Number of shares used to calculate basic earnings per share	**37,735**	37,063	37,199
Dilution due to share incentives	**657**	1,144	918
Number of shares used to calculate diluted earnings per share	**38,392**	38,207	38,117

	2014	2013	2013
	6 months to	6 months to	12 months to
	30th June	30th June	31st December
	unaudited	unaudited	audited
	Pence	Pence	Pence
Basic earnings per share	**38.6p**	40.6p	85.5p
Diluted earnings per share	**38.0p**	39.4p	83.5p
Basic earnings per share on adjustments	**0.8p**	0.8p	(1.6)p
Diluted earnings per share on adjustments	**0.7p**	0.7p	(1.7)p
Basic earnings per share after adjustments	**39.4p**	41.4p	83.9p
Diluted earnings per share after adjustments	**38.7p**	40.1p	81.8p

Basic and diluted earnings per share have been adjusted to exclude the gain on property sale and the amortisation of acquired intangibles. The directors consider that earnings per share after these adjustments provide a better period to period comparison of performance.

9 Dividends

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

	Dividend per share	Dividend value
	Pence	£'000
2012 interim dividend paid 24th September 2012	12.5	4,615
2012 final dividend paid 10th June 2013	24.5	9,104
2012 special dividend paid 10th June 2013	45.0	16,721
2013 interim dividend paid 16th September 2013	12.5	4,650
2013 final dividend paid 13th June 2014	24.5	9,266
2013 special dividend paid 13th June 2014	45.0	17,018

A 2014 interim dividend of 13.1 pence per share, amounting to an expected dividend payment of £4,956,000, was declared by the directors at their meeting on 1st August 2014. This interim dividend will be payable on 15th September 2014 to shareholders on the register at the close of business on 22nd August 2014, with an ex-dividend date of 20th August 2014. These condensed consolidated interim financial statements do not reflect this dividend payable.

10 Trade and other receivables

	2014 30th June unaudited £'000	2013 30th June unaudited £'000	2013 31st December audited £'000
Trade receivables	**55,850**	70,625	63,285
Prepayments	**6,789**	6,974	6,994
Accrued revenue	**1,125**	1,133	967
Other receivables	**1,095**	227	1,560
Total trade and other receivables	**64,859**	78,959	72,806

11 Trade and other payables

Current liabilities	2014 30th June unaudited £'000	2013 30th June unaudited £'000	2013 31st December audited £'000
Trade payables	**5,998**	7,110	5,226
Accrued expenses	**24,970**	23,153	28,981
Other liabilities	**2,764**	1,741	1,948
Deferred revenue	**45,099**	50,255	51,825
Other taxes and social security	**3,166**	3,932	3,598
Total trade and other payables	**81,997**	86,191	91,578

Non-current liabilities	2014 30th June unaudited £'000	2013 30th June unaudited £'000	2013 31st December audited £'000
Accrued expenses	**316**	979	625
Other liabilities	**6,529**	7,543	6,655
Total non-current trade and other payables	**6,845**	8,522	7,280

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. A summary of these risks, which have not materially changed and are described in more detail on pages 9 and 10 of the 2013 annual report, is as follows:

(a) Economic conditions including instability in the world's financial markets.

(b) Service issues including failure of software and/or services for individual or multiple customers.

(c) Security and data issues including unauthorised access to and/or sabotage of systems and premises.

(d) Legal risks including contractual and intellectual property claims.

(e) Employee risks including loss of key employees and skills shortages.

(f) Financial risks including foreign exchange on transactions or balances that are denominated in a foreign currency, or collapse of financial institutions holding Fidessa's cash deposits.

(g) Regulatory issues affecting Fidessa and/or its customers.

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 interim 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 consolidated interim 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

1st August 2014

Independent review report to Fidessa group plc

Introduction

We have been engaged by the Company to review the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 30th June 2014 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 11. 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 consolidated interim 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 consolidated interim 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 consolidated interim 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 consolidated interim financial statements in the half-yearly financial report for the six months ended 30th June 2014 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Michael Harper (Senior Statutory Auditor)
For and on behalf of
KPMG LLP (Statutory Auditor)
Chartered Accountants
1st August 2014

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