Fidessa group plc
Interim results for the period ended 30th June 2016

1st August 2016

Fidessa reports solid growth and stability in uncertain market

	2016	2015	Change	At constant currencies
Revenue	£158.3m	£145.9m	+9%	+4%
Operating profit	£22.0m	£19.2m	+15%	+4%
Pre-tax profit	£22.2m	£19.4m	+14%	
Diluted earnings per share	40.9p	37.5p	+9%	
Interim dividend per share	14.3p	13.1p	+9%	
Cash	£66.9m	£61.6m	+9%	

Highlights for the period ended 30th June 2016:

- Solid revenue growth, with growth across all business lines and regions.
- Good international spread, with 63% of total revenue accounted for outside of Europe.
- International spread providing stability against uncertainty as a result of Brexit vote.
- Increasing opportunity for new Fidessa services as markets enter a new phase.
- Strong growth in multi-asset revenue as derivatives programme continues.
- Recurring revenue representing 86% of total revenue.
- Strong cash generation, with £66.9 million cash balance after dividend payments of £27.0 million.
- Interim dividend increased by 9% to 14.3p.

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

"During the first half of 2016, despite the challenges our customers have faced, the new phase of recovery within our end markets has continued with structural and regulatory changes starting to have an impact. This has resulted in new opportunities and high levels of new business activity which, when combined with the weakness of sterling, have enabled us to deliver strong growth during the first half. As anticipated in the 2015 preliminary results announcement, we expect to see an increased headwind in 2016 as a result of consolidations and closures within our customer base. However, whilst we expect there will be further consolidations and closures in 2016, on the basis of what we can currently see, we believe that this headwind will start to reduce next year.

Moving into the second half, whilst we continue to see structural and regulatory drivers within the market, there is clearly a degree of uncertainty as a result of the Brexit vote. Although it is too early to say what the wider implications of Brexit will be and how this might affect customer activity, we are not currently expecting that there will be any impact on the changing regulatory environment. In particular, we expect that MiFID II will be introduced as planned across Europe and that, regardless of any Brexit negotiations, it will also be implemented in the UK. We continue to believe that we are well positioned to benefit from opportunities that will arise as a result of these changes in regulation. Furthermore, with over 60% of our revenue derived from outside of Europe, we remain well positioned to benefit from any weakness in sterling, providing further support for our strong cash generation and dividend policy. Overall, we expect that 2016 constant currency growth will be around the levels that we have seen in the first half, with the possibility of further headline gains if sterling remains at its current level."

Commenting on the longer term outlook, Chris Aspinwall continued:

"Looking further ahead, although it is clear that the Brexit vote will create some uncertainty for a period of time, we believe that we are entering a period where opportunity is returning to the market. We expect to continue to make progress with our multi-asset initiative and will investigate the possibility of extending our asset class coverage further. We believe that across all asset classes, the market is moving towards the increased use of service-based solutions and that few vendors have both the depth of applications and the scale of infrastructure needed to deliver these solutions. We are committed to playing an increasingly important role in the markets as customers focus on efficiency, transparency, compliance and performance, and expect that this will provide us with significant opportunities for further growth."

Finance review

For the six months to 30th June 2016, Fidessa achieved revenue of £158.3 million, which represents growth on a reported basis of 9% (2015: £145.9 million and 6% growth). On a constant currency basis, revenue growth of 4% compares with 3% growth for the six months ended 30th June 2015. Recurring revenue of £136.4 million grew 8% and represents 86% of total revenue (2015: £125.9 million, 8% growth and 86% of total revenue).

Revenue for the sell-side business grew 9% and for the buy-side business grew 5%. Within the sell-side business, equities revenue of £128.2 million grew 6% (2015: £120.6 million) and derivatives revenue of £18.9 million grew 30% (2015: £14.5 million), with derivatives revenue now representing 12% of total revenue (2015: 10% of total revenue). As previously communicated, Fidessa expects sell-side derivatives revenue will grow for the year as a whole (2015: full year revenue of £36.0m) but at a much reduced level due to the drag effect of the closure of Jefferies group's Bache futures unit.

Revenue grew in all regions and 63% of total revenue was accounted for outside of Europe. The Americas grew 10% on a reported basis (5% on a constant currency basis) and was the largest region accounting for 42% of total revenue. Europe grew 4% on a reported basis (3% on a constant currency basis) and accounted for 37% of total revenue. Asia grew 13% on a reported basis (6% on a constant currency basis) and accounted for 21% of total revenue.

Foreign currency exchange rates have been significantly more volatile in the first half of 2016 than in 2015. Sterling was 7% weaker against the US dollar and currencies pegged to the US dollar and 14% weaker against the Japanese yen. This has resulted in an increased variance between headline growth rates and constant currency growth rates. During the six months ended 30th June 2016, 71% of revenue was denominated in foreign currencies, predominantly US dollars which accounted for 56% of revenue in the period.

As anticipated, the revenue impact from consolidations and closures across the customer base has continued and Fidessa is expecting an increased rate of 4% for 2016, which compares to 2% in 2015 and a peak of 8%. During the first half of 2016 there have continued to be further consolidations and closures, but Fidessa's current expectation is that these will have a reduced impact on revenue in 2017.

The deferred revenue in the balance sheet as at 30th June 2016 was £56.6 million or 18% of annualised revenue (30th June 2015: £47.0 million, 16% of annualised revenue) with the majority of it expected to be recognised as revenue during the second half of the year. Consistent with previous years, the accrued revenue balance was minimal.

Total operating expenses for the six months ended 30th June 2016 grew 8% to £136.5 million (2015: £126.8 million) reflecting the phasing of increased investments during 2015 and the impact of foreign currency exchange rate movements. The £9.7m increase primarily relates to a £5.4 million increase in total staff costs and a £4.5 million increase in communications and data costs.

Development expenditure capitalised of £15.6 million grew 6% (2015: £14.8 million) and net capitalisation of development expenditure of £1.1m was consistent with 2015.

Fidessa has implemented the research and development expenditure credit regime ('RDEC') during the period. As a result, research and development tax credits previously offset against income tax expense are replaced by research and development grants that will be offset against operating expenses. The new treatment has been adopted with effect from 1st January 2015 and in the six months to 30th June 2016, operating expenses have been reduced by grants totalling £0.8 million.

Operating profit has increased 15% to £22.0 million (2015: £19.2 million), being an operating margin of 13.9% (2015: 13.2%). The operating profit growth benefits from the positive impact of foreign currency exchange rate movements and from the RDEC grants noted above.

The effective rate of tax for the six months ended 30th June 2016 is 28.9% (2015: 25.6%) and the movement in the effective rate of tax is primarily attributable to the implementation of the RDEC rules. The overall impact of RDEC in the six months ended 30th June 2016 is to reduce profit after tax by £0.3m. From 2017, we anticipate adoption of RDEC will have a net benefit on profit after tax and will reduce cash tax payable.

Diluted earnings per share have increased by 9% to 40.9 pence (2015: 37.5 pence).

Fidessa continued to be strongly cash generative, closing the period with a cash balance of £66.9 million (2015: £61.6 million) and no debt. During the period, dividends of £27.0 million (2015: £26.7 million) have been paid.

An interim dividend of 14.3 pence (2015: 13.1 pence) has been declared. It will be paid on 14th September 2016 to shareholders on the register on 19th August 2016, with an ex-dividend date of 18th August 2016.

Market review

Introduction

The first half of 2016 was a challenging time for many of Fidessa's customers as they experienced one of the slowest starts to a year since the beginning of the financial crisis. Despite this market backdrop, Fidessa has continued to see a new phase of recovery within its customer base, characterised by a switch away from purely cost focused strategies towards a more strategic approach. This strategic approach, which involves Fidessa's customers reviewing their positioning for the longer term, can result in customers restructuring some areas of their business whilst also strengthening their commitment in other key areas. During 2016 this will result in an increase in the headwind that Fidessa sees from consolidations and closures as a result of customers restructuring, but in the first half it has also resulted in higher levels of new business activity where customers are committing to and investing in other areas. Where Fidessa has seen this additional investment, the focus has tended to be centred on three specific drivers:

- Differentiation, where firms are looking to focus their offerings to deliver unique benefits to their customers in order to secure competitive position.
- Cost efficiency, where firms are looking at outsourcing and service-based platforms as well as making broader use of their technology in order to reduce the total cost of ownership.
- Compliance, where firms are looking for ways to meet their increasingly complex regulatory and information security requirements in the most cost-efficient manner possible.

The investments Fidessa has made to extend the range of asset classes it supports, expand its regional coverage and build out its global infrastructure have positioned it well to help its customers to address the cost of non-differentiating activities through a robust, multi-asset, service-based delivery platform. Fidessa has continued to win awards for this core platform and has seen further customers adopting this approach. The value of this core platform, and the importance of Fidessa's multi-asset strategy, was illustrated during the first half of 2016 with a new deal signed with ABN AMRO Clearing which is described later in this report.

In addition to investing in its core platform, Fidessa has also worked to help its customers achieve higher levels of differentiation. One area in which these enhancements have been focused is in trade optimisation and measurement, where Fidessa's Optimized Trading initiative and Fidessa Prospector have been quick to win awards for innovation. Further initiatives address compliance, for both monitoring and reporting, as well as information security at all levels across both the buy-side and sell-side. Fidessa has also put in place initiatives to enable its customers to extend their use of Fidessa more widely across their organisations, automating more business processes and helping them to further improve efficiency. These investments, across both buy-side and sell-side, will help secure Fidessa's central position within the financial markets over the longer term and provide a strong base for further growth.

Fidessa's connectivity network has maintained its central position within the marketplace and now has a flow of around $1.8 trillion per month, while the total number of Fidessa users has remained at around 23,000.

Sell-side trading

Across its sell-side business, Fidessa has seen further development as its customers react to a difficult trading environment. The challenges for Fidessa's customers come from several different directions, including new regulation and reporting requirements, increased capital requirements and cost pressures within their own customers. More recently, some additional uncertainly has also been added to these challenges as a result of the Brexit vote. These challenges mean that many firms are reviewing their business models in order to identify how their business needs to be shaped to respond to future demand. Despite this difficult market backdrop, Fidessa continues to believe that these challenges will create opportunities as firms seek a partner who can provide the complex trading infrastructure they need, as a cost effective service. This enables them to deal with the upcoming regulatory challenges and focus on the unique elements of their business model whilst keeping a tight control on costs.

During the first half of 2016 Fidessa has seen continued progress with its service-based platform across Europe, the Americas and Asia. New deals have included two sales of large/global platforms as well as a number of sales of smaller regional platforms. The large deals included a substantial contract with ABN AMRO Clearing to provide a cross-asset execution service allowing ABN to offer its customers low-latency access to more than 110 futures, options, equities and FX markets worldwide. The platform will be delivered out of eleven key locations around the world. This deal represents another sale of Fidessa’s low-latency Direct Market Access (DMA) platform which provides brokers with high-performance, scalable and consistent access to global equities and derivatives markets. The platform insulates customers from the ever-changing global trading landscape, allowing them to focus on innovation in their own business. This type of platform is fast becoming a core service that firms have to be able to offer, with their customers expecting them to “own their execution” so they are in full control of the service they offer. Besides low-latency market access, the service also includes frameworks around smart order routing, internalisation, algorithmic trading and risk management. The deal with ABN illustrates the strength of Fidessa’s global reach and infrastructure and also the growing importance of multi-asset platform capabilities within the sell-side, leveraging Fidessa’s investment in both its equity and derivatives platforms. Recognising the lead that Fidessa has established in this space, Fidessa was voted Best Front Office Execution Platform for the second year running at the Waters' sell-side technology awards, which was the seventh award for Fidessa’s sell-side platform in a twelve-month period.

Within the regions, Asia has continued to deliver the strongest growth, with further Chinese brokers signed out of Hong Kong and additional platforms delivered in Japan. During the first half, Fidessa has also seen all regions deliver constant currency growth, with EMEA strengthening with growing market share and additional derivatives implementations. Across all regions the overall theme of a market in transition is strongly in evidence, with more focus around service differentiation and execution quality. Fidessa’s Optimised Trading initiative, which provides a range of tools, aimed at helping brokers to work more effectively and efficiently is targeted directly at this space. These tools include the Order Performance Monitor, which gives brokers insight into their orders and executions in real time, and Fidessa Prospector, which monitors a range of live and historical data to provide context and help in identifying liquidity. These tools, which have been well received, were quick to win awards for innovation and are already rolling out to customers across the regions.

To further assist customers to differentiate, Fidessa established a new partnership programme during 2015. This programme aims to enable carefully selected third parties to integrate their innovative applications and technology within the Fidessa environment, while Fidessa maintains control over the customer experience, both technically and commercially. In this way, Fidessa is able to offer a route for innovative companies to access the Fidessa community and to meet the complex compliance and information security requirements mandated by regulators. For Fidessa's customers, they are able to benefit from an even greater diversity of applications within their Fidessa platform, helping them to differentiate their business. During the first half of 2016, the number of partners within this program has extended to three, including the first partners within the buy-side space. The first sales under the partnership programme have also been made and Fidessa hopes to bring on further partners during the second half.

Fidessa has continued to make good progress with deliveries of its derivatives platform with strong growth in this area of the market. Although there is currently considerable pressure on FCMs (Futures Commission Merchants), Fidessa is seeing growing demand for platforms to support exchange-based derivatives trading and electronic execution, and this is illustrated by the deal with ABN which includes significant elements of derivatives functionality. Fidessa is also broadening into further parts of this market by providing platforms for Commodity Trading Firms (CTFs) with another deal signed in this area during the first half. The level of investment Fidessa is making in the derivatives platform is now starting to normalise as it achieves scale, and Fidessa’s derivatives business remains on track to achieve profitability within three years. In addition to being a valuable business in its own right, the derivatives business is also providing Fidessa with a natural entry point into further asset classes within the sell-side.

With the changing market conditions, Fidessa has been investigating the potential for further extensions to the asset classes it supports, looking specifically at the rates segment of the fixed income market. This research is continuing, with the delays to MiFID II allowing some additional flexibility in the approach that can be taken. Additional resource has been brought in to assist with this research and Fidessa expects to continue its investigation into this area during 2016. This additional resource is not expected to have any material financial impact.

Buy-side trading

Sentiment within the buy-side has remained relatively subdued during the first half of 2016 as market conditions remained challenging for buy-side firms. However, as anticipated in the 2015 preliminary results announcement, Fidessa's buy-side business experienced a reduced impact from consolidations and closures compared to 2015, allowing the business to return to growth. During the first half, Fidessa has continued its investment in its buy-side solutions, focusing on specific areas to address the particular challenges being seen within the industry.

Increased regulatory scrutiny and the likely impact of new regulations, such as MiFID II, mean that compliance has remained a key focal point for buy-side firms. Fidessa's Sentinel portfolio compliance solution is already established as a leading product in helping firms ensure that they are managing their portfolios correctly against their strict mandates. Recent enhancements to Sentinel include enriched counterparty exposure, which addresses the increased complexity in identifying whether an acceptable level of risk is being taken when dealing with a specific counterparty. Historically a good credit rating was sufficient to establish a counterparty's fitness as a trading partner, but regulators now expect buy-sides to aggregate their counterparty exposure across asset classes and also include a myriad of additional holdings where the counterparty is in any way affiliated. Coupled with Sentinel Trading Compliance, which was announced last year and addresses asset managers' increased focus on trading control and operational risk, these new capabilities have resulted in a number of customers looking to expand their use of Sentinel across further business areas. This has resulted in further sales and a growing pipeline, especially in North America. Sentinel was once again recognised by the industry, winning Hedge Fund Manager's Best Compliance Product award earlier in the year.

Buy-side dealing desks continue to pursue the twin goals of best execution and maximum efficiency so they can take advantage of new markets, while demonstrating tight operational controls. Fidessa's buy-side Investment Management System (IMS) allows firms to achieve this by implementing a global, consistent, integrated workflow across all asset classes and regions, whilst at the same time delivering powerful functionality to allow them to maximise returns and enforce controls. Fidessa launched the latest version of its IMS in the first half of the year which delivered enhanced order handling capabilities across futures, options and swaps, comprehensive support for Latin American interest rate futures, more sophisticated fixed-income trading functionality and support for market specific practices in Korea and Japan. Adding to the system's already comprehensive functionality and capabilities, these new features reaffirm IMS's position in the marketplace and help buy-sides identify all crossing opportunities across dealing desks and so deliver the best possible service to their customers.

Fidessa has continued its investment in post-trade services, with more customers signing up to take advantage of its new capabilities and partnerships in this space. The Fidessa Affirmation Management Service (AMS), which was launched last year, has continued to grow with over 50 firms across the world now contracted to use the utility and over 20,000 transactions a month being processed. Fidessa expects to double the volume of transactions going through AMS by the end of the year as the service starts to gain traction, and also expects to make significant progress in expanding the service to cover further asset classes.

Under Fidessa’s partnership programme, Fidessa is working with other firms operating in the post-trade space to increase distribution. One of these is a partnership with Alpha Omega, who have an established base within the asset management community providing affirmation processing across multiple third party order management systems. Through the Fidessa partnership programme, Alpha Omega is able to gain access to Fidessa's normalised global network of AMS brokers, expanding their reach while putting more flow across Fidessa’s network. Another partnership has seen Fidessa working closely with Commcise around some of the new MiFID II regulation that requires firms to not only unbundle the fees paid by buy-sides to brokers for research, but also to implement a new affirmation process to confirm these fees trade by trade. Leveraging Fidessa’s distribution is a natural way to enable this process to be implemented in a cost effective and seamless way.

Regulation

Regulation continues to be a very active topic around the world, with significant amounts of detailed regulation still under discussion and subject to change. However, despite the delays there is increasing clarity across the markets about the areas that will be affected and the changes that firms will have to make to accommodate them. Fidessa has been working closely with its customers to develop a comprehensive programme which will support the new rules and help them maintain their compliance across all regions.

In Europe, the timeline for MiFID II has now been confirmed, with the rules coming into effect on 3rd January 2018. Fidessa is expecting that the MiFID II regulations will apply to all firms in the UK regardless of the outcome of Brexit negotiations, and is continuing to develop its programme on this basis. The scope of Fidessa's MiFID II programme is wide ranging and covers:

- Enhanced controls including pre-trade risk checks.
- Increased transparency including enhanced trade reporting.
- Support for downstream record keeping & transaction reporting including additional order and trade data.
- Enhanced compliance monitoring, including market abuse, best execution and algo monitoring

It is clear that in order to meet the new regulations, firms will be under increasing pressure to have tighter integration of all their electronic flow and to ensure that workflow across all the regulated asset classes is well managed. To support its customers through MiFID II, Fidessa is planning a number of major software releases during 2017 with some elements offered as additional services.

In the US, additional compliance continues to be focused around the new requirements associated with the Tick Size Pilot, along with initial preparations for the Consolidated Audit Trail (CAT) NMS plan, for which the comment period recently closed. The CAT plan is expected to be approved by the end of the year. The Tick Size Pilot, created in part as a result of the Jumpstart Our Business Startups Act (“JOBS Act”), is a programme aimed at studying whether liquidity in smaller companies can be improved by widening the quoting increment, thereby incentivising market makers. It also includes a "Trade-at" provision, the purpose of which is to encourage the routing of orders to "lit" markets.

At the end of 2015, a proposal to move forward with Regulation Automated Trading (RegAT) was unanimously approved by the Commodity Futures Trading Commission (CFTC). Work on the definition of RegAT continues, with a current plan that the regulation will be finalised before the American election in November and come into effect in the latter half of 2017.

Throughout all regions the increasing focus on regulatory scrutiny and management of risk will put significant pressure on in-house developments, as well as raising the bar for all firms looking to provide solutions to the markets. As this happens, Fidessa expects to benefit as firms look to move away from their in-house developments and identify Fidessa as one of the increasingly few vendors with the scale and infrastructure necessary to handle these compliance demands.

Outlook

Whilst Fidessa continues to see structural and regulatory drivers within the market, there is clearly a degree of uncertainty as a result of the Brexit vote. Although it is too early to say what the wider implications of Brexit will be and how this might affect customer activity, Fidessa is not currently expecting that there will be any impact on the changing regulatory environment. In particular, Fidessa expects that MiFID II will be introduced as planned across Europe and that, regardless of any Brexit negotiations, it will also be implemented in the UK. Fidessa continues to believe that it is well positioned to benefit from opportunities that will arise as a result of these changes in regulation. Furthermore, with over 60% of its revenue derived from outside of Europe, Fidessa remains well positioned to benefit from any weakness in sterling, providing further support for its strong cash generation and dividend policy. Overall, Fidessa expects that 2016 constant currency growth will be around the levels that it has seen in the first half, with the possibility of further headline gains if sterling remains at its current level.

Looking further ahead, although it is clear that the Brexit vote will create some uncertainty for a period of time, Fidessa believes that it is entering a period where opportunity is returning to the market. Fidessa expects to continue to make progress with its multi-asset initiative and will investigate the possibility of extending its asset class coverage further. Fidessa believes that across all asset classes, the market is moving towards the increased use of service-based solutions and that few vendors have both the depth of applications and the scale of infrastructure needed to deliver these solutions. Fidessa is committed to playing an increasingly important role in the markets as customers focus on efficiency, transparency, compliance and performance, and expect that this will provide it with significant opportunities for further growth.

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Condensed consolidated interim income statement

for the six months ended 30th June 2016

	Note	2016 6 months to 30th June unaudited £'000	2015 6 months to 30th June unaudited £'000	2015 12 months to 31st December audited £'000
Revenue	5	**158,340**	145,860	295,479
Operating expenses	6	**(136,460)**	(126,828)	(257,081)
Other operating income		**169**	198	367
Operating profit	5	**22,049**	19,230	38,765
Finance income		**192**	174	320
Profit before income tax		**22,241**	19,404	39,085
Income tax expense	7	**(6,426)**	(4,964)	(9,563)
Profit for the period attributable to owners		**15,815**	14,440	29,522
Basic earnings per share	8	**41.4p**	38.0p	77.6p
Diluted earnings per share	8	**40.9p**	37.5p	76.5p

Condensed consolidated interim statement of comprehensive income

for the six months ended 30th June 2016

	2016 6 months to 30th June unaudited £'000	2015 6 months to 30th June unaudited £'000	2015 12 months to 31st December audited £'000
Profit for the period from the income statement	**15,815**	14,440	29,522
Other comprehensive income Items that may be reclassified subsequently to the consolidated income statement:			
Exchange differences arising on translation of foreign operations	**4,279**	(194)	1,485
Total comprehensive income for the period	**20,094**	14,246	31,007

Condensed consolidated interim balance sheet

at 30th June 2016

	Note	2016 30th June unaudited £'000	2015 30th June unaudited £'000	2015 31st December audited £'000
Assets				
Non-current assets				
Property, plant and equipment		**22,088**	23,306	23,203
Intangible assets		**89,328**	90,268	91,283
Deferred tax assets		**8,600**	7,896	7,919
Other receivables		**2,408**	2,137	2,405
Total non-current assets		**122,424**	123,607	124,810
Current assets				
Trade and other receivables	10	**82,711**	63,538	71,885
Cash and cash equivalents		**66,917**	61,646	78,314
Total current assets		**149,628**	125,184	150,199
Total assets		**272,052**	248,791	275,009
Equity				
Issued capital		**3,846**	3,824	3,827
Share premium		**33,289**	31,671	31,825
Merger reserve		**17,938**	17,938	17,938
Cumulative translation adjustment		**6,744**	786	2,265
Retained earnings		**86,997**	86,417	97,395
Total equity		**148,814**	140,636	153,450
Liabilities				
Non-current liabilities				
Other payables	11	**8,311**	7,811	8,486
Provisions		**2,721**	2,886	1,990
Deferred tax liabilities		**6,312**	6,480	7,109
Total non-current liabilities		**17,344**	17,177	17,585
Current liabilities				
Trade and other payables	11	**95,286**	84,666	96,374
Provisions		**939**	525	947
Current income tax liabilities		**9,669**	5,787	6,653
Total current liabilities		**105,894**	90,978	103,974
Total liabilities		**123,238**	108,155	121,559
Total equity and liabilities		**272,052**	248,791	275,009

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 2015 (audited)		3,817	31,017	17,938	980	97,747	151,499
Total comprehensive income for the period							
Profit for the period		-	-	-	-	14,440	14,440
Other comprehensive income		-	-	-	(194)	-	(194)
		-	-	-	(194)	14,440	14,246
Transactions with owners							
Issue of shares – exercise of options		7	654	-	-	-	661
Employee share incentive charges	6	-	-	-	-	1,323	1,323
Current tax recognised direct to equity		-	-	-	-	166	166
Deferred tax recognised direct to equity		-	-	-	-	(299)	(299)
Purchase of shares by employee share trusts		-	-	-	-	(300)	(300)
Sale of shares by employee share trusts		-	-	-	-	4	4
Dividends paid	9	-	-	-	-	(26,664)	(26,664)
Balances at 30th June 2015 (unaudited)		3,824	31,671	17,938	786	86,417	140,636
Total comprehensive income for the period							
Profit for the period		-	-	-	-	15,082	15,082
Other comprehensive income		-	-	-	1,679	-	1,679
		-	-	-	1,679	15,082	16,761
Transactions with owners							
Issue of shares – exercise of options		3	154	-	-	-	157
Employee share incentive charges		-	-	-	-	1,421	1,421
Current tax recognised direct to equity		-	-	-	-	83	83
Deferred tax recognised direct to equity		-	-	-	-	(299)	(299)
Purchase of shares by employee share trusts		-	-	-	-	(330)	(330)
Sale of shares by employee share trusts		-	-	-	-	12	12
Dividends paid	9	-	-	-	-	(4,991)	(4,991)
Balances at 31st December 2015 (audited)		3,827	31,825	17,938	2,465	97,395	153,450
Total comprehensive income for the period							
Profit for the period		**-**	**-**	**-**	**-**	**15,815**	**15,815**
Other comprehensive income		**-**	**-**	**-**	**4,279**	**-**	**4,279**
		-	**-**	**-**	**4,279**	**15,815**	**20,094**
Transactions with owners							
Issue of shares – exercise of options		**19**	**1,464**	**-**	**-**	**-**	**1,483**
Employee share incentive charges	6	**-**	**-**	**-**	**-**	**379**	**379**
Current tax recognised direct to equity		**-**	**-**	**-**	**-**	**464**	**464**
Deferred tax recognised direct to equity		**-**	**-**	**-**	**-**	**274**	**274**
Purchase of shares by employee share trusts		**-**	**-**	**-**	**-**	**(343)**	**(343)**
Sale of shares by employee share trusts		**-**	**-**	**-**	**-**	**16**	**16**
Dividends paid	9	**-**	**-**	**-**	**-**	**(27,003)**	**(27,003)**
Balances at 30th June 2016 (unaudited)		**3,846**	**33,289**	**17,938**	**6,744**	**86,997**	**148,814**

Condensed consolidated interim cash flow statement

for the six months ended 30th June 2016

	Note	2016 6 months to 30th June unaudited £'000	2015 6 months to 30th June unaudited £'000	2015 12 months to 31st December audited £'000
Cash flows from operating activities				
Profit before income tax for the period		**22,241**	19,404	39,085
Adjustments for:				
Staff costs – share incentives	6	**379**	1,323	2,744
Depreciation of property, plant and equipment	6	**5,841**	5,230	10,732
Amortisation of product development	6	**14,534**	13,680	27,844
Research and development expenditure grant	6	**(813)**	-	-
Amortisation of acquired intangibles	6	**365**	365	730
Amortisation of other intangible assets	6	**111**	142	283
Profit on sale of property, plant and equipment	6	**(34)**	-	(5)
Finance income		**(192)**	(174)	(320)
Cash generated from operations before changes in working capital		**42,432**	39,970	81,093
Movement in trade and other receivables		**(10,829)**	1,988	(6,627)
Movement in trade and other payables		**(1,619)**	(5,747)	5,889
Cash generated from operations		**29,984**	36,211	80,355
Income tax paid		**(4,150)**	(1,553)	(4,895)
Net cash generated from operating activities		**25,834**	34,658	75,460
Cash flows from investing activities				
Purchase of property, plant and equipment		**(3,283)**	(8,529)	(13,290)
Proceeds from sale of property, plant and equipment		**236**	31	57
Purchase of other intangible assets		**(58)**	(116)	(269)
Product development capitalised	6	**(15,638)**	(14,777)	(30,305)
Research and development expenditure grant		**3,471**	-	-
Interest received on cash and cash equivalents		**192**	174	320
Net cash used in investing activities		**(15,080)**	(23,217)	(43,487)
Cash flows from financing activities				
Proceeds from shares issued		**1,483**	661	818
Purchase of shares by employee share trusts		**(343)**	(300)	(630)
Proceeds from sale of shares by employee share trusts		**16**	4	16
Dividends paid	9	**(27,003)**	(26,664)	(31,655)
Net cash used in financing activities		**(25,847)**	(26,299)	(31,451)
Net (decrease)/increase in cash and cash equivalents		**(15,093)**	(14,858)	522
Cash and cash equivalents at 1st January		**78,314**	76,756	76,756
Effect of exchange rate fluctuations on cash held		**3,696**	(252)	1,036
Cash and cash equivalents at end of period		**66,917**	61,646	78,314

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 2016 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 2015 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 2015 are available at www.fidessa.com/investor-relations/reports 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 2015.

The condensed consolidated interim financial statements were approved by the Board of Directors on 29th July 2016.

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 2015 with the exception of the accounting policy on government grants as noted below. 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.

Government grants relating to research and development expenditure are offset against related capitalised development costs as they are earned and are subsequently credited to income as a reduction in operating expenses over the period that the related development costs are amortised. A corresponding other receivable is recognised at the time the grant is earned and will be subsequently offset against income tax payable.

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 2015.

5 **Segment reporting**

Fidessa is structured into two business units: Sell-side and Buy-side. 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 systems to cover every stage of the investment process for all 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 the performance of the business units and the overall group. It monitors operating profit adjusted to exclude 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 2016 (unaudited)	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	**127,560**	**8,830**	**136,390**
Non-recurring revenue	**19,516**	**2,434**	**21,950**
Total revenue from external customers	**147,076**	**11,264**	**158,340**
Inter-business unit revenue	**-**	**3,141**	**3,141**
Operating profit as monitored by the Operating Board	**18,205**	**2,293**	**20,497**

Six months ended 30th June 2015 (unaudited)	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	117,609	8,274	125,883
Non-recurring revenue	17,514	2,463	19,977
Total revenue from external customers	135,123	10,737	145,860
Inter-business unit revenue	-	3,288	3,288
Operating profit as monitored by the Operating Board	17,124	1,374	18,498

12 months ended 31st December 2015 (audited)	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	235,779	16,752	252,531
Non-recurring revenue	37,810	5,138	42,948
Total revenue from external customers	273,589	21,890	295,479
Inter-business unit revenue	-	6,576	6,576
Operating profit as monitored by the Operating Board	33,707	3,327	37,034

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

	2016	2015	2015
	6 months to	6 months to	12 months to
	30th June	30th June	31st December
	unaudited	unaudited	audited
	£'000	£'000	£'000
Operating profit as monitored by the Operating Board	**20,497**	18,498	37,034
Amortisation of acquired intangibles	**(365)**	(365)	(730)
Product development capitalised	**15,638**	14,777	30,305
Product development amortised	**(14,534)**	(13,680)	(27,844)
Research and development expenditure grant	**813**	-	-
Operating profit	**22,049**	19,230	38,765
Finance income	**192**	174	320
Profit before income tax	**22,241**	19,404	39,085

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.

	2016	2015	2015
	6 months to	6 months to	12 months to
	30th June	30th June	31st December
	unaudited	unaudited	audited
	£'000	£'000	£'000
Europe	**59,161**	56,744	113,960
Americas	**66,677**	60,449	124,350
Asia	**32,502**	28,667	57,169
Total revenue	**158,340**	145,860	295,479

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

	2016 6 months to 30th June unaudited £'000	2015 6 months to 30th June unaudited £'000	2015 12 months to 31st December audited £'000
UK	**59,161**	56,744	113,960
USA	**58,656**	52,877	109,476
Hong Kong	**20,255**	19,596	37,849

6 **Operating expenses**

	2016 6 months to 30th June unaudited £'000	2015 6 months to 30th June unaudited £'000	2015 12 months to 31st December audited £'000
Staff costs – salaries	**68,504**	63,536	128,287
Staff costs – social security	**5,667**	5,246	10,390
Staff costs – pension	**3,003**	2,651	5,441
Staff costs – share incentives	**379**	1,323	2,744
Staff costs – other benefits	**4,048**	3,429	6,966
Total staff costs	**81,601**	76,185	153,828
Amounts payable to subcontractors	**790**	901	2,058
Depreciation of property, plant and equipment	**5,841**	5,230	10,732
Amortisation of other intangible assets	**111**	142	283
Amortisation of acquired intangibles	**365**	365	730
Capitalisation of product development	**(15,638)**	(14,777)	(30,305)
Amortisation of product development	**14,534**	13,680	27,844
Research and development expenditure grant	**(813)**	-	-
Communications and data	**25,455**	20,952	43,145
Operating lease rentals – property	**10,296**	9,040	18,382
Operating lease rentals – plant and machinery	**56**	25	80
Profit on sale of property, plant and equipment	**(34)**	-	(5)
Exchange (gain) / loss	**(514)**	702	1,075
Other operating expenses	**14,410**	14,383	29,234
Total operating expenses	**136,460**	126,828	257,081

7 **Income tax expense**

The charge for tax for the six months to 30th June 2016 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 2016 is £6,426,000 (six months to 30th June 2015: £4,964,000). The tax charge equates to an effective tax rate of 28.9% (six months to 30th June 2015: 25.6%, 12 months to 31st December 2015: 24.5%).

The Group has adopted the research and development expenditure credit regime 'RDEC'. As a result, research and development tax credits previously reported within the income tax expense are replaced by 'above the line' research and development grants. The grants are offset against related capitalised development costs as they are earned and are subsequently credited to income as a reduction in operating expenses over the period that the related development costs are amortised. A corresponding other receivable is recognised at the time the grant is earned and will be subsequently offset against tax payable.

The new treatment has been adopted with effect from 1st January 2015 and in the six months to 30th June 2016, grants totalling £813,000 have been credited to income as a reduction to operating expenses (note 6). The majority of the 3.3% movement in the effective tax rate for the six months to 30th June 2016 when compared to the previous period reflects the tax impact of adopting RDEC.

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 2206p (six months to 30th June 2015: 2315p, 12 months to 31st December 2015: 2143p).

	2016 6 months to 30th June unaudited £'000	2015 6 months to 30th June unaudited £'000	2015 12 months to 31st December audited £'000
Profit attributable to owners	**15,815**	14,440	29,522

	2016 6 months to 30th June unaudited Number '000	2015 6 months to 30th June unaudited Number '000	2015 12 months to 31st December audited Number '000
Weighted average number of shares in issue	**38,369**	38,198	37,224
Weighted average number of shares held by employee share trusts	**(212)**	(219)	(200)
Number of shares used to calculate basic earnings per share	**38,157**	37,979	38,024
Dilution due to share incentives	**548**	561	559
Number of shares used to calculate diluted earnings per share	**38,705**	38,540	38,583

	2016	2015	2015
	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	**41.4p**	38.0p	77.6p
Diluted earnings per share	**40.9p**	37.5p	76.5p

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
2014 interim dividend paid 15th September 2014	13.1	4,960
2014 final dividend paid 12th June 2015	25.0	9,523
2014 special dividend paid 12th June 2015	45.0	17,141
2015 interim dividend paid 15th September 2015	13.1	4,991
2015 final dividend paid 10th June 2016	25.4	9,742
2015 special dividend paid 10th June 2016	45.0	17,261

A 2016 interim dividend of 14.3 pence per share, amounting to an expected dividend payment of £5,511,000 was declared by the directors at their meeting on 29th July 2016. This interim dividend will be payable on 14th September 2016 to shareholders on the register at the close of business on 19th August 2016, with an ex-dividend date of 18th August 2016. These condensed consolidated interim financial statements do not reflect this dividend payable.

10 Trade and other receivables

	2016	2015	2015
	30th June	30th June	31st December
	unaudited	unaudited	audited
	£'000	£'000	£'000
Trade receivables	**67,793**	53,079	60,711
Prepayments	**9,418**	8,741	8,892
Accrued revenue	**1,671**	1,310	1,328
Other receivables	**3,829**	408	954
Total trade and other receivables	**82,711**	63,538	71,885

Other receivables include £3,471,000 (six months to 30th June 2015: £nil, 12 months to 31 December 2015: £nil) in respect of research and development expenditure credits.

11 **Trade and other payables**

Current liabilities	2016 30th June unaudited £'000	2015 30th June unaudited £'000	2015 31st December audited £'000
Trade payables	**4,066**	5,958	4,615
Accrued expenses	**26,150**	24,563	29,766
Other liabilities	**4,317**	3,125	2,436
Deferred revenue	**56,648**	47,041	54,646
Other taxes and social security	**4,105**	3,979	4,911
Total current trade and other payables	**95,286**	84,666	96,374

Non-current liabilities	2016 30th June unaudited £'000	2015 30th June unaudited £'000	2015 31st December audited £'000
Accrued expenses	**1,055**	611	698
Other liabilities	**7,256**	7,200	7,788
Total non-current trade and other payables	**8,311**	7,811	8,486

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 10, 11 and 12 of the 2015 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) Bribery, corruption and fraud.

(h) 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 set of financial statements, which has been prepared in accordance with IAS 34 'Interim Financial Reporting', gives a true and fair view of the assets, liabilities, financial position and profit or loss of the undertakings included in the consolidation as a whole as required by DTR 4.2.4 R of the disclosure and transparency rules;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7 R of the disclosure and transparency rules; and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8 R of the disclosure and transparency rules.

By order of the Board

Andy Skelton

Chief Financial Officer

29th July 2016

Independent review report to Fidessa group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30th June 2016 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. 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 set of 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 set of financial statements included in this half-yearly financial report has 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 set of 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 set of financial statements in the half-yearly financial report for the six months ended 30th June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

John Bennett
For and on behalf of KPMG LLP
Chartered Accountants
29th July 2016

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