Fidessa group plc
Interim results for the period ended 30th June 2017

31st July 2017

Fidessa reports steady progress

	2017	2016	Change	At constant currencies *
Revenue	£177.6m	£158.3m	+12%	+2%
Profit before tax	£25.4m	£22.2m	+14%	-2%
Diluted earnings per share	48.2p	40.9p	+18%	
Interim dividend per share	15.3p	14.3p	+7%	
Cash	£71.0m	£66.9m	+6%	

* Constant currency variances are calculated by comparing 2017 results with 2016 results retranslated at the rates of exchange prevailing during 2017 and excluding exchange gains and losses within operating expenses from both years.

Highlights for the period ended 30th June 2017:

- Solid revenue growth across all business lines and regions.
- Constant currency profit before tax grew 2% excluding one-time and duplicate costs associated with relocating main US office from New York to Jersey City.
- Good international spread with 66% of total revenue accounted for outside of Europe.
- Continued strong growth in multi-asset revenue with five new derivatives deals signed.
- Recurring revenue representing 88% of total revenue.
- Strong cash generation with £71.0 million cash balance after dividend payments of £30.1 million.
- Interim dividend increased by 7% to 15.3 pence.

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

“The first half of 2017 has seen little change in the market conditions being faced by our customers, with political uncertainty, structural and regulatory changes all continuing to have an impact. However, many of these structural and regulatory drivers are also generating opportunities for Fidessa, and the delays in customer decision making noted during the first quarter started to ease slightly during the second quarter. Overall, whilst there remained clear evidence of stress within the market, levels of new business activity remained generally high and, when combined with the continued weakness of sterling, this enabled us to deliver solid growth during the half. As noted in the 2016 preliminary announcement, Fidessa incurred some one-time and duplicate costs in respect of the relocation of its main US office from New York to Jersey City, and this reduced the profit after tax margin by approximately 0.5% during the first half. In line with previous guidance we expect these costs to reduce the profit after tax margin by around 1% for the full year.

Moving into the second half, whilst it remains unclear exactly how our customers will be affected by the regulatory, structural and political changes, we expect the opportunities we are seeing will continue to develop. This is particularly in the areas of derivatives trading, electronic trading and our customers’ use of equity correlated assets (ETFs, swaps, etc.). We also expect that MiFID II will go ahead as planned although we believe there will be some phasing in the way it is implemented during 2018.

Overall, we continue to believe that we are well positioned to benefit from the opportunities that will arise in the markets as a result of regulatory and structural change. We remain cash generative providing strong support for our dividend policy, and continue to expect that 2017 constant currency revenue growth will be around the levels that we saw during 2016."

Commenting on the longer-term outlook, Chris Aspinwall continued:

"Looking further ahead, although it is clear that uncertainty is going to be a strong theme within our market for some time, we believe that we are entering a period where opportunity is returning. We expect this opportunity to arise both from customers developing their businesses in response to market changes and also as a result of other vendors struggling with the scale needed to operate successfully in the increasingly complex environment. We believe we will see further progress with our multi-asset initiative and will continue to look at 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 the depth of applications, operational expertise 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 2017, Fidessa achieved revenue of £177.6 million, which represents growth on a reported basis of 12% (2016: £158.3 million and 9% growth) and on a constant currency basis of 2%. Recurring revenue of £156.5 million grew 15% and represents 88% of total revenue (2016: £136.4 million, 8% growth and 86% of total revenue).

Revenue for the sell-side business of £165.8 million grew 13% (2016: £147.1 million and 9% growth) and for the buy-side business revenue of £11.8 million grew 5% (2016: £11.3 million and 5% growth). Within the sell-side business, equities revenue of £143.5 million grew 12% (2016: £128.2 million) and derivatives revenue of £22.3 million grew 18% (2016: £18.9 million), with derivatives revenue now representing 13% of total revenue (2016: 12% of total revenue) and 12% of recurring revenue (2016: 11% of recurring revenue).

Revenue grew in all regions and 66% of total revenue was accounted for outside of Europe. The Americas grew 19% on a reported basis (4% on a constant currency basis) and was the largest region, accounting for 45% of total revenue. Europe grew 2% on a reported basis (but declined 2% on a constant currency basis) and accounted for 34% of total revenue. Asia grew 17% on a reported basis (3% on a constant currency basis) and accounted for 21% of total revenue. The currency tailwind in Europe reflects that over 25% of revenue for the region is denominated in currencies other than sterling.

Foreign currency exchange rates created a significant tailwind in the first half of 2017 compared to the first half of 2016. Sterling was 11% weaker against the US dollar and currencies pegged to the US dollar and 10% weaker against the Japanese yen. This has resulted in an increased variance between headline growth rates and constant currency growth rates. At current exchange rates, there will be a small headwind in the second half of 2017 compared to the second half of 2016 and accordingly the variance between headline growth rates and constant currency growth rates is expected to reduce for the full year. During the first half of 2017, 74% of revenue was denominated in foreign currencies, predominantly US dollars which accounted for 58% of revenue in the period.

As anticipated, during the first half of 2017 consolidations and closures across the customer base continued but at a reduced level of 2% compared to 4% in 2016 and a peak of 8%. Fidessa's current expectation is that these will be around 2% for 2017 as a whole.

Total operating expenses for the first half of 2017 grew 12% to £152.8 million (2016: £136.5 million) with approximately two-thirds of the increase attributable to foreign currency exchange rate movements. The £16.3 million increase in operating expenses includes a £10.2 million increase in total staff costs and a £4.0 million increase in communications and data costs. The average number of people employed during the first half of 2017 was 1,735 (first half of 2016: 1,745).

Relocation of our main US office from New York to Jersey City remains on track for the second half. The strength of our balance sheet enables us to fund the fit out of this facility ourselves, rather than using financing. We anticipate a cash outflow, net of landlord incentives, of approximately £12 million in relation to this fit out during 2017 and approximately a 1% reduction in profit after tax margin as a result of one-time and duplicate costs associated with the move. During the first half of 2017 capital expenditure for the fit out totalled £3.2 million and one-off costs totalled £1.0 million, reducing profit after tax margin by around 0.5%.

Development expenditure capitalised in the first half of £16.7 million grew 7% (2016: £15.6 million) and net capitalisation of development expenditure of £2.8 million increased from £1.1million in the first half of 2016. At 30th June 2017 core development and research headcount of 517 was 9% higher than the 474 at 30th June 2016.

Profit before tax has increased 14% to £25.4 million (2016: £22.2 million), being a profit before tax margin of 14.3% (2016: 14.0%) and has benefitted from the positive impact of foreign currency exchange rate movements in the half. On a constant currency basis, profit before tax declined 2%, however when excluding the £1.0 million of costs associated with the Jersey City move, profit before tax grew 2% on a constant currency basis.

The effective rate of tax for the six months ended 30th June 2017 has reduced to 26.2% (2016: 28.9%). The tax rate for the first half of 2017 has benefitted from a reduction in the UK and Japan Corporation tax rates and a lower proportion of profits in higher tax rate jurisdictions as a result of the one-time Jersey City move costs. The tax rate for the first half of 2016 was negatively impacted by the retrospective first time adoption of the research and development expenditure credit regime ('RDEC').

Diluted earnings per share has increased during the first half by 18% to 48.2 pence (2016: 40.9 pence).

Fidessa continues to be strongly cash generative, closing the period with cash balances of £71.0 million (2016: £66.9 million) and no debt. During the period, dividends of £30.1 million (2016: £27.0 million) have been paid and capital expenditure totalled £6.2 million (2016: £3.3 million).

An interim dividend of 15.3 pence (2016: 14.3 pence) has been declared. It will be paid on 21st September 2017 to shareholders on the register at the close of business on 25th August 2017, with an ex-dividend date of 24th August 2017.

Market review

Introduction

The first half of 2017 has continued to see a challenging environment for Fidessa’s customers. Uncertainty has followed the Brexit vote, the elections in Europe and the new US administration, and this uncertainty is coupled with both structural and regulatory change within the market. For the financial markets the first quarter of 2017 showed unusually low volatility, intense competition and increasing liquidity costs all of which impacted Fidessa's customers, and resulted in some of the largest equity trading firms posting revenue declines across the sector. With the forthcoming implementation of MiFID II, some firms are also likely to experience a period where they are unable to take on significant new programmes whilst they complete the work necessary to comply with the new regulations. Fidessa’s April Interim Management Statement noted that customers were taking longer to make decisions than normal during the first quarter and Fidessa believes that these pressures in the markets had a material impact on this. Fidessa has noted that the delays in decision making have started to ease slightly in the second quarter although is it too early to know if this is part of a trend.

Despite the challenging environment, Fidessa has continued to see opportunities due to the changing markets. MiFID II which, among the many areas it touches, increases the focus on execution and research by forcing the pricing for each to be unbundled (separated) is one example. One effect of this is that firms have to be more focused on execution quality and need to have platforms and tools that can deliver fast, efficient, transparent and measurable execution. This unbundling of execution and research is also starting to be seen as best practice on a more global basis and so is no longer only relevant for Europe. Another changing area of the market is the large inflow of investment into Exchange Traded Fund (ETF) products which have been growing at an unprecedented rate. Whilst this creates challenges for some buy-side firms that are seeing a resulting outflow from their managed funds, it also creates opportunity as ETFs typically require large and complex baskets to be managed and executed efficiently. Some of these baskets may also contain foreign equities and derivatives products and may require the use of correlated assets adding further complexity to the trading process.

Whilst the markets are challenging and the complex opportunities require more technology, there remains a strong focus on cost within Fidessa’s customer base. As a result there is increasing interest within larger firms, both in outsourcing technology to third parties and also in making greater use of service-based platforms. The drive for efficiency is also creating a push towards greater integration and this, coupled with increasing demands from regulators, is moving customers towards a smaller number of key vendors.

As a result of the structural, market and cost drivers, Fidessa has continued to make progress as customers continue to take a more strategic approach. Whilst this approach often results in customers making investments in key areas of their business, it does also have the potential to cause some restructuring within Fidessa’s customer base resulting in Fidessa seeing some loss of business through closures and consolidations. During the first half of 2017 the headwind from these closures and consolidations has reduced to 2% and whilst Fidessa expects further such activity in 2017, on the basis of what is visible at this time, Fidessa believes it will see a similar level of headwind for 2017 as a whole.

Although it is currently too early to say what the full implications of Brexit will be, Fidessa believes that the global nature of its trading platforms means that it will be less susceptible to its effects, as key trading infrastructure is likely to continue to operate on a cross-border basis. Fidessa already has a legal presence within mainland Europe through its French subsidiary, and will continue to monitor the situation as the position becomes clearer.

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 particularly well to help its customers deal with the current challenging global market. Fidessa believes that the value of its robust, service-based platforms, and the importance of its multi-asset strategy, will become increasingly clear as firms adapt to the new market landscape.

Sell-side trading

Across its sell-side business, Fidessa has continued to make steady progress. Whilst the challenges facing Fidessa's customers are well documented, increasing clarity around both regulation and the shape firms will need to be to address the structural changes coming to the markets, are creating an increased number of opportunities.

While MiFID II touches a wide number of different areas, one of its key elements is the unbundling of pricing for research and execution. From Fidessa's perspective this has put a lot more emphasis on execution quality, where firms have to be much clearer about the execution service they provide, how it is priced and the value that has been derived from it. Across the industry there has been talk of a potential "arms race" as firms look to improve the execution service they offer to their customers and use new tools and technology in order to deliver this service. Fidessa believes that its vision of providing a global, scalable, fully managed platform that allows customers to plug in and trade any listed instrument anywhere in the world in a systematic way, combined with a range of execution tools, fits well with the direction of the industry. During the first half Fidessa has continued to expand its electronic execution service, which is also being recognised across the industry with a series of awards. These included the Waters Sell-side Technology Award for Best Front Office Execution Platform and the CTA Intelligence US Award for Best Trading and Execution Technology.

In addition to its core execution platform, Fidessa also helps its customers achieve better execution through a number of different tools. Fidessa's Optimised Trading initiative provides a range of tools targeted directly at this space. These 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 identify liquidity. These tools have been well received as they roll out to customers across the regions and Fidessa expects that more customers will adopt these tools during the second half as MiFID II approaches. Fidessa has also continued to win awards for these tools with Prospector being voted Best New Product in the annual Fund Technology & WSL (Wall Street Letter) Awards.

In the 2016 preliminary results announcement, Fidessa noted that research published by the Tabb Group in the fourth quarter of 2016 indicated that the FCM (Futures Commission Merchant) community believe they have weathered the worst of the storm, and that the tide of the business will rise over time. Fidessa noted it was seeing some evidence of this improvement in market conditions within its pipeline at the time and, during the first half, five new derivatives deals were signed with a good pipeline continuing into the second half. Fidessa's vision of bringing high quality workflow and execution to derivatives trading is resonating across multiple segments of the market including both global and regional firms. Fidessa expects that it will be able to broaden the appeal of its derivatives offering into regional tier two and potentially tier three firms as well as to a wider range of CTFs (commodity trading firms) and buy-side firms. The continued expansion of the customer base means that Fidessa's derivatives business remains on track to make a positive contribution to Fidessa's overall profitability within two years.

Within the regions, Asia has continued to deliver solid growth helped by a robust performance from Japan. Fidessa has continued to add to the Chinese brokers that use its service out of Hong Kong, with Sinolink Securities the latest firm to go live. Sinolink is listed on the Shanghai Stock Exchange and has extensive business operations across China. This growing network of Chinese brokers using Fidessa for their international business gives Fidessa a strong position in this market and provides the opportunity to develop relations into mainland China in the future. In Japan Fidessa has continued to make good progress with the delivery of additional platforms for domestic customers, but is also seeing increased interest from foreign brokers looking to develop a local market presence as part of their global offering.

With the changing market conditions, Fidessa continues to investigate the potential for further extending the range of asset classes it supports. This has involved looking at the rates segment of the fixed income market and Fidessa has maintained its strategy of building out its execution capability and supporting derivatives of the rates products. Fidessa also continues to investigate other opportunities within the FICC segment. In addition to this, Fidessa is seeing opportunity for expansion into smaller asset classes such as convertible bonds with increased interest in other equity correlated assets such as swaps, ETFs and options. All of these assets fit easily against Fidessa's vision of a global, multi-asset execution platform and also create the opportunity to leverage Fidessa's workflow and infrastructure capability.

Buy-side trading

Fidessa's buy-side customers have continued to face difficult market conditions, with the move towards passive investment strategies, such as ETFs, presenting a particular challenge for active funds. The impending arrival of MiFID II is also a key focus and touches on a number of areas within buy-side firms. One of these is the requirement for research costs to be unbundled from trading fees which creates the requirement for much more formal management of all the activities carried out with executing brokers.

Fidessa has been working closely with its buy-side customers throughout the first half to help them make changes to their processes to meet the MiFID II timescales. At the same time, Fidessa has continued its extensive MiFID II programme which will deliver capabilities, such as new transaction reporting tools, storage of data for "best execution" and an enhanced commission calculator to handle research unbundling.

Whilst compliance is only becoming higher profile, the demands made on compliance teams continue to grow. As well as preparing for MiFID II, these teams need to deal with increased data management, growing rule sets and a customer base which is more willing to move funds from one asset manager to another and expects fast on-boarding. To assist customers with this, Fidessa has introduced new enhancements to its Sentinel Portfolio Compliance solution empowering these teams to better code, test and consolidate rules, on-board and terminate accounts more quickly and control and manage breaches more efficiently.

Although the growth of ETFs and the corresponding outflow from managed funds creates challenges for many buy-side firms, it also creates some opportunities for Fidessa. ETFs typically consist of large and complex baskets of instruments which need to be correctly managed, for example ensuring that when the underlying holdings within an ETF are considered, the investment portfolio it is used in remains correctly weighted/distributed. Fidessa's Portfolio Studio gives asset managers the capabilities they need to manage these complex instruments, as well as a powerful and flexible means to rapidly test the impact of potential investment strategies in a structured, auditable environment.

Fidessa's network of execution venues has continued to expand in 2017, with a particular focus on fixed income venues for the buy-side. A partnership with InvestSoft, a fixed income and risk analytics provider, will help Fidessa deliver sophisticated execution tools and data analysis for fixed income markets to the user's desktop. Fidessa expects that there will be a general trend towards the greater use of execution tools across the buy-side, and is well positioned to leverage its experience in the sell-side to meet this growing demand.

With a customer base and product set that covers both the buy-side and sell-side, Fidessa has continued to leverage its position and deliver innovative solutions in the post-trade space. Fidessa is committed to lowering costs and increasing the speed and reliability of post-trade operations by providing services and infrastructure that enable all parties to implement timely, efficient, exception-based processing across asset classes and markets. Although closures in the market have affected the number of confirmations, the customer base for Fidessa's Affirmation Management Service (AMS), which targets this space, has continued to grow. Initially targeting the equities and fixed income segments, this growth has been both organic and driven by a number of bi-lateral partnerships with other service providers. Fidessa is also working with a number of tier-one asset managers and clearing brokers to target the derivatives post trade workflow, providing structure, rigour and control in what is currently very much a manually operated process. AMS for derivatives is expected to go live in the second half of the year.

Regulation

Regulation continues to be a key focus across Fidessa's customer base, with attention centred on the imminent implementation of MiFID II in Europe and the uncertainty in America following the US election.

In Europe, Fidessa has worked closely with its customers and has an extensive MiFID II platform development programme in place. The programme will deliver enhanced controls, increased transparency, regulatory order and trade data, compliance monitoring and SI quoting capabilities. Fidessa is already in the process of rolling out the core building blocks of this programme to its customer base in preparation to meet the planned MiFID II go-live date of 3rd January 2018. However, despite the short amount of time remaining before the go-live date, there is still considerable regulatory discussion ongoing and it is expected that some rules may yet be changed or adjusted prior to go-live. Areas that are particularly relevant to Fidessa's customers are in the rules surrounding SIs (Systematic Internalisers) and the implementation of research unbundling. In particular the current rules around SIs have the potential to make the execution landscape considerably more complex, and Fidessa's customers are still working through the implications of this and how it might affect their business. As a result, Fidessa expects that the MiFID II programme will have a long tail, and that market changes and additional elements will continue to be required well into 2018. This is expected to provide opportunities for Fidessa to deploy new services to assist its customers in meeting their MiFID II obligations over this longer period.

In the US, Fidessa is expecting to see a period of regulatory uncertainty. In particular Fidessa noted in the 2016 preliminary announcement that following the unanimous approval of a proposal to move forward with Regulation Automated Trading (RegAT) by the Commodity Futures Trading Commission (CFTC), work on the definition of RegAT was not finalised before the US election as had originally been planned. The new administration has indicated a desire to review regulation generally and make significant structural alterations to the Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). At this time Fidessa does not believe that RegAT will go ahead in its original form and expects that in the short term, there may be a slowdown in the drafting of new regulations, whilst others that are already in progress, such as the Consolidate Audit Trail (CAT), may continue as planned. Fidessa also believes that most large firms will continue to look for best practice when managing their risk and workflow, and so may adopt some MiFID II principles, particularly around research unbundling, as their global standard.

Fidessa continues to believe that in order to meet their regulatory and best practice obligations, firms in all regions 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. Fidessa expects that this will drive more customers towards its solutions as they find this is the most cost effective way to achieve this requirement.

Outlook

Whilst it remains unclear exactly how its customers will be affected by the regulatory, structural and political changes, Fidessa expects that the opportunities it is seeing will continue to develop. This is particularly in the areas of derivatives trading, electronic trading and its customers' use of equity correlated assets (ETFs, swaps, etc.). Fidessa also expects that MiFID II will go ahead as planned although it believes that there will be some phasing in the way it is implemented during 2018.

Overall, Fidessa continues to believe that it is well positioned to benefit from the opportunities that will arise in the markets as a result of regulatory and structural change. Fidessa remains cash generative providing strong support for its dividend policy, and expects that 2017 constant currency revenue growth will be around the levels seen during 2016.

Looking further ahead, although it is clear that uncertainty is going to be a strong theme within the markets for some time, Fidessa believes that it is entering a period where opportunity is returning. Fidessa expects this opportunity to arise both from customers developing their businesses in response to market changes and also as a result of other vendors struggling with the scale needed to operate successfully in the increasingly complex environment. Fidessa believes that it will see further progress with its multi-asset initiative and will continue to look at 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 the depth of applications, operational expertise 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 expects that this will provide it with significant opportunities for further growth.

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Consolidated interim income statement

for the six months ended 30th June 2017

	Note	2017 6 months to 30th June unaudited £'000	2016 6 months to 30th June unaudited £'000	2016 12 months to 31st December audited £'000
Revenue	5	**177,603**	158,340	331,935
Operating expenses	6	**(152,783)**	(136,460)	(283,919)
Other operating income		**388**	169	454
Operating profit	5	**25,208**	22,049	48,470
Finance income		**184**	192	350
Profit before income tax		**25,392**	22,241	48,820
Total income tax expense	8	**(6,658)**	(6,426)	(13,066)
Profit for the period attributable to owners		**18,734**	15,815	35,754
Basic earnings per share	9	**48.8p**	41.4p	93.5p
Diluted earnings per share	9	**48.2p**	40.9p	92.3p

Consolidated interim statement of comprehensive income

for the six months ended 30th June 2017

	2017 6 months to 30th June unaudited £'000	2016 6 months to 30th June unaudited £'000	2016 12 months to 31st December audited £'000
Profit for the period from the income statement	**18,734**	15,815	35,754
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations	**(793)**	4,279	4,778
Total comprehensive income for the period	**17,941**	20,094	40,532

Consolidated interim balance sheet

at 30th June 2017

	Note	2017 30th June unaudited £'000	2016 30th June unaudited £'000	2016 31st December audited £'000
Assets				
Non-current assets				
Property, plant and equipment		**20,471**	22,088	20,570
Intangible assets		**96,065**	91,986	93,465
Deferred tax assets		**10,079**	8,600	9,925
Other receivables		**1,670**	2,408	2,000
Total non-current assets		**128,285**	125,082	125,960
Current assets				
Trade and other receivables	11	**88,999**	82,711	83,132
Cash and cash equivalents		**70,989**	66,917	95,152
Total current assets		**159,988**	149,628	178,284
Total assets		**288,273**	274,710	304,244
Equity				
Issued capital		**3,865**	3,846	3,858
Share premium		**34,593**	33,289	34,153
Merger reserve		**17,938**	17,938	17,938
Cumulative translation adjustment		**6,450**	6,744	7,243
Retained earnings		**91,645**	86,997	101,885
Total equity		**154,491**	148,814	165,077
Liabilities				
Non-current liabilities				
Other payables	12	**11,564**	9,479	10,557
Provisions		**1,786**	2,721	2,078
Deferred tax liabilities		**6,519**	6,312	6,314
Total non-current liabilities		**19,869**	18,512	18,949
Current liabilities				
Trade and other payables	12	**104,911**	96,776	113,169
Provisions		**1,391**	939	1,309
Current income tax liabilities		**7,611**	9,669	5,740
Total current liabilities		**113,913**	107,384	120,218
Total liabilities		**133,782**	125,896	139,167
Total equity and liabilities		**288,273**	274,710	304,244

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 2016 (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		-	-	-	-	(327)	(327)
Dividends paid	10	-	-	-	-	(27,003)	(27,003)
Balances at 30th June 2016 (unaudited)		3,846	33,289	17,938	6,744	86,997	148,814
Total comprehensive income for the period							
Profit for the period		-	-	-	-	19,939	19,939
Other comprehensive income		-	-	-	499	-	499
					499	19,939	20,438
Transactions with owners							
Issue of shares – exercise of options		12	864	-	-	-	876
Employee share incentive charges		-	-	-	-	1,361	1,361
Current tax recognised direct to equity		-	-	-	-	231	231
Deferred tax recognised direct to equity		-	-	-	-	(468)	(468)
Purchase of shares by employee share trusts		-	-	-	-	(685)	(685)
Dividends paid	10	-	-	-	-	(5,490)	(5,490)
Balances at 31st December 2016 (audited)		3,858	34,153	17,938	7,243	101,885	165,077
Total comprehensive income for the period							
Profit for the period		**-**	**-**	**-**	**-**	**18,734**	**18,734**
Other comprehensive income		**-**	**-**	**-**	**(793)**	**-**	**(793)**
		-	**-**	**-**	**(793)**	**18,734**	**17,941**
Transactions with owners							
Issue of shares – exercise of options		**7**	**440**	**-**	**-**	**-**	**447**
Employee share incentive charges	6	**-**	**-**	**-**	**-**	**1,515**	**1,515**
Current tax recognised direct to equity		**-**	**-**	**-**	**-**	**128**	**128**
Deferred tax recognised direct to equity		**-**	**-**	**-**	**-**	**(42)**	**(42)**
Purchase of shares by employee share trusts		**-**	**-**	**-**	**-**	**(474)**	**(474)**
Dividends paid	10	**-**	**-**	**-**	**-**	**(30,101)**	**(30,101)**
Balances at 30th June 2017 (unaudited)		**3,865**	**34,593**	**17,938**	**6,450**	**91,645**	**154,491**

Consolidated interim cash flow statement

for the six months ended 30th June 2017

	Note	2017 6 months to 30th June unaudited £'000	2016 6 months to 30th June unaudited £'000	2016 12 months to 31st December audited £'000
Cash flows from operating activities				
Profit before income tax for the period		**25,392**	22,241	48,820
Adjustments for:				
Staff costs – share incentives	6	**1,515**	379	1,740
Depreciation of property, plant and equipment	6	**5,606**	5,841	12,085
Amortisation of product development	6	**13,901**	14,534	27,477
Amortisation of acquired intangibles	6	**243**	365	730
Amortisation of other intangible assets	6	**120**	111	219
Profit on sale of property, plant and equipment	6	**-**	(34)	(48)
Finance income		**(184)**	(192)	(350)
Cash generated from operations before changes in working capital		**46,593**	43,245	90,673
Movement in trade and other receivables		**(5,537)**	(10,829)	(10,842)
Movement in trade and other payables		**(7,124)**	1,039	12,600
Cash generated from operations		**33,932**	33,455	92,431
Income tax paid		**(4,651)**	(4,150)	(12,065)
Net cash generated from operating activities		**29,281**	29,305	80,366
Cash flows from investing activities				
Purchase of property, plant and equipment		**(6,037)**	(3,283)	(6,948)
Proceeds from sale of property, plant and equipment		**-**	236	94
Purchase of other intangible assets		**(151)**	(58)	(157)
Product development capitalised	6	**(16,726)**	(15,638)	(30,424)
Interest received on cash and cash equivalents		**184**	192	350
Net cash used in investing activities		**(22,730)**	(18,551)	(37,085)
Cash flows from financing activities				
Proceeds from shares issued		**447**	1,483	2,359
Purchase of shares by employee share trusts		**(474)**	(343)	(1,012)
Proceeds from sale of shares by employee share trusts		**-**	16	-
Dividends paid	10	**(30,101)**	(27,003)	(32,493)
Net cash used in financing activities		**(30,128)**	(25,847)	(31,146)
Net (decrease)/increase in cash and cash equivalents		**(23,577)**	(15,093)	12,135
Cash and cash equivalents at 1st January		**95,152**	78,314	78,314
Effect of exchange rate fluctuations on cash held		**(586)**	3,696	4,703
Cash and cash equivalents at end of period		**70,989**	66,917	95,152

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 2017 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 2016 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 2016 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 2016.

The condensed consolidated interim financial statements were approved by the Board of Directors on 28th July 2017.

3 **Significant accounting policies and recent accounting developments**

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 2016. The presentation of research and development expenditure credit regime 'RDEC' balances in the balance sheet and cash flow for the six months ended 30th June 2016 have been amended, as described in note 12. 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.

IFRS15, 'Revenue from contracts with customers', is effective for annual periods beginning on or after 1st January 2018, with early adoption permitted. It establishes a comprehensive framework for determining whether, how much and when revenue should be recognised and it replaces existing revenue recognition guidance, including IAS 18 Revenue. Depending on the particular contractual arrangements in place, application of the new standard may change the amount of revenue recognised on a contract and/or its timing, and the timing of the recognition of contract costs compared with current accounting policies. The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS15 and will disclose additional information before it adopts IFRS15.

IFRS16, 'Leases', was published in January 2016 and will become effective in January 2019. IFRS16 introduces a single, on-balance sheet lease accounting model for lessees. The Group has started to assess the potential impact of the adoption of IFRS16 on its consolidated financial statements.

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 2016.

The key foreign exchange rates used in the preparation of these financial statements are:

Currency	Closing rate			Average rate		
	30th June 2017	30th June 2016	31st December 2016	6 months to 30th June 2017	6 months to 30th June 2016	% change
United States dollar	1.30	1.34	1.24	1.27	1.42	11%
Japanese yen	145.95	137.14	144.12	142.19	157.65	10%

With the exception of the above and sterling, no other currency comprised more than 5% of Group revenue.

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 2017 (unaudited)	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	146,792	9,750	156,542
Non-recurring revenue	19,040	2,021	21,061
Total revenue from external customers	165,832	11,771	177,603
Inter-business unit revenue	-	3,004	3,004
Operating profit as monitored by the Operating Board	19,077	2,586	21,663
Amortisation of acquired intangibles			**(243)**
Product development capitalised			**16,726**
Product development amortised			**(13,901)**
Research and development expenditure grant			**963**
Operating profit			**25,208**
Finance income			**184**
Profit before income tax			**25,392**

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	18,204	2,293	20,497
Amortisation of acquired intangibles			(365)
Product development capitalised			15,638
Product development amortised			(14,534)
Research and development expenditure grant			813
Operating profit			22,049
Finance income			192
Profit before income tax			22,241

12 months ended 31st December 2016 (audited)	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	269,211	18,594	287,805
Non-recurring revenue	39,649	4,481	44,130
Total revenue from external customers	308,860	23,075	331,935
Inter-business unit revenue	-	6,282	6,282
Operating profit as monitored by the Operating Board	39,588	5,015	44,603
Amortisation of acquired intangibles			(730)
Product development capitalised			30,424
Product development amortised			(27,477)
Research and development expenditure grant			1,650
Operating profit			48,470
Finance income			350
Profit before income tax			48,820

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.

	2017 6 months to 30th June unaudited	2016 6 months to 30th June unaudited	2016 12 months to 31st December audited
	£'000	£'000	£'000
Europe	**60,316**	59,161	120,031
Americas	**79,142**	66,677	142,575
Asia	**38,145**	32,502	69,329
Total revenue	**177,603**	158,340	331,935

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

	2017 6 months to 30th June unaudited	2016 6 months to 30th June unaudited	2016 12 months to 31st December audited
	£'000	£'000	£'000
UK	**60,316**	59,161	120,031
USA	**69,566**	58,656	125,347
Hong Kong	**23,375**	20,255	42,814

6 **Operating expenses**

	2017 6 months to 30th June unaudited £'000	2016 6 months to 30th June unaudited £'000	2016 12 months to 31st December audited £'000
Staff costs – salaries	**76,414**	68,504	142,113
Staff costs – social security	**6,349**	5,667	11,121
Staff costs – pension	**3,262**	3,003	6,117
Staff costs – share incentives	**1,515**	379	1,740
Staff costs – medical insurance	**3,957**	3,822	8,112
Staff costs – other benefits	**286**	226	503
Total staff costs	**91,783**	81,601	169,706
Subcontractors	**982**	790	1,661
Depreciation of property, plant and equipment	**5,606**	5,841	12,085
Amortisation of other intangible assets	**120**	111	219
Amortisation of acquired intangibles	**243**	365	730
Capitalisation of product development	**(16,726)**	(15,638)	(30,424)
Amortisation of product development	**13,901**	14,534	27,477
Research and development expenditure grant	**(963)**	(813)	(1,650)
Communications and data	**29,436**	25,455	53,474
Operating lease rentals – property	**11,670**	10,296	21,298
Operating lease rentals – plant and machinery	**28**	56	142
Profit on sale of property, plant and equipment	**-**	(34)	(48)
Exchange loss / (gain)	**716**	(514)	(1,149)
Other operating expenses	**15,987**	14,410	30,398
Total operating expenses	**152,783**	136,460	283,919

Other operating income of £388,000 (six months to 30th June 2016: £169,000; year to 31st December 2016: £454,000) represents income from sublet offices space.

Included in total staff costs are the direct costs of research and development of £23,116,000 (six months to 30th June 2016: £20,203,000; year to 31st December 2016: £39,726,000) which includes the amount capitalised above.

Included in total operating expenses are one-time and duplicate costs associated with the relocation of Fidessa's main US office from New York to Jersey City of £1,029,000 (six months to 30th June 2016: £nil; year to 31st December 2016: £nil).

7 **Staff numbers**

The average number of people employed (including directors) during the period was as follows:

	2017 Six months to 30th June Number unaudited	2017 Six months to 30th June Number unaudited	2016 Year to 31st December Number audited
Europe	**863**	853	851
The Americas	**541**	555	554
Asia	**331**	337	334
Total average staff numbers in the year	**1,735**	1,745	1,739

The number of people employed (including directors) at the end of each period was as follows:

	2017 30th June Number unaudited	2016 30th June Number unaudited	2016 31st December Number audited
Delivery	**487**	523	497
Support	**324**	325	325
Core development and research	**517**	474	519
Operations	**154**	154	152
Sales	**55**	54	56
Marketing	**39**	43	37
Management and administration	**151**	155	150
Total staff numbers at end of period	**1,727**	1,728	1,736

8 **Income tax expense**

The charge for tax for the six months to 30th June 2017 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 2017 is £6,658,000 (six months to 30th June 2016: £6,426,000). The tax charge equates to an effective tax rate of 26.2% (six months to 30th June 2016: 28.9%, 12 months to 31st December 2016: 26.8%).

In 2016, the Group adopted the RDEC regime. 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 shown as deferred income 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 subsequently be offset against tax payable.

In the six months ended 30 June 2017, grants totalling £963,000 (six months to 30th June 2016: £813,000, 12 months to 31st

December 2016: £1,650,000) have been credited to income as a reduction to operating expenses (note 6).

9 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 2447p (six months to 30th June 2016: 2206p, 12 months to 31st December 2016: 2299p).

	2017 6 months to 30th June unaudited £'000	2016 6 months to 30th June unaudited £'000	2016 12 months to 31st December audited £'000
Profit attributable to owners	**18,734**	15,815	35,754

	2017 6 months to 30th June unaudited Number '000	2016 6 months to 30th June unaudited Number '000	2016 12 months to 31st December audited Number '000
Weighted average number of shares in issue	**38,617**	38,369	38,455
Weighted average number of shares held by employee share trusts	**(244)**	(212)	(220)
Number of shares used to calculate basic earnings per share	**38,373**	38,157	38,235
Dilution due to share incentives	**502**	548	519
Number of shares used to calculate diluted earnings per share	**38,875**	38,705	38,754

	2017 6 months to 30th June unaudited Pence	2016 6 months to 30th June unaudited Pence	2016 12 months to 31st December audited Pence
Basic earnings per share	**48.8p**	41.4p	93.5p
Diluted earnings per share	**48.2p**	40.9p	92.3p

10 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
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
2016 interim dividend paid on 14th September 2016	14.3	5,489
2016 final dividend paid on 8th June 2017	28.2	10,855
2016 special dividend paid on 8th June 2017	50.0	19,246

A 2017 interim dividend of 15.3 pence per share, amounting to an expected dividend payment of £5,900,000 was declared by the directors at their meeting on 28th July 2017. This interim dividend will be payable on 21st September 2017 to shareholders on the register at the close of business on 25th August 2017, with an ex-dividend date of 24th August 2017. These condensed consolidated interim financial statements do not reflect this dividend payable.

11 Trade and other receivables

	2017	2016	2016
	30th June	30th June	31st December
	unaudited	unaudited	audited
	£'000	£'000	£'000
Current assets			
Trade receivables	**70,522**	67,793	66,747
Prepayments	**11,507**	9,418	10,698
Accrued revenue	**1,243**	1,671	1,573
Other receivables - RDEC	**4,748**	3,471	3,056
Other receivables	**979**	358	1,058
Total trade and other receivables	**88,999**	82,711	83,132

	2017	2016	2016
	30th June	30th June	31st December
	unaudited	unaudited	audited
	£'000	£'000	£'000
Non-current assets			
Other receivables - deposits	**1,670**	2,408	2,000

12 **Trade and other payables**

Current liabilities	2017 30th June unaudited £'000	2016 30th June unaudited £'000	2016 31st December audited £'000
Trade payables	**6,762**	4,066	6,814
Accrued expenses	**29,823**	26,150	34,532
Other liabilities	**4,905**	4,317	3,518
Deferred revenue	**56,919**	56,648	61,812
Deferred income - RDEC	**2,059**	1,490	1,878
Other taxes and social security	**4,443**	4,105	4,615
Total current trade and other payables	**104,911**	96,776	113,169

Non-current liabilities	2017 30th June unaudited £'000	2016 30th June unaudited £'000	2016 31st December audited £'000
Accrued expenses	**531**	1,055	1,260
Deferred income - RDEC	**2,884**	1,168	2,336
Other liabilities	**8,149**	7,256	6,961
Total non-current trade and other payables	**11,564**	9,479	10,557

In the results for the six months ended 30th June 2016, grants earned but not recognised in respect of RDEC were credited against capitalised product development costs in intangible assets. The presentation was amended in the results for the year ended 31st December 2016 to show grants earned not recognised as deferred income. The comparative numbers in the balance sheet and cash flow for the six months ended 30th June 2016 have also been updated to reflect this revised presentation.

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 to 13 of the 2016 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

28th July 2017

Independent review report to Fidessa group plc

Conclusion

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 2017 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.

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 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 two, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

John Bennett
for and on behalf of KPMG LLP
Chartered Accountants
28th July 2017

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