# Fidessa group plc
# Interim results for the period ended 30th June 2011

1st August 2011

## Fidessa continues strong performance despite challenges in the financial markets

| | 2011 | 2010 | Change | At constant currencies |
|---|---|---|---|---|
| **Revenue** | **£137.0m** | **£128.5m** | **+7%** | **+9%** |
| **Adjusted operating profit[1]** | **£21.1m** | **£19.5m** | **+8%** | **+10%** |
| **Operating profit** | **£20.7m** | **£17.3m** | **+20%** | |
| **Adjusted pre-tax profit[1]** | **£21.2m** | **£19.5m** | **+9%** | |
| **Pre-tax profit** | **£20.9m** | **£19.5m** | **+7%** | |
| **Adjusted diluted earnings per share[1]** | **40.4p** | **36.5p** | **+11%** | |
| **Diluted earnings per share** | **39.7p** | **38.0p** | **+4%** | |
| **Interim dividend per share** | **12.0p** | **11.0p** | **+9%** | |
| **Cash** | **£54.5m** | **£39.8m** | **+37%** | |

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

Highlights for the period ended 30th June 2011:

- Revenue up 9% at constant currencies with 82% recurring.
- Growth across all regions.
- Earnings per share strengthening on the back of improved margin and lower tax rate.
- Cash of £54.5m after payment of £24.4m in annual and special dividends.
- Transaction volumes across Fidessa's network grow to around US$850bn a month.

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

"Fidessa has continued its recent track record of delivering good growth, despite challenging market conditions. These conditions included the unexpectedly low volume of trading seen across the equity markets in the first half and slow progress in market regulation, which both contributed to the general headwind in the market. Despite this, we have continued to make progress across the regions, particularly within our larger customers where the ongoing drive towards efficiency has increased interest in our offerings. Within our smaller customers there has been continued pressure, with a number of firms either closing down their equities business or significantly scaling back their operations. This has particularly been the case in Europe and the US where market volumes have been most affected. Following the tragic earthquake in Japan in March, the Japanese market entered a period of adjustment and although this is not expected to have a material impact on our overall business this year, it does mean that we are unlikely to see the growth in Japan that we were expecting.

Against this backdrop, we have seen continued growth opportunities. In the developed markets these have primarily focused around bringing on new customer platforms and providing increased levels of automation to existing customers to help with their costs. In the developing regions the opportunities have focused on new functional areas and new connectivity services to support the growing sophistication of these markets. The effect of these two elements working together has enabled us to continue to make progress and deliver good growth during the first half."

Commenting on current trading, Chris Aspinwall continued:

"In the short-term, we expect that there will be significant macroeconomic uncertainty and as a result we expect that the markets will remain under pressure. However, we still have a good pipeline and continue to believe that the pressure in the markets will also lead to growth opportunities as firms focus on cost efficiencies and diversification of their business. The strength of Fidessa's products and services should leave us well positioned to benefit from this trend. As highlighted in our April Interim Management Statement, recruitment for the first quarter fell behind the levels expected due to competition from banks which were recruiting hard in anticipation of a strong uptick in trading levels during the first half. In general, this uptick failed to materialise and, although the recruitment situation has now eased, we have taken a cautious approach during the second quarter and are not expecting to significantly change this policy during the remainder of the year. Overall, we expect that Fidessa's growth rate for the full year will be broadly similar to that which we have seen in the first half.

Looking further ahead we expect to see improvements in market sentiment coming through as clarity improves around the macroeconomic issues currently facing the markets, and regulation and market structure become clearer. We believe the global markets will continue to evolve and Fidessa will continue to play an important role in providing the solutions the industry needs at all levels within the community. This will result in further significant growth opportunities and we will maintain our strategy of investment in the business to bring the right solutions to our customers across all the regions in which they operate."

## Financial Summary

For the six months to 30th June 2011, Fidessa delivered good growth in revenue, up 7% to £137.0 million (2010: £128.5 million). The growth rate has been impacted by the relative strength of Sterling and at constant currencies the revenue growth would have been 9%. There continues to be some impact from the continued insolvencies, consolidation and restructuring across the sector and in the absence of these events the growth rate could have been at least five percentage points higher. The frequency of these events so far this year has been at a similar rate to that seen in the second half of 2010. The time delay in events being fully reflected in revenue means that the impact on the revenue growth rate is expected to continue into 2012.

The growth achieved in the six months has been in both recurring and non-recurring revenue with the recurring revenue now representing 82% of total revenue, being £112.8 million (2010: £103.8 million). The breakdown of recurring revenue generated by market sector is £70 million (2010: £65 million) from sell-side trading, £7 million (2010: £7 million) from buy-side trading, £24 million (2010: £20 million) from connectivity and £12 million (2010: £12 million) from market data.

On a regional basis, North America showed the strongest growth with an increase of 9% and accounted for 35% of total revenue, whilst Asia grew by 7% and accounted for 15% of total revenue and Europe grew by 5% and accounted for 50% of total revenue.

The deferred revenue in the balance sheet at the end of June was £46.2 million (30th June 2010: £43.9 million, 31st December 2010: £47.5 million). The deferred revenue balance represents 17% of annualised revenue which can be recognised in revenue in the forthcoming months.

The adjusted operating profit was up 8% to £21.1 million (2010: £19.5 million). The growth rate has been impacted by the relative strength of Sterling and at constant currencies the growth would have been 10%. This represents an operating margin of 15.4% for the six months, up slightly from the 15.2% achieved in 2010. The adjusted operating profit has been measured before the amortisation of acquired intangibles. The unadjusted operating profit was up 20% to £20.7 million (2010: £17.3 million). Staff numbers have increased in the period but at a slower rate than anticipated. The average headcount for the six months was up 9% at 1,639 (2010: 1,504).

The tragic events in Japan have impacted the growth rates for the period. They resulted in an immediate loss of fee-earning days that reduced revenue by £0.5 million whilst the deployment of Fidessa's business continuity plan for the Tokyo operations incurred costs of £0.2 million. There has been an ongoing consequential effect on revenue and the total impact in the first half of the year is a reduction of £1.7 million. The impact at the profit level has been more contained and amounts to £0.6 million. The consequential effects that have been seen so far are expected to continue for the remainder of the year.

The estimated underlying tax rate has improved to 29.8% (year 2010: 31.9%), benefiting from the lower UK tax rates and the mix of earnings from overseas operations. This measure excludes from the 2010 calculation the effect of the majority of the Touchpaper gains being non-taxable. The effective tax rate including these gains is 29.8% for 2011 compared to 30.1% for 2010. The cash tax rate continues to be lower than the charge in the income statement and was 28.0% (2010: 27.9%).

Diluted earnings per share, adjusted to exclude the amortisation of acquisition intangibles and Touchpaper gains, was up 11% to 40.4 pence (2010: 36.5 pence). The directors believe this measure of earnings per share provides a better indication of the underlying performance of the business. The unadjusted diluted earnings per share was up 4% at 39.7 pence (2010: 38.0 pence).

The business continues to be strongly cash generative, closing the period with a cash balance of £54.5 million and no debt. This is a step back from the £63.0 million balance at the end of 2010 as a result of the payment of the annual and special dividends totalling £24.4 million. The net cash generated from operating activities was £31.1 million, representing an operating cash conversion rate of 147%.

The interim dividend has been increased by 9% to 12.0 pence (2010: 11.0 pence) and will be paid on 26th September 2011 to shareholders on the register at the close of business on 26th August 2011, with an ex-dividend date of 24th August 2011.

## Market Review[1]

### Introduction

Coming into 2011 there was a general expectation within the markets that volumes would start to increase as market conditions stabilised. A number of Fidessa's customers embarked on aggressive recruitment during the first quarter in expectation that the uptick would be seen during the second quarter. As yet this uptick has failed to materialise and macroeconomic conditions continue to weigh on market sentiment. This is continuing to create pressure across Fidessa's customer base and means that the markets are less predictable than normal and there is a high level of consolidation and restructuring. In spite of this, Fidessa has continued to make good progress as its products and services allow customers to manage their costs and expand their business franchise into new areas and regions. This has been demonstrated by the continued strength of the consultancy revenue and the sale of 38 new platforms across the regions. These have included significant sales in North America and Europe as well as new sales across Asia and Latin America. The number of customers using Fidessa's services has also increased modestly, with just over 900 firms taking solutions from Fidessa and just under 27,000[2] users.

### Buy-side Trading

Market sentiment within the buy-side has remained mixed during the first half of 2011 with buy-side firms still under pressure, but concerns about increased compliance regulation driving some areas of spend. As a result, there is a strong focus on cost control within many firms, making it difficult to move ahead with large investment management deployments. However, there is still a strong interest in tactical solutions which can solve specific problems in a cost effective way, in particular in the areas of compliance and market execution.

Against this backdrop, good progress has been made during the first half of 2011 with 14 new clients signing to take Fidessa's buy-side systems. Many of these have been Software as a Service (SaaS) based execution solutions, where Fidessa has been able to offer a highly attractive, cost-effective delivery model which provides a solution to accessing the plethora of new trading venues and trading models across a range of asset classes.

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

2 Fidessa expects to review its total user count during 2011 to take account of differences in the calculation of enterprise and Software-as-a-Service (SaaS) users and also to reflect the growing number of users of Fidessa's web portal services (not included in the current number).

This delivery model is proving particularly popular in the current market conditions and during the second half of 2011 Fidessa will continue its development of the SaaS solution and will look at further extending the areas of functionality it can deliver in this way.

Fidessa's enterprise client base has also proved very resilient during the first half of the year with a large number of clients renewing, and in many cases extending, the products, services and functionality that they take. This is particularly the case within the compliance area where, for example, one large global investment firm signed a new contract for Fidessa Sentinel following a lengthy competitive analysis which confirmed it as the best compliance system available in the marketplace. In addition, one of the original Sentinel development partners, who has been using the software for ten years, also signed a significant new contract extending its spend and commitment.

Fidessa has also continued to evolve its buy-side business to become more of a high-quality, strategic partner for its clients with a robust delivery methodology, matching Fidessa's proven sell-side business model. As part of this, Fidessa continues to work closely with its larger clients to form longer-term relationships that broaden the scope of its activities and allow Fidessa to take increased ongoing responsibilities. Working in partnership with clients in this way increases the effectiveness of the end solution and helps significantly reduce the overall total cost of ownership. This natural evolution for the business aligns with the trend for the larger clients to seek partners who can deliver the cost-effective, cross-asset, global solutions that they need and forms part of Fidessa's long-term development strategy for the buy-side. However, the approach is already starting to pay dividends, and as Fidessa has become better aligned with its buy-side customers there has been an increase in the level of consultancy revenue seen during the first half.

Fidessa's portfolio of buy-side products and services are firmly established within the industry and Fidessa is recognised as a market leader in this space. This, coupled with the work being done to evolve the business model and work in close partnership with key clients, positions Fidessa well to build on the sound foundations that have been established and leverage the opportunities that will arise as market conditions improve.

**Global Connectivity and Market Data**

The current challenging economic conditions have had a widely reported impact, with trading volumes across the equity markets significantly down on expectations. However, in these market conditions, comprehensive, fast, reliable connectivity between buy-side investment firms, sell-side brokers and the broad range of traditional exchanges, alternative trading venues, dark pools, etc., that now exist remains a key requirement for all market participants. As a result, in spite of the reduced levels of trading generally around the world, the volume of activity across Fidessa's global network has increased over the last six months with the value of flow handled by the network growing to around US$850 billion a month. This growth has been driven by continued expansion of the Fidessa community with new brokers being added in many regions including China and the Middle East, and the total number of connections increasing to nearly 15,000. There has also been an increase in broker to broker flow across the network. This has been as a result of a trend for smaller brokers to trade through larger counterparts in order to leverage their scale, reach and advanced trading tools, providing these smaller brokers with a highly efficient and cost-effective route to market. Expansion of Fidessa's connectivity network has also been driven by its multi-asset class strategy with the number of brokers on the network that can support derivative flow increasing to around 80. This is expected to grow further as Fidessa increases its presence in the derivatives markets.

As the community continues to grow, Fidessa is increasing its investment in the global infrastructure being used to support it. New data centres have been opened in Toronto, where Fidessa has a collocated facility with the Toronto Stock Exchange, as well as in Stockholm as part of the firm's Nordic expansion. This investment will continue, and during the second half Fidessa is planning a major expansion in the capacity of its global low latency network. A new data centre will also come online in Sydney as part of the recently announced joint initiative with the Australian Stock Exchange (ASX) to offer a smart order routing solution to local firms in this market.

In parallel to market connectivity, Fidessa's community also needs comprehensive, fast, reliable market data. Fidessa has been steadily building its data capabilities in support of its trading offerings, and the broad global coverage that it is now able to provide has become a valuable asset in its own right. In 2010 Fidessa started supplying a data-only solution to clients in the form of a consolidated market data feed. This data feed is a high performance, low latency feed tuned for trading related applications, and is proving an interesting and cost-effective alternative to the established competitor solutions. During 2011 a further seven clients signed up for data feed services and, in spite of market conditions, usage of Fidessa's market data content amongst Fidessa's user-base remained stable with over 10,000 of these users subscribing to a market data service.

In addition to providing raw market data content and connectivity, Fidessa is increasingly looking at embedding value-added services within the network based around detailed analysis of the data that it has available. These services range from freely available tools on the Fidessa website that analyse and measure the extent of liquidity fragmentation across global markets, to tools that analyse the real cost of execution and allow firms to monitor and measure their own performance and tools that help to locate liquidity within dark pools. The fragmentation analysis tools were recognised by the industry this year when they won 'Most Innovative Data Intelligence Product' at the Financial Sector Technology awards. All of these new services are part of a Fidessa initiative to better inform its clients, as well as the wider Fidessa community, about the ever-evolving market landscape and to help them make better decisions and trade more effectively within it.

With business in areas such as Latin America and Asia Pacific likely to become more focused around electronic trading, Fidessa plans to keep investing in expanding and enhancing its connectivity and data services to ensure that it can continue to offer the most comprehensive of solutions to the broadest possible client base around the world.

**Sell-side Trading**

Market conditions have resulted in a strong cost focus across Fidessa's sell-side customers. Fidessa has responded to this demand and has continued to make good progress, supporting its clients' aspirations as they diversify their operations across more regions and look for a supplier with the scale and integrated global platform capabilities they need. This has enabled Fidessa to deliver strong consultancy revenue and to expand beyond its core markets with systems now live across the Nordics, Brazil, Mexico and a number of Asian countries. With trading becoming more global and cost pressures increasing, it is clear that fragmentation of liquidity is becoming a more universal issue with a growing number of liquidity venues setting up regional operations. In Australia, regulatory changes introduced by the Australian Securities and Investments Commission (ASIC) mean that the trading of equities in Australia will soon become multi-market. As such, trading will be subject to the same increased fragmentation and competition that has already been seen following similar initiatives in the US, Canada and Europe. As a result of these coming changes, Fidessa has signed a deal with the ASX to provide a new breed of smart workstation which will provide smart order routing to enable the ASX's customers to trade efficiently in the newly fragmented market. As part of this deal, Fidessa is extending its presence in Australia and sees this as an opportunity to bring the Australian market into its global trading community.

Another feature of the economic climate is that Fidessa's customers are increasingly interested in efficiency measures which can help them optimise their business. To support this activity Fidessa has launched a number of initiatives in the areas of Execution Cost Analysis (ECA) and Transaction Cost Analysis (TCA). For example, Fidessa's ECA solution provides a powerful cost-tracking engine that provides real-time analysis of the costs of executing an order, and calculates the spend per trader by share and venue whilst also tracking the profit margins for each client. This provides real-time, actionable information on the impact of trading decisions regarding destinations and counterparties, enabling firms to take control of their venue execution costs across complex billing structures and multiple liquidity sources. In addition to looking for more analysis, customers are also automating their execution as much as possible. For larger firms this means providing Direct Market Access (DMA) and algorithmic trading and also looking at products such as Fidessa's Internal Markets software, which provides sophisticated features for crossing order flow whilst ensuring compliance with best execution policies. For smaller customers, Fidessa is focusing on ensuring seamless connectivity to the right broker algorithms rather than focusing attention on the smart trading tools themselves.

As expected, the new regulation that was proposed following the financial crisis in 2008 has not materialised within the published timelines. At present the proposals for both US and European regulation are running significantly behind plan although the proposals for MiFID II are still expected to be published this year, albeit not until the fourth quarter. Fidessa believes that the regulatory environment should gradually start to get clearer and expects that this will create opportunities, although the precise nature of these opportunities will be unknown for a while. However, there are already some areas where additional regulation is expected, particularly around liquidity venues and high frequency trading and it is also likely that derivative trading, including Over The Counter (OTC), could be the subject of further regulation. The regulation around derivatives may be particularly beneficial to Fidessa if firms are required to take a more holistic approach to their operational processes and their management of risk.

Fidessa has continued to work hard on the development of its multi-asset sell-side strategy focusing on the addition of the derivatives markets. Expansion of market coverage and the development of better execution tools coupled with industrial strength workflow remain the cornerstones of this development. These initiatives have already started to bear fruit with a number of existing enterprise customers taking elements of the derivatives products across Europe, North America and Asia, and Fidessa will continue to work with the largest firms in the market with the aim of creating the de facto standard in global derivatives trading.

## First Half Important Events

During the first half of 2011 the key event in Fidessa's development has been the implementation of its business plan against the background of uncertainty in the world's financial markets. The unpredictable nature of the markets has increased the level of risk compared to prior years. Despite this environment, Fidessa has continued to deliver good growth through focus on market requirements, delivering lower cost of ownership whilst still allowing customers to maintain their position in the market. In particular, Fidessa has provided solutions allowing its customers to participate within the more fragmented liquidity environment, increase their connectivity to electronic trading flows and develop their operations within new regions.

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

## Risk Factors

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

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

In addition to the foregoing, the primary risk and uncertainty related to Fidessa's performance for 2011 is the challenging macroeconomic environment caused by the global financial crisis, which could have a material impact on its performance and could cause actual results to differ materially from expected and historical results. A downturn in buy-side trading or in company market valuations, or an increase in discount rates, could result in an impairment to the carrying value of goodwill from the LatentZero acquisition.

## Outlook

Fidessa believes that in the short-term, there will be significant macroeconomic uncertainty and as a result expects that the markets will remain under pressure. However, Fidessa still has a good pipeline and continues to believe that the pressure in the markets will also lead to growth opportunities as firms focus on cost efficiencies and diversification of their business. The strength of Fidessa's products and services should leave it well positioned to benefit from this trend. As highlighted in the April Interim Management Statement, recruitment for the first quarter fell behind the levels expected due to competition from banks which were recruiting hard in anticipation of a strong uptick in trading levels during the first half. In general, this uptick failed to materialise and, although the recruitment situation has now eased, Fidessa has taken a cautious approach during the second quarter and is not expecting to significantly change this policy during the remainder of the year. As a result, Fidessa expects that the growth rate for the full year will be broadly similar to that seen in the first half.

Looking further ahead Fidessa expects to see improvements in market sentiment coming through as clarity improves around the macroeconomic issues currently facing the markets, and regulation and market structure become clearer. Fidessa believes the global markets will continue to evolve and it will continue to play an important role in providing the solutions the industry needs at all levels within the community. This will result in further significant growth opportunities and Fidessa will maintain its strategy of investment in the business to bring the right solutions to its customers across all the regions in which they operate.

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## Condensed Consolidated Interim Income Statement

## For the six months ended 30th June 2011

| | Note | 2011<br>6 months to<br>30th June<br>unaudited<br>£'000 | 2010<br>6 months to<br>30th June<br>unaudited<br>£'000 | 2010<br>12 months to<br>31st December<br>audited<br>£'000 |
|---|---|---|---|---|
| Revenue | 5 | **137,027** | 128,460 | 262,343 |
| Operating expenses before amortisation of acquisition intangibles | 6 | **(116,138)** | (109,162) | (222,894) |
| Other operating income | | **194** | 194 | 388 |
| Operating profit before amortisation of acquisition intangibles | | **21,083** | 19,492 | 39,837 |
| Amortisation of acquisition intangibles | | **(365)** | (2,151) | (2,517) |
| Operating profit | | **20,718** | 17,341 | 37,320 |
| Finance income – bank and other | | **154** | 50 | 142 |
| Finance income – gain from Touchpaper | 13 | **-** | 2,098 | 2,252 |
| Total finance income | 7 | **154** | 2,148 | 2,394 |
| Profit before income tax | | **20,872** | 19,489 | 39,714 |
| Income tax expense | 8 | **(6,210)** | (5,760) | (11,957) |
| Profit for the period attributable to owners of the Company | | **14,662** | 13,729 | 27,757 |
| Basic earnings per share | 9 | **40.5p** | 38.6p | 77.8p |
| Diluted earnings per share | 9 | **39.7p** | 38.0p | 75.6p |

## Condensed Consolidated Interim Statement of Comprehensive Income

## For the six months ended 30th June 2011

| | 2011<br>6 months to<br>30th June<br>unaudited<br>£'000 | 2010<br>6 months to<br>30th June<br>unaudited<br>£'000 | 2010<br>12 months to<br>31st December<br>audited<br>£'000 |
|---|---|---|---|
| Profit for the period from the income statement | **14,662** | 13,729 | 27,757 |
| Currency translation adjustments | **(835)** | 2,450 | 2,483 |
| Total comprehensive income for the period | **13,827** | 16,179 | 30,240 |

## Condensed Consolidated Interim Balance Sheet
## As at 30th June 2011

| | Note | 2011<br>30th June<br>unaudited<br>£'000 | 2010<br>30th June<br>unaudited<br>£'000 | 2010<br>31st December<br>audited<br>£'000 |
|---|---|---|---|---|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | **23,230** | 27,066 | 24,439 |
| Intangible assets | | **80,053** | 77,404 | 78,815 |
| Deferred tax assets | | **6,803** | 6,277 | 7,123 |
| Other receivables | | **2,153** | - | 688 |
| Total non-current assets | | **112,239** | 110,747 | 111,065 |
| | | | | |
| Current assets | | | | |
| Trade and other receivables | 11 | **69,361** | 70,111 | 69,901 |
| Income tax receivable | | **260** | 357 | 3,051 |
| Cash and cash equivalents | | **54,454** | 39,813 | 62,988 |
| Total current assets | | **124,075** | 110,281 | 135,940 |
| | | | | |
| Total assets | | **236,314** | 221,028 | 247,005 |
| | | | | |
| Equity | | | | |
| Issued capital | | **3,677** | 3,601 | 3,617 |
| Share premium | | **21,512** | 19,041 | 20,289 |
| Merger reserve | | **17,938** | 17,938 | 17,938 |
| Cumulative translation adjustment | | **3,170** | 3,972 | 4,005 |
| Retained earnings | | **80,192** | 76,948 | 88,046 |
| Total equity | | **126,489** | 121,500 | 133,895 |
| | | | | |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Other payables | 12 | **7,499** | 8,420 | 7,864 |
| Deferred tax liabilities | | **4,988** | 4,425 | 4,356 |
| Total non-current liabilities | | **12,487** | 12,845 | 12,220 |
| | | | | |
| Current liabilities | | | | |
| Trade and other payables | 12 | **91,339** | 81,007 | 90,853 |
| Current income tax liabilities | | **5,999** | 5,676 | 10,037 |
| Total current liabilities | | **97,338** | 86,683 | 100,890 |
| | | | | |
| Total liabilities | | **109,825** | 99,528 | 113,110 |
| | | | | |
| Total equity and liabilities | | **236,314** | 221,028 | 247,005 |

## 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 |
|---|---|---|---|---|---|---|---|
| Balance at 1st January 2010 (audited) | | 3,581 | 18,219 | 17,938 | 1,522 | 82,055 | 123,315 |
| Total comprehensive income for the period | | | | | | | |
| Profit for the period | | - | - | - | - | 13,729 | 13,729 |
| Other comprehensive income for the period | | - | - | - | 2,450 | - | 2,450 |
| Total comprehensive income for the period | | - | - | - | 2,450 | 13,729 | 16,179 |
| Transactions with owners of the Company | | | | | | | |
| Issue of shares - exercise of options | | 20 | 822 | - | - | - | 842 |
| Employee share incentive charges | 6 | - | - | - | - | 839 | 839 |
| Current tax recognised direct to equity | | - | - | - | - | 561 | 561 |
| Deferred tax recognised direct to equity | | - | - | - | - | 780 | 780 |
| Sale of own shares by employee share trust | | - | - | - | - | 313 | 313 |
| Dividends paid | 10 | - | - | - | - | (21,329) | (21,329) |
| Balance at 30th June 2010 (unaudited) | | 3,601 | 19,041 | 17,938 | 3,972 | 76,948 | 121,500 |
| Total comprehensive income for the period | | | | | | | |
| Profit for the period | | - | - | - | - | 14,028 | 14,028 |
| Other comprehensive income for the period | | - | - | - | 33 | - | 33 |
| Total comprehensive income for the period | | - | - | - | 33 | 14,028 | 14,061 |
| Transactions with owners of the Company | | | | | | | |
| Issue of shares - exercise of options | | 16 | 1,248 | - | - | - | 1,264 |
| Employee share incentive charges | 6 | - | - | - | - | 896 | 896 |
| Current tax recognised direct to equity | | - | - | - | - | 402 | 402 |
| Deferred tax recognised direct to equity | | - | - | - | - | (130) | (130) |
| Purchase of own shares by employee share trust | | - | - | - | - | (277) | (277) |
| Sale of own shares by employee share trust | | - | - | - | - | 105 | 105 |
| Dividends paid | 10 | - | - | - | - | (3,926) | (3,926) |
| Balance at 31st December 2010 (audited) | | 3,617 | 20,289 | 17,938 | 4,005 | 88,046 | 133,895 |
| Total comprehensive income for the period | | | | | | | |
| Profit for the period | | **-** | **-** | **-** | **-** | **14,662** | **14,662** |
| Other comprehensive income for the period | | **-** | **-** | **-** | **(835)** | **-** | **(835)** |
| Total comprehensive income for the period | | **-** | **-** | **-** | **(835)** | **14,662** | **13,827** |
| Transactions with owners of the Company | | | | | | | |
| Issue of shares - exercise of options | | **60** | **1,223** | **-** | **-** | **-** | **1,283** |
| Employee share incentive charges | 6 | **-** | **-** | **-** | **-** | **902** | **902** |
| Current tax recognised direct to equity | | **-** | **-** | **-** | **-** | **1,410** | **1,410** |
| Deferred tax recognised direct to equity | | **-** | **-** | **-** | **-** | **(574)** | **(574)** |
| Sale of own shares by employee share trust | | **-** | **-** | **-** | **-** | **179** | **179** |
| Dividends paid | 10 | **-** | **-** | **-** | **-** | **(24,433)** | **(24,433)** |
| Balance at 30th June 2011 (unaudited) | | **3,677** | **21,512** | **17,938** | **3,170** | **80,192** | **126,489** |

## Condensed Consolidated Interim Cash Flow Statement
## For the six months ended 30th June 2011

| | Note | 2011<br>6 months<br>to 30th<br>June<br>unaudited<br>£'000 | 2010<br>6 months<br>to 30th<br>June<br>unaudited<br>£'000 | 2010<br>12 months to<br>31st<br>December<br>audited<br>£'000 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Profit before income tax | | **20,872** | 19,489 | 39,714 |
| Adjustments for: | | | | |
| Staff costs – share incentives | 6 | **902** | 839 | 1,735 |
| Depreciation of property, plant and equipment | 6 | **6,203** | 6,439 | 12,449 |
| Amortisation of product development | 6 | **8,963** | 7,526 | 15,729 |
| Amortisation of acquisition intangibles | 6 | **365** | 2,151 | 2,517 |
| Amortisation of other intangible assets | 6 | **578** | 655 | 1,296 |
| Finance income | | **(154)** | (2,148) | (2,394) |
| Cash generated from operations before changes in working capital | | **37,729** | 34,951 | 71,046 |
| Movement in trade and other receivables | | **1,193** | 3,876 | 562 |
| Movement in trade and other payables | | **(1,984)** | (7,827) | 1,901 |
| Cash generated from operations | | **36,938** | 31,000 | 73,509 |
| Income tax paid | | **(5,853)** | (5,605) | (11,075) |
| Net cash generated from operating activities | | **31,085** | 25,395 | 62,434 |
| | | | | |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | | **(5,246)** | (3,058) | (6,893) |
| Purchase of other intangible assets | | **(321)** | (167) | (484) |
| Product development capitalised | 6 | **(10,826)** | (9,405) | (19,706) |
| Interest received on cash and cash equivalents | | **154** | 50 | 142 |
| Proceeds from sale of Touchpaper ordinary and preferred ordinary shares | 13 | **-** | - | 3,432 |
| Net cash used in investing activities | | **(16,239)** | (12,580) | (23,509) |
| | | | | |
| Cash flows from financing activities | | | | |
| Proceeds from shares issued | | **1,284** | 842 | 2,106 |
| Purchase of own shares by employee share trust | | **-** | - | (277) |
| Proceeds from sale of own shares by employee share trust | | **179** | 313 | 418 |
| Dividends paid | 10 | **(24,433)** | (21,329) | (25,255) |
| Net cash used in financing activities | | **(22,970)** | (20,174) | (23,008) |
| | | | | |
| Net (decrease)/increase in cash and cash equivalents | | **(8,124)** | (7,359) | 15,917 |
| Cash and cash equivalents at 1st January | | **62,988** | 45,475 | 45,475 |
| Effect of exchange rate fluctuations on cash held | | **(410)** | 1,697 | 1,596 |
| Cash and cash equivalents at end of period | | **54,454** | 39,813 | 62,988 |

# 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 2011 comprise the Company and its subsidiaries (together the "Group"). These condensed consolidated interim financial statements are presented in pounds Sterling, rounded to the nearest thousand.

The comparative figures for the financial year ended 31st December 2010 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 of the Companies Act 2006.

The consolidated financial statements of the Group as at and for the year ended 31st December 2010 are available upon request from the Company's registered office at Dukes Court, Duke Street, Woking, Surrey GU21 5BH or at www.fidessa.com.

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

## 2. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with the International Financial Reporting Standard (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31st December 2010.

The condensed consolidated interim financial statements were approved by the Board of Directors on 29th July 2011.

## 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 2010.

## 4. Estimates

The preparation of condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were in the same areas as those that applied to the consolidated financial statements as at and for the year ended 31st December 2010.

## 5. Segment reporting

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

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

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

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

No single external customer accounts for 10% or more of the Group's 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.

| | Enterprise £'000 | Hosted £'000 | Buy-side £'000 | Total £'000 |
|---|---|---|---|---|
| For the six months to 30th June 2011 (unaudited) | | | | |
| Recurring revenue | **32,435** | **72,683** | **7,685** | **112,803** |
| Non-recurring revenue | **17,781** | **2,111** | **4,332** | **24,224** |
| Total revenue from external customers | **50,216** | **74,794** | **12,017** | **137,027** |
| Inter-business unit revenue | **-** | **6,998** | **1,831** | **8,829** |
| Business unit profit contribution | **27,428** | **27,929** | **7,201** | **62,558** |
| | | | | |
| For the six months to 30th June 2010 (unaudited) | | | | |
| Recurring revenue | 31,019 | 65,667 | 7,106 | 103,792 |
| Non-recurring revenue | 18,921 | 2,243 | 3,504 | 24,668 |
| Total revenue from external customers | 49,940 | 67,910 | 10,610 | 128,460 |
| Inter-business unit revenue | - | 7,738 | 1,007 | 8,745 |
| Business unit profit contribution | 29,867 | 26,030 | 4,032 | 59,929 |
| | | | | |
| For the 12 months to 31st December 2010 (audited) | | | | |
| Recurring revenue | 61,709 | 136,735 | 15,013 | 213,457 |
| Non-recurring revenue | 37,195 | 5,256 | 6,435 | 48,886 |
| Total revenue from external customers | 98,904 | 141,991 | 21,448 | 262,343 |
| Inter-business unit revenue | - | 15,326 | 2,152 | 17,478 |
| Business unit profit contribution | 57,830 | 57,209 | 8,781 | 123,820 |

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

| | 6 months to 30th June 2011 unaudited £'000 | 6 months to 30th June 2010 unaudited £'000 | 12 months to 31st December 2010 audited £'000 |
|---|---|---|---|
| Business unit profit contribution | **62,558** | 59,929 | 123,820 |
| Core product development | **(13,561)** | (11,594) | (23,203) |
| Central staff costs | **(13,089)** | (14,246) | (28,635) |
| Building costs | **(9,312)** | (9,364) | (18,684) |
| Other unallocated costs | **(7,376)** | (7,112) | (17,438) |
| Operating profit as monitored by the Operating Board | **19,220** | 17,613 | 35,860 |
| Amortisation of acquisition intangibles | **(365)** | (2,151) | (2,517) |
| Capitalisation of product development | **10,826** | 9,405 | 19,706 |
| Amortisation of product development | **(8,963)** | (7,526) | (15,729) |
| Operating profit in the income statement | **20,718** | 17,341 | 37,320 |
| Finance income | **154** | 2,148 | 2,394 |
| Profit before income tax in the income statement | **20,872** | 19,489 | 39,714 |

Individual countries within Asia do not meet the disclosure requirements of IFRS8 *Operating Segments* but in aggregate their revenues are sufficiently material that disclosure has been made.

| Revenue for the period: | 6 months to 30th June 2011 unaudited £'000 | 6 months to 30th June 2010 unaudited £'000 | 12 months to 31st December 2010 audited £'000 |
|---|---|---|---|
| UK | **68,520** | 64,541 | 130,912 |
| USA | **43,174** | 39,661 | 80,947 |
| Asia | **20,520** | 19,120 | 40,040 |
| Other | **4,813** | 5,138 | 10,444 |
| Total | **137,027** | 128,460 | 262,343 |

**6. Operating expenses**

| | 6 months to 30th June 2011 unaudited £'000 | 6 months to 30th June 2010 unaudited £'000 | 12 months to 31st December 2010 audited £'000 |
|---|---|---|---|
| Staff costs – salaries | **58,534** | 53,864 | 107,755 |
| Staff costs – social security | **6,019** | 5,434 | 10,237 |
| Staff costs – pension | **1,061** | 980 | 1,904 |
| Staff costs – share incentives | **902** | 839 | 1,735 |
| Total staff costs | **66,516** | 61,117 | 121,631 |
| Amounts payable to subcontractors | **1,250** | 1,490 | 3,155 |
| Depreciation of property, plant and equipment | **6,203** | 6,439 | 12,449 |
| Amortisation of other intangible assets | **578** | 655 | 1,296 |
| Capitalisation of product development | **(10,826)** | (9,405) | (19,706) |
| Amortisation of product development | **8,963** | 7,526 | 15,729 |
| Communications and data | **18,714** | 18,366 | 36,786 |
| Operating lease rentals – property | **7,514** | 7,613 | 15,187 |
| Operating lease rentals – plant and machinery | **12** | 16 | 27 |
| Exchange loss/(gain) | **747** | (194) | 595 |
| Other operating expenses | **16,467** | 15,539 | 35,745 |
| Operating expenses before amortisation of acquisition intangibles | **116,138** | 109,162 | 222,894 |
| Amortisation of acquisition intangibles | **365** | 2,151 | 2,517 |
| Total operating expenses | **116,503** | 111,313 | 225,411 |

## 7. Finance income

| | 6 months to 30th June 2011 unaudited £'000 | 6 months to 30th June 2010 unaudited £'000 | 12 months to 31st December 2010 audited £'000 |
|---|---|---|---|
| Interest receivable on cash and cash equivalents | **154** | 50 | 136 |
| Other interest receivable | **-** | - | 6 |
| Sale of Touchpaper ordinary and preferred ordinary shares | **-** | 2,098 | 2,179 |
| Interest on Touchpaper escrows | **-** | - | 73 |
| Total finance income | **154** | 2,148 | 2,394 |

## 8. Income tax expense

The charge for tax for the six months to 30th June 2011 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 2011 is £6,210,000 (six months to 30th June 2010: £5,760,000). The tax charge includes an overseas charge of £3,032,000 (six months to 30th June 2010: £3,408,000). The tax charge equates to an effective tax rate of 29.8% (for six months to 30th June 2010: 29.6%, for 12 months to 31st December 2010: 30.1%). The effective tax rate in 2010 was affected by the majority of the income arising from the sale of Touchpaper being non-taxable. The underlying tax rate was 29.8% for the six months to 30th June 2011, 33.1% for the six months to 30th June 2010 and 31.9% for the 12 months to 31st December 2010.

At the balance sheet date the UK government had proposed reducing the UK corporation tax rate by a further 1% per annum effective from 1st April 2012 through to 31st March 2015. However, these rate reductions had not been substantively enacted at the balance sheet date and their effects are not included in these financial statements. The enactment of these changes is not expected to have a material impact on the deferred tax assets and liabilities of the Group.

## 9. Earnings per share

Earnings per share have been calculated by dividing profit attributable to owners of the Company 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 1734p (for six months to 30th June 2010: 1332p, for 12 months to 31st December 2010: 1411p).

| | 6 months to 30th June 2011 unaudited £'000 | 6 months to 30th June 2010 unaudited £'000 | 12 months to 31st December 2010 audited £'000 |
|---|---|---|---|
| Profit attributable to owners of the Company | **14,662** | 13,729 | 27,757 |
| Add amortisation of acquisition intangibles net of deferred tax | **270** | 1,549 | 1,812 |
| Less gains relating to Touchpaper | **-** | (2,098) | (2,232) |
| Profit attributable to owners of the Company after adjustments | **14,932** | 13,180 | 27,337 |

| | 6 months to 30th June 2011 unaudited Number '000 | 6 months to 30th June 2010 unaudited Number '000 | 12 months to 31st December 2010 audited Number '000 |
|---|---|---|---|
| Weighted average number of shares in issue | **36,438** | 35,902 | 35,986 |
| Weighted average number of shares held by the employee share trusts | **(267)** | (344) | (323) |
| Shares used to calculate basic earnings per share | **36,171** | 35,558 | 35,663 |
| Dilution due to share incentives | **752** | 536 | 1,032 |
| Shares used to calculate diluted earnings per share | **36,923** | 36,094 | 36,695 |
| | | | |
| Basic earnings per share | **40.5p** | 38.6p | 77.8p |
| Diluted earnings per share | **39.7p** | 38.0p | 75.6p |
| Basic earnings per share on adjustments | **0.8p** | (1.5)p | (1.1)p |
| Diluted earnings per share on adjustments | **0.7p** | (1.5)p | (1.2)p |
| Basic earnings per share after adjustments | **41.3p** | 37.1p | 76.7p |
| Diluted earnings per share after adjustments | **40.4p** | 36.5p | 74.4p |

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

## 10. Dividends

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

| | Dividend value per share pence | Dividend value £'000 |
|---|---|---|
| 2009 second interim dividend paid 29th March 2010 | 20.0 | 7,110 |
| 2009 special dividend paid 29th March 2010 | 40.0 | 14,219 |
| 2010 interim dividend paid 27th September 2010 | 11.0 | 3,926 |
| 2010 final dividend paid 13th June 2011 | 22.0 | 8,023 |
| 2010 special dividend paid 13th June 2011 | 45.0 | 16,410 |

An interim dividend in respect of 2011 of 12.0p per share, amounting to an expected dividend of £4,385,000, was declared by the directors at their meeting on 29th July 2011. This interim dividend will be payable on 26th September 2011 to shareholders on the register at the close of business on 26th August 2011, with an ex-dividend date of 24th August 2011. These condensed consolidated interim financial statements do not reflect this dividend payable.

## 11. Trade and other receivables

| As at: | 30th June 2011 unaudited £'000 | 30th June 2010 unaudited £'000 | 31st December 2010 audited £'000 |
|---|---|---|---|
| Trade receivables | **63,813** | 57,517 | 60,893 |
| Prepayments | **3,831** | 5,437 | 5,435 |
| Accrued revenue | **1,097** | 1,360 | 1,386 |
| Other receivables | **620** | 5,797 | 2,187 |
| Total trade and other receivables | **69,361** | 70,111 | 69,901 |

## 12. Trade and other payables

| Current liabilities as at: | 30th June 2011 unaudited £'000 | 30th June 2010 unaudited £'000 | 31st December 2010 audited £'000 |
|---|---|---|---|
| Trade payables | **5,534** | 6,083 | 3,374 |
| Accrued expenses | **30,393** | 25,826 | 31,721 |
| Other liabilities | **4,010** | 677 | 3,541 |
| Deferred revenue | **46,223** | 43,867 | 47,491 |
| Other taxes and social security | **5,179** | 4,554 | 4,726 |
| Total trade and other payables | **91,339** | 81,007 | 90,853 |

| Non-current liabilities as at: | 30th June 2011 unaudited £'000 | 30th June 2010 unaudited £'000 | 31st December 2010 audited £'000 |
|---|---|---|---|
| Accrued expenses | **789** | 1,626 | 1,036 |
| Other liabilities | **6,710** | 6,794 | 6,828 |
| Total other payables | **7,499** | 8,420 | 7,864 |

### 13. Sale of investment in Touchpaper in 2008

In July 2001 the royal**blue** technologies help desk and call centres software business was divested by the Company with a minority stake being retained. The business subsequently changed its name to Touchpaper Group Limited ("Touchpaper"). Following the divestment, the Company held financial assets in Touchpaper comprising preference shares, ordinary shares, warrants to subscribe for ordinary shares and loan notes. Since July 2001 the Company had no financial influence or operational involvement in the Touchpaper business and their results had not been consolidated into Fidessa's performance. In the year to 31st December 2007 Touchpaper had reported revenue of £17.5 million, profit before tax of £0.4 million and gross assets of £9.4 million under UK GAAP.

On 30th June 2008 Avocent Ireland Holdings Limited acquired the entire share capital of Touchpaper and the preference shares and loan notes were redeemed. The Company received proceeds in 2008 of £11,035,000 for the sale and redemption of the ordinary and preference shares, £1,900,000 for the redemption of the loan notes and £488,000 for the accrued interest on the loan notes.

The sale agreement provided for amounts held in escrow in respect of working capital at completion as well as indemnities and general warranties. During 2009, £346,000 was received in settlement of the working capital at completion escrow. The period for indemnity and general warranty claims expired on 30th June 2010. £1,180,000 of the value of this escrow was recognised in 2009 and a further £2,179,000 was recognised in 2010. All cash in respect of the indemnities and general warranties escrow was received in 2010 and no further proceeds are expected.

### 14. Circulation to shareholders

Copies of this interim report will be sent to shareholders and copies will be available to the public at the Company's registered office; Dukes Court, Duke Street, Woking, Surrey GU21 5BH and on the Company's website, www.fidessa.com.

## Responsibility statement of the directors in respect of the interim financial report

We confirm that to the best of our knowledge:

(a) the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed consolidated interim financial statements; and a description of principal risks and uncertainties for the remaining six months of the year; and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R of the *Disclosure and Transparency Rules,* being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Andy Malpass

Director

29th July 2011

## Independent review report to Fidessa group plc

### Introduction

We have been engaged by the Company to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30th June 2011 which comprises the Condensed Consolidated Interim Income Statement, the Condensed Consolidated Interim Statement of Comprehensive Income, the Condensed Consolidated Interim Balance Sheet, the Condensed Consolidated Interim Statement of Changes in Shareholders' Equity, the Condensed Consolidated Interim Cash Flow Statement and the related explanatory notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

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

### Our responsibility

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

### Scope of review

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

### Review conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the half-yearly financial report for the six months ended 30th June 2011 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

P Gresham (Senior Statutory Auditor)
For and on behalf of
KPMG Audit Plc (Statutory Auditor)
Chartered Accountants
29th July 2011

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