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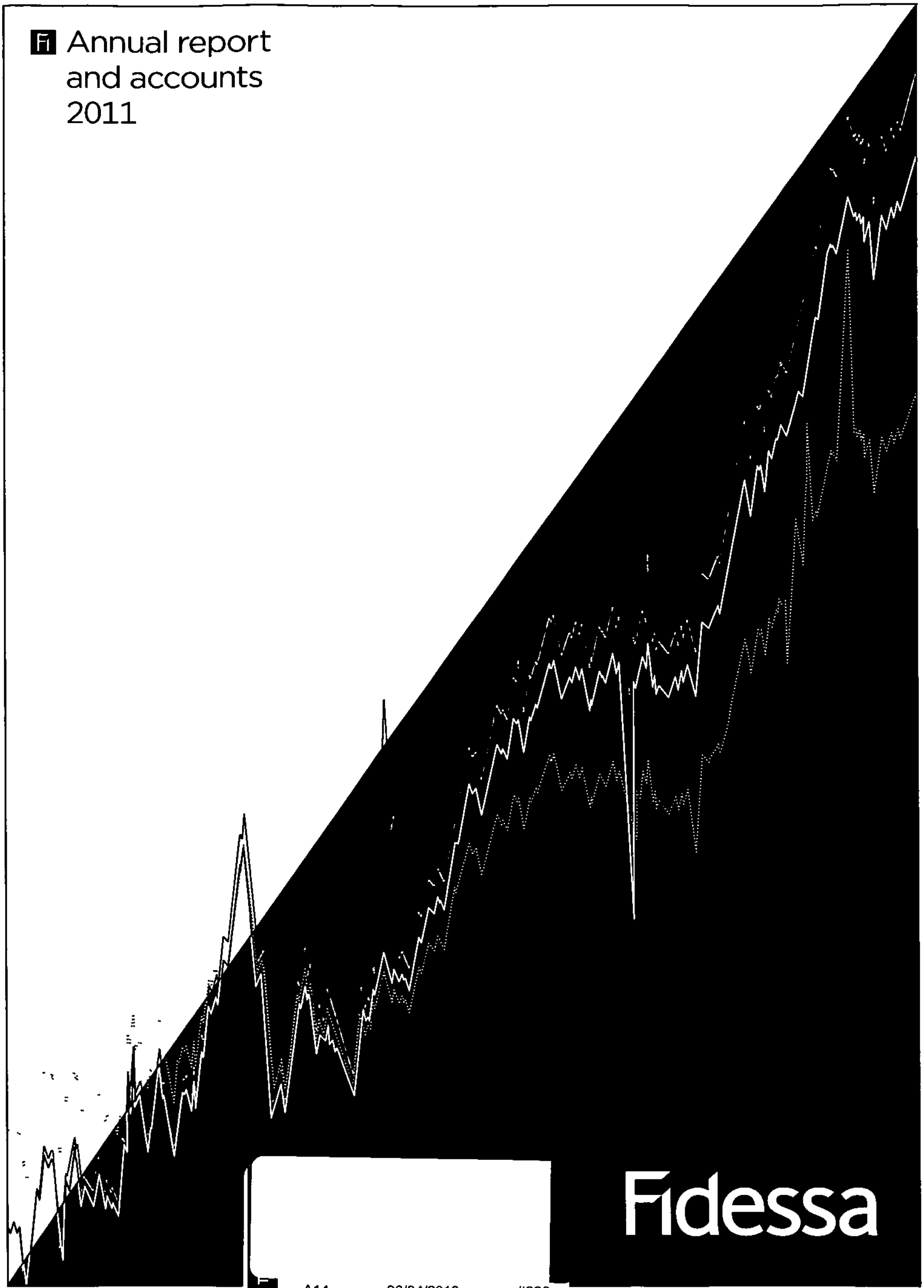
Fidessa group plc

Annual Report and Financial Statements

31st December 2011

Registered in England and Wales No 3234176

Annual report and accounts 2011



Fidessa

About Fidessa Exceptional trading, investment and information solutions for the world's financial community.

New technology, new regulation, new challenges: making money in today's financial markets is all about staying ahead of the curve. Having the capability to spot new trends and act fast turns change into opportunity. That's why 85% of the world's premier financial institutions trust Fidessa to provide them with their multi-asset trading and investment infrastructure, their market data and analysis, and their decision making and workflow technology.

It's also why $10 trillion worth of transactions flow across our global network each year. Because we're the market leader, we can also offer unique access to the world's largest and most valuable trading community of buy-side and sell-side professionals, from global institutions and investment banks to boutique brokers and niche hedge funds.

Fidessa is a global business with scale, resilience, ambition and expertise. We've delivered around 30% compound growth since our stock market listing in 1997 and we're recognised as the thought leader in our space. We set the benchmark with our unrivalled set of mission-critical products and services and, uniquely, serve both the buy-side and sell-side communities. On-going investment in our leading-edge, integrated solutions ensures Fidessa remains the industry's number one choice.

Fidessa group is listed on the London Stock Exchange (symbol FDSA) and is a FTSE 250 company.

Contents

Results at a glance

Highlights for the year ended 31st December 2011

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

	2011	2010	Change	At constant currencies
Revenue	**£278.3m**	£262 3m	+6%	+7%
Adjusted operating profit[1]	**£42.9m**	£39 8m	+8%	+9%
Operating profit	**£42.1m**	£37 3m	+13%	
Adjusted pre-tax profit[1]	**£43.2m**	£40 0m	+8%	
Pre-tax profit	**£42.5m**	£39 7m	+7%	
Adjusted diluted earnings per share[1]	**82.4p**	74 4p	+11%	
Diluted earnings per share	**81.0p**	75 6p	+7%	
Annual dividend per share	**36.5p**	33 0p	+11%	
Special dividend per share	**45.0p**	45 0p	–	

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

Directors' report

Good growth throughout 2011 despite the challenging conditions that have persisted within the markets.

Overview

Fidessa has continued delivering good growth throughout 2011 despite the challenging conditions that have persisted within the markets. These challenges included low volumes of trading across the equity markets, uncertainty around the stability of the Eurozone, uncertainty with regard to regulation, high levels of volatility, the earthquake in Japan as well as continued structural pressure on many market participants. Despite this, we have continued to make progress across the regions, particularly with our larger customers as they seek strategic partners with the scale, vision and resource to support their broadening needs. The investment we have been making in our multi-asset offering has started to come to fruition, with Citi selecting Fidessa to provide a workflow and trading platform to support their global listed derivatives business. This deal confirms the strength of our proposition for the derivatives markets and positions us well for significant revenue growth in this area of the business. The pressure our smaller customers have been experiencing in recent years has continued and we believe that this has further to go, with more of these firms expected to consolidate or leave the market during 2012. Within our larger customer base we have also seen some instability with the demise of MF Global and the RBS announcement that it is exiting its equities business. Whilst the situations at MF Global and RBS clearly indicate the difficulties being experienced by some of our customers, we believe that they are related to specific issues at these firms and are not representative of a general market trend among larger firms.

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

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

Citi has selected Fidessa to provide a workflow and trading platform to support their global listed derivatives business.

there will be a long-term, ongoing focus on efficiency within the market resulting in further significant growth opportunities, and we will maintain our strategy of investment in the business to bring the right solutions to our customers across all the regions in which we operate

Results

In 2011, Fidessa delivered growth in revenue of 6% to £278 3 million (2010 £262 3 million) The growth rate has been constrained by the relative strength of Sterling and at constant currencies the revenue growth would have been 7% There continues to be an impact on revenue growth from insolvencies, consolidation and restructuring across the sector and in the absence of these events the growth rate could have been more than six percentage points higher There was a step up in the level of these events in the latter part of 2011, with the largest individual item being the closure of MF Global, which represented 1 3% of total revenue The turbulence has continued into 2012 and the impact on the revenue growth rate in the current year from events that have already occurred is expected to be at a similar level to that seen in 2011

The growth achieved in the year has been in both recurring and non-recurring revenue with the recurring revenue now representing 82% of total revenue, being £228 7 million (2010 £213 5 million) The breakdown of recurring revenue generated by market sector is £139 million (2010 £133 million) from sell-side trading, £15 million (2010 £14 million) from buy-side trading, £50 million (2010 £43 million) from connectivity and £24 million (2010 £23 million) from market data

On a regional basis, the Americas showed the strongest growth with an increase of 12% and accounted for 36% of total revenue, whilst Asia grew by 8% and accounted for 15% of total revenue and Europe grew by 2% and accounted for 49% of total revenue The tragic events in Japan have impacted the growth rate for Asia They resulted in an immediate loss of fee-earning days that reduced revenue by £0 5 million There has been an ongoing consequential effect through the year resulting in the revenue from Japan declining 8% in the year

The deferred revenue in the balance sheet at the end of the year was £48 2 million (2010 £47 5 million) The deferred revenue balance represents 17% of revenue and can be recognised as such in the forthcoming months

Growth in EBITDA (earnings before interest, tax, depreciation and amortisation) and operating profit has also been achieved EBITDA has increased by 6% to £52 7 million (2010 £49 6 million) The adjusted operating profit was up 8% to £42 9 million (2010 £39 8 million) The growth rate has been constrained by the relative strength of Sterling and at constant currencies the growth in adjusted operating profit would have been 9% This represents an operating margin of 15 4% for the year, up slightly from the 15 2% achieved in 2010 The adjusted operating profit has been measured before the amortisation of acquired intangibles The unadjusted operating profit was up 13% to £42 1 million (2010 £37 3 million) Staff numbers have increased in the period and the average headcount for the year was up 10% at 1,681 (2010 1,532)

The underlying tax rate has improved to 29 5% (2010 31 9%), benefiting from the lower UK tax rates and the mix of earnings from overseas operations This measure excludes from the 2010 calculation the effect of the majority of the Touchpaper gains being non-taxable The effective tax rate including these gains is 29 5% for 2011 compared to 30 1% for 2010 The cash tax rate continues to be lower than the charge in the income statement and was 26 2% (2010 27 9%)

Diluted earnings per share, adjusted to exclude the amortisation of acquisition intangibles and Touchpaper gains, was up 11% to 82 4 pence (2010 74 4 pence) The directors believe this measure of earnings per share provides a better indication of the underlying performance of the business The unadjusted diluted earnings per share was up 7% at 81 0 pence (2010 75 6 pence)

The business continues to be strongly cash generative, closing the period with a cash balance of £70 9 million

Directors' report continued

45p

special dividend proposed.

and no debt During the year dividends of £28 8 million (2010 £25 3 million) were paid, which included the payment of a special dividend of £16 4 million (2010 £14 2 million) The net cash generated from operating activities was £70 5 million, representing an operating cash conversion rate of 166%

The ordinary dividend for the full year is being increased by 11% to 36 5 pence (2010 33 0 pence) The final dividend, if approved by shareholders, will be 24 5 pence, to be paid on 28th May 2012 to shareholders on the register on 27th April 2012, with an ex-dividend date of 25th April 2012 In addition, a special dividend of 45 0 pence (2010 45 0 pence) is proposed and, if approved by shareholders, will be paid at the same time as the final dividend

2011 important events

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

Other important events are as noted elsewhere in this Annual Report

Risk factors

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

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

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

Outlook

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

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

Market review[1]

Introduction

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

Fidessa will continue to play an important role in providing the solutions that the industry needs.

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

Directors' report continued

Over 25% of existing buy-side clients signed up for significantly expanded levels of service from Fidessa.

wins have offset the losses due to consolidation and business failures so that the number of customers using Fidessa services has remained stable, although the overall number of users has reduced slightly to just over 26,000

Buy-side trading

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

Over the year Fidessa has continued to evolve its buy-side business such that it has now become a high quality, strategic partner for its clients, with a robust delivery methodology to match its heritage and pedigree on the sell-side Fidessa has now forged long-term relationships with its larger buy-side clients that broaden the scope of its activities and allow it to take increased ongoing responsibilities In 2011, over 25% of existing clients signed up for significantly expanded levels of service from Fidessa, covering a range of services including software, consultancy, connectivity and hosting activities This included one of the largest global asset managers, State Street Global Advisors (SSgA), who have extended their use of Fidessa's buy-side investment solution to cover fixed income and compliance In one of SSgA's largest upgrades to its front office systems, the firm now benefits from a single platform covering connectivity, trading workflow and pre-trade compliance for all asset classes

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

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

Global connectivity and market data

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

Increased usage has come from expansion of the community of brokers using the network.

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

With the challenging economic conditions that prevailed during 2011, the financial markets remained volatile with reduced trading volumes across most markets Usage of Fidessa's global network continued to increase over the year, but the value of transactions handled by the network was broadly flat at around US$800 billion per month, reflecting the conditions in the marketplace

The increased usage has come from expansion of the community of brokers using the network, particularly from the emerging regions, increased use by buy-side firms as they adopt Fidessa as their network of choice for their connectivity, as well as from more broker to broker flow This broker to broker flow is created when smaller niche players leverage the capabilities of their larger counterparts, in terms of reach, scale and advanced trading tools, thus enabling them to offer new services to their clients in a highly cost-effective and efficient manner Another important feature of the Fidessa network is its multi-asset capability and as Fidessa builds on its success in the derivatives space, this positions it well for further expansion of the supporting connectivity solutions

During 2011, Fidessa has continued to build the breadth and depth of its data coverage with around 20 new markets added This growth is driven primarily by the need to provide high quality market data to Fidessa's trading platform clients and, as part of this, Fidessa has already extended its coverage to include many of the derivatives markets around the world This expansion has meant that Fidessa's capability to offer high quality market data has become an increasingly valuable asset for the business in its own right As a result, Fidessa is now able to offer pure data-feed services whether this is to

Directors' report continued

Further expansion of Fidessa's footprint with systems now live across the Nordics, Brazil, Mexico, Australia and a number of Asian countries.

trading system clients or other types of user In 2011 ten such deals were signed and, because data from this type of service is often used across a large number of users, third party systems or in-house services within an organisation, the size of these deals tends to be larger than would normally be seen with a typical workstation transaction

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

Sell-side trading

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

Fidessa has continued to work hard on the development of its multi-asset sell-side strategy focusing on the addition of support for the derivatives markets Increasing market coverage and building better execution tools combined with industrial strength workflow remain the cornerstones of this development During 2011 this initiative has been rapidly gaining

Over 40 customers now using elements of Fidessa's derivative offering within their workflow.

momentum, with over 40 customers now using elements of Fidessa's derivative offering within their workflow This progress was underlined in October when Fidessa signed an agreement with Citi to provide it with a class leading workflow and trading platform for the bank's global listed derivatives business This partnership will see Citi leverage Fidessa's scale and distribution to deliver a fully managed service that satisfies its listed derivatives needs around the world As part of this solution Fidessa will be providing Citi with a global order management and distributed low latency execution platform along with Fidessa's integrated algorithmic trading engine The Fidessa solution will also deliver next-generation risk management functionality, comprehensive market data and a global order routing service As Fidessa maintains its investment in this area it is continuing to work with some of the leading firms in the derivatives markets and expects to further expand its franchise in this important area.

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

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

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

Directors' report continued

Recurring revenue now represents 82% of total revenue.

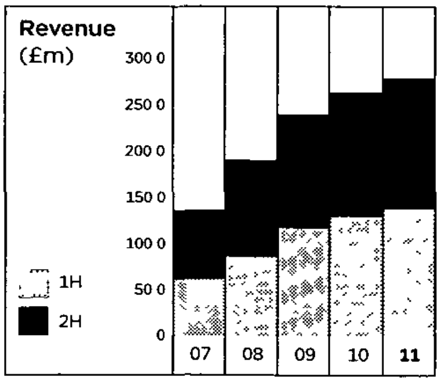
Finance review

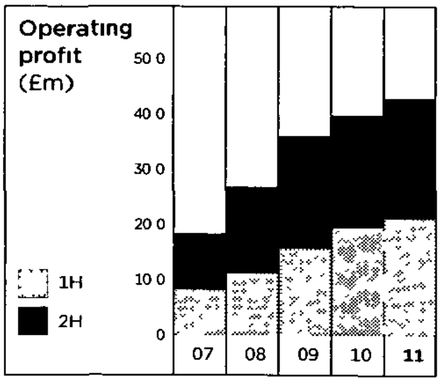
Revenue

In 2011, Fidessa delivered growth in revenue of 6%, being £278 3 million (2010 £262 3 million) The growth rate has been constrained by the relative strength of Sterling and at constant currencies the revenue growth would have been 7% There continues to be an impact on revenue growth from insolvencies, consolidation and restructuring across the sector and in the absence of these events the growth rate could have been more than six percentage points higher There was a step up in the level of these events in the latter part of 2011, with the largest individual item being the closure of MF Global, which represented 1 3% of total revenue The turbulence has continued into 2012 and the impact on the revenue growth rate in the current year from events that have already occurred is expected to be at a similar level to that seen in 2011

The growth achieved in the year has been in both recurring and non-recurring revenue with the recurring revenue now representing 82% of total revenue, being £228 7 million (2010 £213 5 million) The breakdown of recurring revenue generated by market sector is £139 million (2010 £133 million) from sell-side trading, £15 million (2010 £14 million) from buy-side trading, £50 million (2010 £43 million) from connectivity and £24 million (2010 £23 million) from market data

On a regional basis, the Americas showed the strongest growth with an increase of 12% and accounted for 36% of total revenue, whilst Asia grew by 8% and accounted for 15% of total revenue and Europe grew by 2% and accounted for 49% of total revenue The tragic events in Japan have impacted the growth rate for Asia They resulted in an immediate loss of fee-earning days that reduced revenue by £0 5 million There has been an ongoing consequential effect through the year resulting in the revenue from Japan declining 8% in the year





The deferred revenue in the balance sheet at the end of the year was £48 2 million (2010 £47 5 million) The deferred revenue balance represents 17% of revenue and can be recognised as such in the forthcoming months

Profits

Growth in EBITDA (earnings before interest, tax, depreciation and amortisation) and operating profit has also been achieved EBITDA has increased by 6% to £52 7 million (2010 £49 6 million) The adjusted operating profit was up 8% to £42 9 million (2010 £39 8 million) The growth rate has been constrained by the relative strength of Sterling and at constant currencies the growth in adjusted operating profit would have been 9% This represents an operating margin of 15 4% for the year, up slightly from the 15 2% achieved in 2010 The adjusted operating profit has been measured before the amortisation of acquired intangibles The unadjusted operating profit was up 13% to £42 1 million (2010 £37 3 million) Staff numbers have increased in the period and the average headcount for the year was up 10% at 1,681 (2010 1,532)

Tax

The underlying tax rate has improved to 29 5% (2010 31 9%), benefiting from the lower UK tax rates and the mix of earnings from overseas operations This measure excludes from the 2010 calculation the effect of the majority of the Touchpaper gains being non-taxable The effective tax rate including these gains is 29 5% for 2011 compared to 30 1% for 2010 The cash tax rate continues to be lower than the charge in the income statement and was 26 2% (2010 27 9%)

Earnings per share

Diluted earnings per share, adjusted to exclude the amortisation of acquisition intangibles and Touchpaper gains, was up 11% to 82 4 pence (2010 74 4 pence) The directors believe this measure of earnings per share provides a better indication of the underlying performance of the business The unadjusted diluted earnings per share was up 7% at 81 0 pence (2010 75 6 pence)

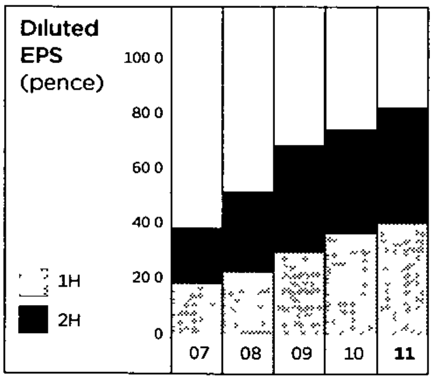
Dividends

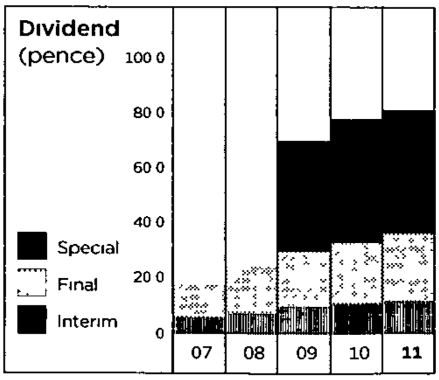
The ordinary dividend for the full year is being increased by 11% to 36 5 pence (2010 33 0 pence) The final dividend, if approved by shareholders, will be 24 5 pence, to be paid on 28th May 2012 to shareholders on the register on 27th April 2012, with an ex-dividend date of 25th April 2012 In addition, a special dividend of 45 0 pence (2010 45 0 pence) is proposed and, if approved by shareholders, will be paid at the same time as the final dividend

15.4%
operating margin for the year.

Cash and treasury

The business continues to be strongly cash generative, closing the period with a cash balance of £70 9 million and no debt During the year dividends





Directors' report continued

The business continues to be strongly cash generative.

of £28 8 million (2010 £25 3 million) were paid, which included the payment of a special dividend of £16 4 million (2010 £14 2 million) The net cash generated from operating activities was £70 5 million, representing an operating cash conversion rate of 166%

The use of financial instruments is managed under policies and procedures approved by the Board These are designed to reduce the financial risks faced by the Group, and primarily relate to credit, interest, liquidity and currency risks, which arise in the normal course of the Group's business Cash equivalents are deposited only with major financial institutions that satisfy certain credit criteria as specified in the Group's treasury policy The policy limits the maximum deposit with a counterparty and the maximum duration of a deposit Financial instruments which potentially expose the Group to credit risk consist primarily of cash equivalents and trade receivables At the balance sheet date, there were no significant concentrations of customer credit risk Our largest customer accounts for less than 5% of Group revenue and the 10 largest customers account for less than 30% of Group revenue All material trade receivable balances relate to sales transactions with financial institutions The Group provides credit to customers in the normal course of business and the amount that appears in the balance sheet is net of an allowance for specific doubtful receivables, the allowance generally being due to concerns regarding a customer's solvency or the age of a receivable In most situations where a receivable is aged but no specific allowance has been made for it, no revenue has been taken and it forms part of the deferred revenue balance

The Group holds net funds and hence its interest risks are associated with short-term cash deposits The Group's overall objective with respect to these deposits is to maintain a balance between security of the funds, accessibility of funds and competitive rates of return In practice, this means that deposits are unlikely to be made with a maturity date greater than three months All deposits are at current market rates Due to the strong cash generation of the business, the Group has no borrowings

The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into Sterling The currencies giving rise to this risk are primarily US Dollars, Euros and Japanese Yen The Group's revenue is split 40% in Sterling, 41% in US Dollars, 8% in Japanese Yen and 11% in other currencies The trade debtor currency exposure is consistent with the split of revenue by currency The Group has both cash inflows and outflows in these currencies that create a natural hedge

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's cash inflows and outflows in a foreign currency The Group has not entered into hedging contracts for cash positions denominated in foreign currencies

Over the longer term, permanent changes in foreign exchange would have an impact on consolidation of foreign subsidiaries earnings It is estimated that a general increase of one percentage point in the value of Sterling against other currencies would have decreased the Group's profit before tax by approximately £195,000 for the year ended 31st December 2011 (2010 £167,000)

The Board monitors the total equity and the cash, and cash equivalents balance in considering its retained capital and when and how a return of capital to shareholders is appropriate The Group maintains a strong capital base so as to maintain employee, customer, market, investor and creditor confidence in the business and to ensure that it continues to operate as a going concern The annual dividends have increased at a similar rate to the growth in earnings per share The level of annual dividend provides a regular return to shareholders whilst also providing growth in the cash resources available to fund acquisitions or other investment activity Special dividends have been used to return additional funds to shareholders

Annual dividends have increased at a similar rate to the growth in earnings per share.

Directors' report continued

Corporate information

The directors present their report and the audited financial statements for Fidessa group plc (company number 03234176) for the year ended 31st December 2011 These will be laid before the shareholders at the Annual General Meeting to be held on 24th April 2012

1 Directors

The Board comprises a Chairman, three independent non-executive directors and two executive directors The Board considers its overall size and composition to be appropriate, having regard to the experience and skills which the Board members bring together and the fact that the Board considers the three non-executive directors to be independent of management The serving directors are

John Hamer (age 52), Chairman
John Hamer joined the Group in January 1983 He has a BSc Hons in Computer Science from Leeds University and was Chief Executive of the Group between 1992 and July 2001 when the Group had multiple divisions, each division having its own Chief Executive John became Chairman of the Group in July 2001 when the Group focused on the Fidessa business by divesting the help desk and call centre software businesses The Board considers the Chairman role to be similar to that performed prior to July 2001 when there were multiple businesses and there to be no conflict with Chris Aspinwall, the Chief Executive, who was already the Chief Executive of the Fidessa business prior to July 2001 He currently has no other material business commitments

Chris Aspinwall (age 48), Chief Executive
Chris Aspinwall joined the Group in August 1986 as a software engineer and was appointed to the Board in 1992 He became Chief Executive of the Fidessa business in 1992 and has grown it to its current world leading position In July 2001 he became Group Chief Executive He has a BSc Hons in Computer Science from York University

Andy Malpass (age 50), Finance Director
Andy Malpass joined the Group in 1995 as Finance Director and has over 25 years' experience in the software industry, with both private and public companies He has a BA Hons in Accounting and Finance from Lancaster University and is a fellow of the Chartered Institute of Management Accountants

Ron Mackintosh (age 63), Senior Independent Non-Executive Director
Ron Mackintosh was appointed to the Board in June 2004 He is Chairman of CSR plc Ron has held a number of senior executive positions in European technology companies Between 1992 and 2000 he was chief executive of Computer Sciences Corporation's (CSC) European business which had revenue of $2 5 billion He is also the former chairman of each of Smartstream Technologies Limited, Northgate Information Solutions plc and Differentis Limited and a former director of Gemplus SA He is currently Chairman of AlertMe com Limited

Philip Hardaker (age 64), Independent Non-Executive Director
Philip Hardaker joined the Board as a non-executive director in February 2005 Philip is an experienced Chartered Accountant who previously served for 20 years as a partner in KPMG UK As a partner he led teams providing audit, advisory and transaction due diligence services to a broad portfolio of clients In addition, he held a series of managerial and leadership positions in KPMG, both in the UK and overseas Philip is a Trustee of Charities Aid Foundation, chairing the Audit, Risk and Compliance Committee and is a director of CAF Bank Limited He is also Chairman of The St John of Jerusalem Eye Hospital

Elizabeth Lake (age 69), Independent Non-Executive Director
Elizabeth Lake was appointed to the Board as a non-executive director in October 2008 Until June 2009, Elizabeth was a director and president of Securities Processing Solutions International, a subsidiary of Broadridge Financial Solutions, Inc (Broadridge), a global provider of technology based outsourcing solutions to the financial services industry She continues as a strategic adviser to Broadridge She was a partner in the consultancy practice of KPMG and has also held

senior executive positions at CSC Index consultancy within the financial services sector and at Ziff Davis Technical Information Company, where she was responsible for software products and services for the financial services industry Elizabeth is currently the UK representative for the Tokushukai Group

In accordance with provision B 7 1 of the UK Corporate Governance Code, the directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election The biographies of the directors are set out above Following formal performance evaluation of Chris Aspinwall, Andy Malpass, Ron Mackintosh, Elizabeth Lake and Philip Hardaker, the Chairman confirms that the performance of each of them continues to be effective and that they continue to demonstrate commitment to their roles, bringing their considerable commercial experience to the Company, accordingly their re-election is recommended The senior independent director, Ron Mackintosh, confirms that following formal performance evaluation of John Hamer by himself and the other non-executive directors, the performance of the Chairman continues to be effective and his re-election is accordingly recommended

Directors' interests in shares and share incentives in the Company are detailed in the Directors' Remuneration Report

At the date of this Directors' Report, indemnities are in force under which the Company has agreed to indemnify the directors and the Company Secretary to the extent permitted by law and by the Company's Articles of Association in respect of all losses arising in their capacity as officer of the Company or of any member of the Group In addition, the Group has purchased and maintained throughout the financial period, directors' and officers' liability insurance in respect of itself and its directors

2 Principal activities

Fidessa is a global business with scale, resilience, ambition and expertise It is recognised as the thought leader in its space Fidessa sets the benchmark with its unrivalled set of mission-critical products and services and, uniquely, serves both the buy-side and sell-side communities Ongoing investment in its leading-edge, integrated solutions ensures it remains the industry's number one choice

Trade - Improving productivity

Fidessa's advanced products and services cover the whole life cycle of the trading process for both the buy-side and sell-side, from low latency trading tools to settlement, compliance and risk management By automating the entire workflow, Fidessa can improve a customer's productivity, competitiveness and efficiency, while at the same time reducing both costs and risk

Fidessa offers a seamless, resilient and integrated approach that can help smaller operators punch above their weight and yet still be effortlessly scaled up to match even the highest volumes and the most sophisticated needs Comprehensive connectivity to an unrivalled global community of buy-side institutions, brokers and trading venues comes as standard

Invest - Setting new standards

From the decision to buy or sell, through executing the order, to clearing and settling the trade, Fidessa has the tools that can make the whole process simpler, smarter and more efficient Wherever you are in the investment cycle, Fidessa has the leading-edge systems to help do the job better Fidessa can automate all pre- and post-trade compliance checks, make portfolio analysis sharper and asset allocation more robust Fidessa also helps your trading desk identify and execute the best possible deal

Fidessa's trading systems have always been a benchmark for the best, its investment tools are now setting the standard for the rest

Inform - A clearer view

Fidessa's systems are a rich source of real-time market news and prices which will help you make the right decisions

Directors' report continued

at the right time, but for Fidessa there is a lot more to information than that Fidessa 'inform' means harnessing the latest technology to turn raw numbers into expert knowledge It means providing navigation and analysis tools that can interpret data and allow you to measure your performance and costs on a like-for-like basis It means using new social media tools to add value by sharing the unique market insight Fidessa gains from having tens of thousands of users all over the world

When it comes to value-added information, no one has a broader perspective or a clearer view

3 Business review

The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 31st December 2011 and of the position of the Group at the end of the financial year along with a description of the principal risks and uncertainties facing the Group, constituting the business review The information that fulfils the requirements of the business review can be found in this Directors' Report in the Corporate Information, Overview, Market Review and the Finance Review sections Details of the Group's compliance with the UK Corporate Governance Code are set out in the Corporate Governance section of this Annual Report

4 Risk factors

This Directors' Report contains certain forward looking statements which by their nature involve risk and uncertainty The forward looking statements are based on the knowledge and information available at the date of preparation and on what are believed to be reasonable judgements A wide range of factors may cause the actual results to differ materially from those contained within, or implied by, these forward looking statements The forward looking statements should not be construed as a profit forecast

Identification and management of risk is an integral part of the day-to-day activities of the Group, please refer to the paragraph headed Internal Control in the Corporate Governance section of this Directors' Report for more detail on the Group's risk management systems

There are a number of potential risk factors which could have a material, adverse financial effect on the business as well as on the value and liquidity of the Company's securities, some of which have been identified below although the list may not be exhaustive There may also be risks that we do not currently consider to be serious or which are currently unknown to us Where reasonably possible, the Company or the Group as applicable has taken steps to mitigate the risks or potential risks of which the Company or the Group are aware but they cannot entirely safeguard against all of them

The Group's products are dependent on the rapid transmission of data either over the internet or using dedicated communications lines in order to provide financial information to its customer base and to enable customers to effect trades in financial instruments A major power outage, network failure or network interruption whether caused by failure of the network provider, network infrastructure, power provider or power infrastructure, interference with, inappropriate access to or destruction of one of the Group's data centres or errors in or lack of sufficient protection of its software, IT viruses, terrorist attack or sabotage could result in the failure of data transmission or lack of access to its hosted service Such issues could have an adverse impact on the Group's customers, on the Group financially or on its reputation in its markets The Group takes these issues very seriously and takes appropriate measures to manage the risk, it has a business continuity plan under which it invests heavily in multiple secure, highly resilient data centre facilities It takes steps to ensure it has sufficient power supplies in the premises in which it operates and that its systems have reasonable protection against sabotage Systems are security-tested regularly

The Group's products are fully integrated, complex software solutions that automate the workflow for trading financial assets domestically and internationally As software cannot be guaranteed to be bug free, and due to the complexity of the solutions, there is a risk of failure in the software This could manifest itself in the failure for an individual customer during implementation or across multiple customers when upgrades are being installed Such failure could result in an inability to operate or access the system, the incorrect processing of trades or the inaccurate display of market data or positions

Under the Group's software testing protocols, it takes steps to prevent test trades from being executed live and to limit the impact of such an eventuality by using a separate test site and imposing conditions on the testing, such as limiting the size of test trades However, it is possible that such an event could take place and prove costly to the Group

The nature of financial market data is such that it needs to be constantly updated which may mean that the Group's network capacity could at some point become saturated and as a consequence adversely affect its product and network performance While the Group has implemented measures to mitigate this risk by contracting for sufficient network capacity using market leading providers of network services, there can be no guarantees that the Group and its communications network providers will be able to accommodate rapid growth in traffic volumes or avoid network failures, bottlenecks or interruptions

The Group's products include tools that support investment decisions, from asset allocations through what-if scenarios to implementation The tools are high performance but have to operate in a fast moving environment which creates timing risk There is also some risk to the Group and its product and services in the event that implementations or deployments were to be delayed or fail The Group mitigates this risk by employing appropriate project management processes and conducting internal audits and rigorous testing procedures

The Group is exposed to contractual risk under its contracts with its customers and suppliers but it endeavours to ensure that it has processes in place to reduce these risks Templates and contracts are carefully prepared, reviewed, negotiated and approved in line with internal processes However, the Group has signed agreements with overseas exchanges for the provision of financial data where the suppliers have a monopoly position and refuse to provide their data on terms other than their standard terms which can contain onerous provisions which the Group would not accept under normal circumstances, including, but not limited to, unlimited liability, liability for consequential loss and the application of local law

The Group's employees are vital to the success of the business If the Group were unable to attract adequate skilled staff to meet its requirements or were to lose key managerial, sales, professional or technical staff this could seriously affect its business Succession planning is taken seriously by the Board and it is believed that long-term incentives under the share plans have aided staff retention The Group endeavours to ensure that employees are motivated by the nature of the business of the Group and the work that they carry out in their roles as employees They are regularly appraised and encouraged to develop their skills and where appropriate are promoted in line with their potential

Although careful steps are taken to minimise the risks posed by disaffected employees, such as protecting the Group's systems and trying to resolve any potentially volatile human resource issues, disaffected employees with access to sensitive information could be inclined to harm the Group It is possible that they could do significant damage to the business and the reputation of the Group by impairing its systems, misappropriating the Group's intellectual property by attempting to reveal its source codes or trade secrets or allocating passwords or access to its systems to third parties for financial gain or to cause financial loss or reputational damage to the Group

As a software group, infringement of the Group's intellectual property rights by third parties or the Group's failure to defend infringement claims from third parties could cause damage to the business although it has taken reasonable steps to ensure that its intellectual property rights are appropriately protected by law and that it does not infringe the intellectual property rights of others

Being a provider of software products and services the Group is office-based and therefore dependent on its office facilities A continued inability to access an office location would cause disruption to the business including the support of customers, development of software and other key operations The Group mitigates this risk through having separate office locations in several countries, having the infrastructure established to allow employees to work from home and being able to support customers internationally

Directors' report continued

The Group invests its cash deposits with highly rated financial institutions and spreads its risk Credit limits are set for each financial institution that the Group deposits funds with However, in the event that one of the institutions holding the Group's deposits were to collapse, there is a risk of the Group being unable to access some of its cash deposits or losing that part altogether

The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into Sterling The currencies giving rise to this risk are primarily US Dollars, Canadian Dollars, Euros and Japanese Yen The Group has both cash inflows and outflows in these currencies that create a natural hedge In managing currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's cash inflows and outflows in a foreign currency The Group has not entered into hedging contracts for either cash or net investment positions denominated in foreign currencies Over the longer term, however, permanent changes in foreign exchange would have an impact on consolidated earnings

The Group's suite of products is limited in range in so far as all its products are financial software related It could fail to retain existing customers or attract a new client base, which would impact the growth rate and potentially profits Factors beyond its control such as instability of the financial system, a material downturn in financial markets, recession, reduced stock market valuations, market disruptions or suspensions, or factors such as the insolvency, consolidation or nationalisation of parts of its customer base could adversely affect the sales of the Group's products due to the consequential reduction in the budgets of financial institutions for expenditure on technology products and their reduced ability to pay for, or requirement for, such products

In the event of turmoil in financial markets or adverse regulation change, there could be a reduction in the types of financial instrument traded or a reduction in trading volumes of financial instruments globally These could negatively affect Group profits because it could reduce sums billed under the Group's contracts with its customers

The Group invests heavily in research and development of new products yet it is possible that at a future date the Group may not have the resources to respond rapidly enough to market changes or to changes in customer requirements The strategy it adopts in developing new products may not be on target and resource may be channelled into products that are ineffective or surplus to market requirements

The cost of compliance by the Group with changes in laws or regulations by governments and other regulatory authorities in the countries in which it does business, such as for example anti-bribery and corruption, employment, environmental or data protection legislation, could have an adverse financial effect on the business, as could prosecution of the Group for any alleged breaches of such laws or regulations due to the potential resulting defence costs and penalties involved The Group endeavours to comply with any such changes with the help of its financial and legal advisers where necessary

In the future the Group may decide to acquire new businesses or companies and/or dispose of companies or businesses Any given acquisition or disposal will entail costs whilst also having the potential to increase the profitability of the Group Although in depth due diligence would be carried out by the Group and its advisers prior to undertaking such a transaction, an acquisition could have a negative effect on the profits of the Group in the event that a target acquired could not be successfully integrated into the Group, were unable to adapt to the Group's culture, if disaffected staff from the acquired company were to leave the Group or if the acquisition did not prove as valuable to the Group as anticipated

5 Results and dividends
The financial results and position are shown in the financial statements A fuller explanation of the results and position is provided in the Overview, the Finance Review and the Market Review sections of this Directors' Report

An interim dividend of 12p per ordinary share was paid on 26th September 2011 The directors propose a final dividend of 24 5p per ordinary share, £9,007,000, and a special dividend of 45 0p per ordinary share, £16,543,000 These will be payable on 28th May 2012 to shareholders on the register on 27th April 2012, with an ex-dividend date of 25th April 2012 These dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements

6 Research and development
The Group has continued its commitment to research and development and places a high priority on maintaining and improving the functionality, quality and competitive position of its business software products During the year the total expenditure on research and product development was £29,584,000 (2010 £26,279,000) This is measured on a direct cost only basis with no overheads allocated

7 Employment and health and safety policies
The Group is a service provider with our employees as key stakeholders in our business We therefore aim to maintain an attractive place to work, where employees can develop successful careers for themselves This year, our employee engagement survey was further extended and included employees working in Europe, Hong Kong and, for the first time, the US and Canada The response rate was 60% in Europe, 46% in Hong Kong and 71% in the US and Canada The results show a significant increase to the overall staff engagement levels for those regions surveyed in previous years and positive engagement levels for regions that took part for the first time

Effective employee communications and openness with staff are vital and the Group promotes the understanding and involvement of all employees in its business aims and performance The policy of providing employees with information about new products, operations and the performance and development of the Group has continued through the Group's intranet site, product seminars and regular staff meetings at which progress updates on the Group are given by the directors and senior management Further director question and answer opportunities were provided to all employees globally during 2011 This provides the opportunity for employees to email business related questions which are then distributed to the appropriate senior manager to provide a response All answers are posted on the intranet for employees to view

In 2010, the Group introduced into the UK a learning and career development portal, Fidessa Endeavour During 2011, the portal was extended to include the online performance appraisal process that is also linked to personal development planning The Fidessa Career Framework, which was launched within the UK, saw the introduction of four business competency streams business support, professional, client facing and managerial All employees have been allocated a level within one of the streams depending on skills, knowledge and experience in their role The underlying competencies and indicators within the framework were developed internally with managers and employees to ensure it met the needs of both the business and employees going forward During 2012, the goal is to implement the portal for staff in all our offices worldwide

Global mobility between our regional offices, including new countries, has increased during 2011 further supporting our aim to provide broad career development opportunities to employees With business opportunities expanding into new territories, it is expected that this will continue through 2012 and beyond

Earlier in 2011 our shareholders approved a new set of share plans with a view to expanding employee share participation and allowing employees a greater involvement in the growth and success of the Group These share plans are now being launched and operation of them is expected in 2012

Directors' report continued

The Group is committed to continuing to be a diverse and inclusive place to work and its employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate the very best staff regardless of colour, nationality, sex, marital status, sexual orientation, age, religion, disability or any other characteristic protected by law Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned Wherever possible the employment of employees who become disabled will be continued and appropriate training and career development will be offered

The health and safety of the Group's employees, customers and visitors is of primary importance Therefore, the Group is committed to maintaining a safe and healthy working environment by managing its activities so as to avoid unnecessary or unacceptable risks Health and safety audits and risk assessments, including fire risk assessments, are carried out regularly along with workstation assessments

Any employees with questions or concerns about any type of discrimination, behaviour or practice in the Group are encouraged to bring these issues to the attention of their manager These concerns will be investigated promptly, appropriate action taken and feedback given to the employee concerned Any attempt to deter employees from raising proper concerns will be treated as a serious disciplinary offence The Group has implemented an anonymous reporting box on its intranet where employees can raise any such concerns which will be copied to the Chairman of the Audit Committee and dealt with promptly

8 Environmental policy

The Group recognises the importance of meeting globally recognised corporate responsibility standards as illustrated by Fidessa group plc being a constituent company in the FTSE4Good Index Series It is important to our staff, our customers and our suppliers that we act in an environmentally responsible manner and the Group has endeavoured to manage the effect that it has on the environment and to support sustainability

The Group's environmental policy is regularly reviewed and is published on its website and intranet The intranet is just one of several ways through which staff are encouraged to make suggestions on how we can improve our environmental practices

The Group's business requires no manufacturing facilities and no freight transportation As a software product and services office-based provider it has no activities that pose major environmental issues Usage of energy to facilitate the computing requirements of our data centres and our staff, as well as international travel, are considered to be the greatest environmental impacts associated with daily operations in the Group Other factors include the use of electrical and electronic equipment, the use of paper and the disposal of waste

In order to reduce the Group's environmental impact in line with its business needs the following are some of the measures that have been implemented

- a move from traditional air conditioning to evaporative cooling for a major computer and network installation to reduce the carbon dioxide impact and hydrofluorocarbons (HFCs) dependency,
- making available, where practical in our worldwide offices, receptacles for recycling various materials, such as paper, tins and printer cartridges In the UK, we also donate surplus older models of computer equipment to Computer Aid International and encourage staff to bring redundant mobile phones to work to recycle them for charity,
- gradually replacing personal computers where practical for terminals that only require 12 volts in comparison to personal computer which run off 220-240 volts,
- powering down unused facilities outside working hours where practical and personal computers shutting down automatically to conserve energy,
- encouraging responsible use of energy and water and encouraging staff to report promptly any unnecessary wastage Air conditioning in most of our offices automatically switches off at the end of the day,

- encouraging black and white and duplex printing where practical as well as greater use of email rather than paper-based correspondence This includes the use of email for customer Christmas greetings in the UK with money being donated to charity rather than sending paper cards,
- providing bicycle storage facilities, showers and changing facilities to encourage cycling to work,
- reducing the need for overseas travel by the use of video conferencing where appropriate, and
- decommissioning old, inefficient servers and replacing them with new servers each of which uses half the electricity of the old ones and can run several virtual servers thus reducing the air conditioning requirements

The Operations Director produces an environmental report on the Group's activities each year The report for 2011 records environmental initiatives taken during the year and identifies further items to be considered during 2012

9 Corporate social responsibility
Employees are encouraged to follow good principles of social behaviour which are reflected in the Group's social and ethics policy This policy is regularly updated and communicated to staff via the intranet The Board believes the Group has a relatively low social impact but nevertheless sees the value that can be added through corporate social responsibility Participation in activities with local communities where it carries out its business helps to integrate the Group with local communities

Employees are encouraged to nominate charities they would like to raise funds for and to participate actively in raising money for these charities through internal fundraising events, several of which are typically held each year In addition, the Group sponsors charity events, such as for example charity runs or bicycle rides, and also gives sponsorship to individual staff who undertake activities for charity

10 Customers as stakeholders
Our customers are important and valued stakeholders because the business has been built on their support for our products and services We endeavour to provide excellent levels of service and to work closely with our customers to assist them in developing their businesses Although they comprise almost exclusively financial institutions on both the buy-side and the sell-side, they vary greatly in their business models, structures and size We have worked closely with them to endeavour to ensure we meet their immediate business needs and support them where practical, by being adaptable in finding solutions that fit their businesses, as their needs change from time to time

11 The Fidessa group plc Employee Benefit Trust
The Fidessa group plc Employee Benefit Trust is a discretionary trust established for the benefit of the Group's employees It has an independent, professional trustee, RBC cees Trustee Limited, and the trust has been financed by advances from the Company The shares held by the trust rank pari passu with all the other shares in issue and have no special rights The rights to dividends and to vote the shares have been waived by the trust The costs of administering the trust are charged to the income statement as incurred The trust acquired its shares in the Company for use in connection with the Company's Performance Related Share Plan at the time of the placing for the flotation in June 1997 The trust can also satisfy awards and grants from the Company Share Option Plan 2006, Performance Share Plan, Deferred Annual Bonus Plan and Monthly Share Purchase Plan Please see the Directors' Remuneration Report for further details of these plans

12 The Fidessa group plc Share Bonus Trust
The Fidessa group plc Share Bonus Trust is a discretionary trust established for the benefit of participants in the Fidessa group plc Share Bonus Plan It has an independent, professional trustee, Kleinwort Benson (Jersey) Trustees Limited, and is currently financed by advances from the Company All rights to dividends and voting the shares have been waived by the trust The costs of administering the trust are charged to the income statement as incurred The trust purchased shares to match and provide a National Insurance Contribution hedge against purchases of ordinary shares by participants in the Fidessa group plc Share Bonus Plan at the same time as the participants acquired their participating shares Please see the Directors' Remuneration Report for further details

Directors' report continued

13 Donations
The total amount of charitable donations made by the Group during 2011 was £44,000 (2010 £29,000) Donations were made to various charities and there were no political donations

14 Payments to creditors
It is the Company's and the Group's policy to agree terms and conditions for business transactions with their suppliers The Company and the Group value their suppliers and recognise the benefits to be derived from maintaining good relationships with them They therefore seek to abide by the payment terms agreed whenever satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions As at 31st December 2011 the number of days of annual purchases represented by the year-end creditors for the Company amounted to 30 days (2010 19 days) and for the Group amounted to 26 days (2010 12 days)

15 Off-balance sheet arrangements
The Group does not have any off-balance sheet arrangements

16 Disclosure of information to auditors
The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

17 Auditors
In accordance with Section 489 of the Companies Act 2006 a resolution for the re-appointment of KPMG Audit plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting

By order of the Board

Andy Malpass
Director
10th February 2012

Directors' remuneration report

Introduction

This report by the Remuneration Committee has been approved by the Board for submission to shareholders in accordance with the UK Corporate Governance Code, the requirements of the Listing Rules of the UK Listing Authority and the reporting requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) Consistent with previous years, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be presented for approval

The Regulations require the auditors to report to the Company's members on the auditable part of the Directors' Remuneration Report and to state whether in their opinion that part of the report has been properly prepared in accordance with s421 of the Companies Act 2006 (together with the Regulations) The report has therefore been divided into separate sections for audited and unaudited information

Unaudited information

Remuneration Committee

The Committee comprises Ron Mackintosh, Philip Hardaker and Elizabeth Lake, all independent non-executive directors, the Chairman of the Committee being Ron Mackintosh None of the members of the Committee has any personal financial interest (other than possibly as shareholders), conflicts of interest arising from cross-directorships, or day-to-day involvement in running the business The Committee is responsible for determining the remuneration, other benefits and terms of employment, including performance-related bonus schemes and oversight of share incentive plans, for the Chairman, executive directors and senior management

The performance of the Committee was evaluated as part of the Board evaluation process during the year and the conclusion was that the Committee was functioning effectively Its terms of reference are available at www fidessa com

During the year the Committee met to discuss topics including

- the bonus payments in respect of 2010 performance,
- the extent of vesting of the 2008 awards under the Share Bonus Plan,
- the vesting of options from the 2006 grant under the Exceptional Growth Rate Incentive Plan,
- the levels of remuneration and the remuneration structure for the executive directors and senior management team, and
- the design and implementation of the new share incentive plans approved at the Annual General Meeting on 6th May 2011

During the year, the Committee took independent advice from New Bridge Street (NBS) NBS is a member of the Remuneration Consultants Group and has signed up to its Code of Conduct NBS provided advice on general remuneration matters and assisted with the implementation of the new share plans NBS does not provide any other services to the Company

The Chairman and executive directors may attend committee meetings by invitation The Company Secretary acts as secretary to the Committee

Remuneration philosophy

The Group's remuneration philosophy is that a substantial proportion of the remuneration of the executive directors and senior management should be performance-related, so that management is clearly focused on the financial performance of the Group Remuneration has comprised a relatively lower base salary and a higher bonus than

Directors' report continued

comparative companies The Committee is focused on the issue of balancing risk and reward The remuneration philosophy requires long-term as well as short-term measurement for delivery, so as to avoid excessive short-term risk taking and to encourage consistent performance over multiple years

The Committee continually reviews the bonus and share incentive plans to ensure they support the business strategy and do not reward inappropriate risk taking either in the short- or long-term Part of this review ensures that the performance metrics, levels of awards and eligible participants remain appropriate The Committee considers how each element of the overall remuneration may negatively or positively influence an employee's attitude towards excessive caution or risk

The Committee considers corporate performance on environmental, social and governance issues (ESG issues) when setting the remuneration of executive directors It has endeavoured to ensure that the incentive structure for senior management is appropriate in that it does not raise ESG issues or risks by motivating excessive risk taking or other irresponsible behaviour and does not provide for reward in the event of failure both at Board level and senior management level

The Committee determines the remuneration of the Chairman and executive directors The Committee also recommends and monitors the quantum and structure of remuneration for other members of senior management

The Committee reviews the performance of the individual concerned and takes account of comparative market data from other companies in the IT sector and other quoted companies with a similar market capitalisation The Committee believes that the executive directors and senior managers should be rewarded fairly and competitively according to their performance and at a similar level to directors and senior managers in comparable companies at a level that will attract, motivate and retain individuals of an appropriate calibre to deliver value to shareholders

This approach has been demonstrated to be successful when viewed in relation to the Group's overall performance The package of the executive directors and senior managers is reviewed on a regular basis and will generally contain the following elements a base salary, performance-related bonus payments, limited other benefits and share-based incentives The aim is that these elements combine to provide a balance over the short, medium and longer term for rewarding successful performance

The Group has an experienced and highly skilled workforce, operating across a number of geographical territories Salaries are set locally to meet these needs In the year staff numbers increased by 10% and over the last three years have increased by 26% In deciding on the levels of remuneration for directors and senior managers, the comparative pay and employment conditions of these employees across the Group are taken into account In particular, the Committee takes into account the level of salary increases across the workforce when deciding upon any increases in remuneration for the directors and senior management

The Group's remuneration policy is aligned with Group strategy in that it is important to the Group to deliver value and good growth for shareholders whilst managing the extent of risk For this reason (as stated below), executive directors' salaries have been set at reasonable but below mid-market levels so that long-term incentive plans and bonuses, focused on performance, close the gap and constitute a large percentage of the remuneration package Targets under long-term incentive plans have accordingly been based on growth in earnings per share, growth in total shareholder return and on other business development goals

Element of package	Strategic purpose
Base salary	To provide a reasonable level of basic pay in accordance with an individual's experience, knowledge and performance in the role
Benefits	To provide the executive with basic and cost effective benefits
Annual bonus	To provide an incentive payable on the achievement of short-term measurable financial targets linked to the Group's overall performance The use of operating profit is linked to the Group's strategic objective for controlled growth through the development of further new products and services
Long-term incentive plans	To incentivise and reward for long-term, sustained financial performance of the Group and the shareholder value this creates The primary targets have been based on sustained growth in earnings per share and total shareholder return

The Group competes for its talent pool with financial institutions which have been altering the ratio of fixed to variable pay over the last few years Cognisant of the competitive landscape and following feedback from shareholders' representative bodies plus recent experience when recruiting senior managers, the Committee intends reviewing the balance between salaries and bonuses in 2012 This may lead to the structure of remuneration packages being more closely aligned to those in other companies in the IT sector and other quoted companies with a similar market capitalisation so that salaries form a larger proportion of the overall remuneration package than has historically been the case If such a change is made, the expectation is that long-term incentive plans and bonuses that are performance focused will still form a substantial percentage of the remuneration package

Basic salary
Each executive director's basic salary is set at a below mid-market level It is reviewed annually taking into consideration the fact that it needs to be at a reasonable level so as to be compatible with the bonus and is based on business and individual performance, achievement of objectives, comparative salaries and periodic reviews from the Company's remuneration advisers

During 2011 the Committee took into account the market conditions and pay conditions elsewhere in the Group and, in seeking to ensure that remuneration policies remained appropriate, directors' salaries for 2011 were increased This salary rise of 7 5% should be considered in the context that it is the first increase since 2008, since when the Group has continued to deliver strong financial performance and growth in employee numbers and market capitalisation Despite the increase both salaries remain significantly below lower quartile level It should also be noted the executive directors do not participate in any Group pension arrangements and only receive a limited benefits provision

When making these salary increases the Committee was mindful of the potential impact on other areas of the remuneration package, particularly the annual bonus However, given the stretching performance which would be required to meet the maximum limits of the bonus, the Committee considered the increases remained appropriate and did not unduly affect the balance of remuneration

Bonus
The focus of remuneration for executive directors is rewarding for successful performance The first element of this is the annual bonus

Directors' report continued

Chris Aspinwall is entitled to a cash bonus based on the Group's operating profit as monitored by the Operating Board excluding any items that the Committee considers to be exceptional or inappropriate The terms of the bonus are reviewed if there is a material acquisition in any period and it is subject to an upper limit of four times base salary This year it was calculated, as in previous years, using a flat percentage of the adjusted operating profit of the Group for the year This flat percentage is reviewed each year and counterbalances the below mid-market base salary he earns and ensures that his short-term pay is competitive but only if the Group achieves a reasonable level of profit in the year

Andy Malpass is entitled to a cash bonus but, in order to maintain his independence as Finance Director, it is not linked directly to the Group's operating profit but is instead related to his performance against a series of financial and management objectives and is also subject to the discretion of the Committee His bonus is capped at not more than 150% of base salary This year the objectives included cash management, financial reporting targets and further evolution of the internal information systems

Share-based incentives

Share-based incentives are believed to be an important form of overall compensation when judiciously combined with other forms of remuneration Share-based incentives are also key in aligning directors' remuneration with the interests of shareholders The share incentive plans that the directors participate in reward them for consistent performance in the medium- and long-term The details of these plans are provided further down in this Directors' Remuneration Report

No share-based incentive awards were made to the executive directors in 2011 whilst the share plans approved by shareholders at the Annual General Meeting in May 2011 were being implemented The Committee expects to resume the award of share-based incentive awards in 2012

Other benefits

Benefits are very limited as the Committee strongly believes in focusing directors' remuneration on types of remuneration that can be aligned with the interests of shareholders Benefits provided include the provision of medical insurance and life assurance Directors do not participate in the Group defined contribution pension scheme nor do they receive any other pension provision

Minimum shareholding guideline

The guidelines have been structured to encourage executive directors to acquire and maintain a meaningful shareholding in the Company For Chris Aspinwall this is a minimum value equal to 200% of salary and for Andy Malpass this is a minimum value equal to 150% of salary Their shareholdings have been greater than the guideline throughout 2011

Service contracts

The contracts of service for Chris Aspinwall and Andy Malpass are for an indefinite term providing for 12 months' notice by either party These contracts were entered into on 2nd June 1997 and amended on 3rd October 2003 In the event of termination the director is eligible to salary, applicable bonus and benefits during the notice period and payable in equal monthly instalments subject to the director using reasonable endeavours to obtain suitable alternative employment The reason for the inclusion of bonus payments in the severance payment is that the Committee believes that it would be inequitable to pay only salary and benefits to a director in the event of termination as a good leaver as salary and benefits constitute a reasonably small percentage of total annual remuneration of the directors This is due to the below mid-market level base salary payable to the directors However, the level of bonus that would be payable in such situations is at the discretion of the Committee and would be based on the historic performance of the director during the portion of the bonus calculation period in which he had held office

The contract of service for John Hamer was entered into on 2nd June 1997 and is for an indefinite term providing for six months' notice by either party Philip Hardaker signed a new letter of appointment during 2011 for a further term of three years, subject to termination by either party on one month's notice Ron Mackintosh signed a new letter of appointment during 2010 for a further term of three years, subject to termination by either party on one month's notice Elizabeth Lake signed a new letter of appointment during 2011 providing for a further term of three years, subject to termination by either party on one month's notice

The executive directors do not hold any external non-executive positions

Non-executive fees

The Board determines the non-executive directors' fees The non-executive directors are not involved in decisions about their own remuneration The Chairman and non-executive directors are not eligible for performance-related remuneration or participation in share-based incentives

The Chairman's fees were reviewed during the year and an increase to £145,000 was approved, being the first increase since 2008 The increase in part reflects the growth in size of the Group in terms of revenue, profit, market capitalisation and number of employees

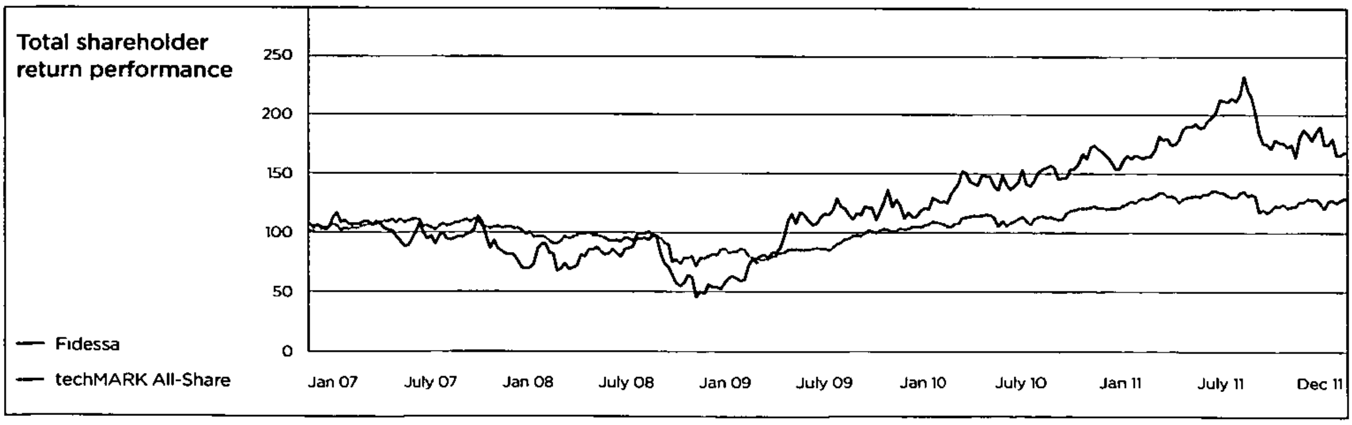
A review of non-executive directors' fees was also conducted during the year with the result being a base fee of £39,000 per annum for membership of the Board and then a further £2,000 for membership of each of the Audit Committee and the Remuneration Committee The Chairman of the Audit Committee and the Chairman of the Remuneration Committee receive a further £6,000 each for the additional responsibility entailed in these roles

Interests in contracts

During the year no director had any interest in any contract of significance with the Company or its subsidiary undertakings other than the directors' deeds of indemnity with the Company

Total shareholder return performance graph

The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 require the presentation of a performance graph of total shareholder return compared to a broad equity market index for a period of five years The total shareholder return is the share price plus dividends re-invested on the ex-dividend date over the period of the graph The Board believes that the techMARK All-Share Index, of which Fidessa group plc is a constituent, provides the best benchmark for comparison The Company share price and the techMARK All-Share Index are both set to 100 at the start of the five year period



Source Fidessa

Directors' report continued

Audited information

Directors' remuneration

Details of the remuneration of the directors are set out below

Year ended 31st December 2011	Base fees & salaries £'000	Benefits £'000	Bonus £'000	Total £'000
Chairman				
John Hamer	145	1	-	146
Executive				
Chris Aspinwall	215	1	704	920
Andy Malpass	215	1	245	461
Non-executive				
Ron Mackintosh	49	-	-	49
Philip Hardaker	49	-	-	49
Elizabeth Lake	43	-	-	43
Total	716	3	949	1,668

Year ended 31st December 2010	Base fees & salaries £'000	Benefits £'000	Bonus £'000	Total £'000
Chairman				
John Hamer	135	1	-	136
Executive				
Chris Aspinwall	200	1	653	854
Andy Malpass	200	1	230	431
Non-executive				
Ron Mackintosh	45	-	-	45
Philip Hardaker	45	-	-	45
Elizabeth Lake	40	-	-	40
Total	665	3	883	1,551

Directors' interests

The interests of the directors and their families in the ordinary shares of the Company, all of which were beneficial, were as follows

	31st December 2011 Number	31st December 2010 Number
John Hamer	51,513	15,579
Chris Aspinwall	92,153	38,680
Andy Malpass	81,552	56,545
Ron Mackintosh	6,000	10,000
Philip Hardaker	2,000	2,000
Elizabeth Lake	–	–

Between 31st December 2011 and the date of this report the interests of John Hamer, Chris Aspinwall and Andy Malpass have each increased by eight shares as a result of a regular monthly purchase by the Fidessa group plc Share Incentive Plan

Share incentives

The Company has share incentive plans whereby employees of the Group are granted awards over ordinary shares in the Company subject to the vesting of their awards in accordance with the terms of each plan The Performance Share Plan (PSP), Deferred Annual Bonus Plan (DABP) and Monthly Share Purchase Plan (MSPP) were approved by shareholders at the 2011 Annual General Meeting Each plan was approved by 99% of the votes cast and no votes were withheld No awards were made from these plans during 2011 These new plans replaced the Company Share Option Plan 2006 (CSOP), Exceptional Growth Rate Incentive Plan (EGRIP) and Share Bonus Plan (SBP) No awards were made in 2011 from the replaced plans

The total permitted dilution across the PSP, DABP and MSPP is 10% in the ten years commencing 6th May 2011 and 7% in the first five years of operation In addition, the potential dilution from awards granted in a calendar year cannot exceed 1 6% of the issued ordinary shares of the Company No awards have been made from these plans up to 31st December 2011 so there has been no dilution incurred under the plans to that date

The total permitted dilution under the CSOP was 8% during the life of the plan No further awards will be made from the CSOP and at 31st December 2011 the maximum potential dilution from the plan is 3 9% At 31st December 2011 the outstanding share options under the CSOP represented 3 1% of the issued share capital The total permitted dilution under the EGRIP was 6% during the life of the plan No further awards will be made from the EGRIP and at 31st December 2011 the maximum potential dilution from the plan is 5 1% At 31st December 2011 the outstanding share options under the EGRIP represented 3 7% of the issued share capital The SBP only involved market purchase shares and therefore did not incur any dilution No further awards will be made from the SBP

Directors' report continued

The directors were not granted any share options under the CSOP The interests of the directors in the EGRIP and SBP are as follows

	At 1st January 2011	Awards in year	Lapses in year	Calls in year	At 31st December 2011	Share price at award date	Share price at exercise	Vesting date	Expiry date
Chris Aspinwall									
EGRIP 2006	59,000	-	-	(59,000)	-	896p	1773p	2011	2011
EGRIP 2007	30,500	-	-	-	30,500	1018p	-	2012	2013
EGRIP 2008	25,000	-	-	-	25,000	920p	-	2013	2014
EGRIP 2009	18,000	-	-	-	18,000	1154p	-	2014	2015
EGRIP 2010	15,000	-	-	-	15,000	1421p	-	2015	2016
SBP 2007	3,529	-	-	(3,529)	-	910p	1816p	2010	2011
SBP 2008	7,050	-	(440)	-	6,610	493p	-	2011	2012
SBP 2009	2,602	-	-	-	2,602	1144p	-	2012	2013
SBP 2010	1,924	-	-	-	1,924	1546p	-	2013	2014
Andy Malpass									
EGRIP 2006	59,000	-	-	(59,000)	-	896p	1635p	2011	2011
EGRIP 2007	30,500	-	-	-	30,500	1018p	-	2012	2013
EGRIP 2008	25,000	-	-	-	25,000	920p	-	2013	2014
EGRIP 2009	18,000	-	-	-	18,000	1154p	-	2014	2015
EGRIP 2010	15,000	-	-	-	15,000	1421p	-	2015	2016
SBP 2008	6,397	-	(399)	-	5,998	543p	-	2011	2012
SBP 2009	2,620	-	-	-	2,620	1136p	-	2012	2013
SBP 2010	2,069	-	-	-	2,069	1438p	-	2013	2014

At 31st December 2011 the Group's closing share price was 1513p and the highest and lowest closing prices during 2011 were 2109p and 1444p respectively

In respect of the 2008 SBP awards, the performance conditions were not fully satisfied and therefore 93 75% of the matching shares vested There were four elements to the vesting of the award as follows

i The earnings per share element, this was satisfied in full and accordingly 25% of the award vested
ii The business development element, this was satisfied in full and accordingly 25% of the award vested
iii Continued employment element, this was satisfied and 25% of the award vested
iv Total shareholder return element, this condition was only partially satisfied, due in part to market volatility during the measurement period, and the proportion of matching shares was 18 75%

It is too early to estimate the potential vesting of other grants made under the SBP

The first award under the EGRIP was in March 2006 and this vested in March 2011 As at 31st December 2011 it is expected that the 2007 awards under the EGRIP will fail to vest It is too early to estimate the potential vesting of other grants made under the EGRIP

Share plans approved at the 2011 Annual General Meeting

Performance Share Plan (PSP)

This is structured as an annual grant of conditional shares with a zero exercise price The vesting period is four years from the date of grant The awards vest based on the satisfaction of an earnings per share growth performance condition, which requires the cumulative four year adjusted basic earnings per share to be greater than the equivalent total achieved by applying the annual growth rates in the table below to the base earnings per share year (preceding date of grant) At the lower threshold, 25% of an award vests with a straight-line scale to 100% vesting at the higher threshold

Compound annual growth in EPS	% of award vesting
Less than 8%	0%
8%	25%
Between 8% and 15%	Between 25% and 100%
Greater than 15%	100%

The awards have to be called for by an employee normally within three years of vesting thereby giving a maximum seven years' life from grant The shares will be satisfied through a mixture of new issue and market purchases A claw-back provision applies to the plan for reasons of financial misstatement

The duration of the plan is 10 years from approval at the 2011 Annual General Meeting with a review taking place after five years

Deferred Annual Bonus Plan (DABP)

Under this plan, participants receive a proportion of their annual bonus in the form of deferred shares instead of cash The shares vest to the employee after three years subject to continued employment with the Group through the period A claw-back provision applies to the plan for reasons of financial misstatement

The duration of the plan is 10 years from approval at the 2011 Annual General Meeting with a review taking place after five years

Monthly Share Purchase Plan (MSPP)

The MSPP follows principles similar to the UK tax approved Share Incentive Plan (SIP) and applies to the majority of employees across multiple countries The SIP continues to operate and the matching element of the SIP will apply from 2012 The MSPP operates alongside the SIP in the UK with the MSPP being used for any higher levels of monthly purchase

Employees (including executive directors) are able to purchase up to a set value of shares each month into a trust Trust purchases of shares take place once a month and after three years an equal number of matching free shares are applied so long as there is continued employment throughout There are no other performance criteria attached to any of the matching shares

The duration of the plan is 10 years from approval at the 2011 Annual General Meeting with a review taking place after five years

Previous share plans

Company Performance Related Share Option Plan

This plan was introduced in 1997 and the last grant was made in 2005 The vesting of the market price share options granted under this plan was conditional on continued employment of three and four years after the grant of the option

Directors' report continued

Company Share Option Plan 2006 (CSOP)
This plan was introduced in 2006 and the last grant was made in 2010 Market price share options granted under this plan are subject to a performance condition that requires the cumulative four year adjusted diluted earnings per share to be greater than the equivalent total achieved by applying an annual growth rate of 5% to the adjusted diluted earnings per share for the year preceding grant

Share Bonus Plan (SBP)
The plan was introduced in 2003 and the last award under it was made in 2010 An award provided that, should a participant purchase ordinary shares in the Company up to the value of their award, then they had the opportunity to receive a share bonus comprising free matching shares subject to certain performance conditions being satisfied The maximum number of free matching shares was equal to the number of shares purchased by the participant

There were four performance conditions, each providing for up to 25% of the bonus to vest

- the Company achieving compound annual growth in earnings per share over three years in excess of rates between RPI plus 3% and RPI plus 6% results in between 6 25% and 25% of the bonus vesting,
- the Company achieving an objective business development target as set for each award results in between 6 25% and 25% of the bonus vesting,
- the Company achieving compound annual growth in total shareholder return over three years in excess of rates between 3% and 9% results in between 6 25% and 25% of the bonus vesting, and
- the continued employment within the Group until the third anniversary of the date on which the participant purchased the shares relating to a particular award results in 25% of the bonus vesting This is an overriding performance condition and must be satisfied in order for any of the other performance conditions to be satisfied

Exceptional Growth Rate Incentive Plan (EGRIP)
The plan was introduced in 2006 and the last award under it was made in 2010 An EGRIP award represented a right to acquire shares in the Company at nominal value subject to the performance conditions being satisfied

The first performance condition required the average Company share price plus dividends reinvested over the five year period commencing on the award date to be greater than the average derived if the share price were to increase on a uniform basis of 20% per annum compound growth over the same five year period The starting share price was the average share price plus dividends reinvested for the 12 months prior to the award date

The second performance condition required the Company's cumulative adjusted diluted earnings per share over the five years commencing with the award year to be greater than the equivalent total achieved over a five year period by applying a growth rate of 10% per annum to the adjusted diluted earnings per share achieved in the year prior to the award

The third performance condition required the Company's annualised total shareholder return over the five year period commencing on the award date to be greater than the annualised equivalent achieved by the FTSE techMARK All-Share Index, during the same five year period, plus 5%

Approval
This report was approved by the Board on 10th February 2012 and signed on its behalf by

Ron Mackintosh R Mackintosh
Chairman of the Remuneration Committee

Corporate governance

Compliance with Combined Code

Fidessa is committed to high standards of corporate governance and is subject to the UK Corporate Governance Code (the Code) In respect of the year ended 31st December 2011 the Company has complied with the requirements of the Code

Share capital

Details of the called-up and fully paid share capital of the Company are set out in the notes to the financial statements The rights and obligations attaching to the Company's shares and the powers of the directors are set out in the Articles of Association, copies of which can be obtained from Companies House There are no restrictions on the voting rights attached to the Company's shares and no person holds securities in the Company carrying special rights with regard to control of the Company The Company's Articles of Association may be amended by a special resolution of the Company's shareholders

The appointment and replacement of directors is governed by the Articles of Association of the Company and the Nominations Committee's Terms of Reference

Principal shareholders

The following have notified the Company as being interested in 3% or more of the Company's issued ordinary share capital as at 10th February 2012 The last holding notified to the Company is below

	Ordinary 10p shares	Percentage of issued share capital
FMR LLC	3,917,413	10 6%
Kames Capital	2,367,373	6 4%
Blackrock, Inc	2,239,395	6 1%
Prudential plc group of companies	2,077,837	5 6%
Lindsell Train Limited	1,932,844	5 2%
Lloyds Banking Group plc	1,801,566	4 9%
Ameriprise Financial, Inc and its group	1,784,888	4 8%
Old Mutual Asset Managers (UK) Limited	1,765,671	4 8%
Standard Life Investments Limited	1,747,343	4 7%
Legal & General Group Plc	1,425,065	3 9%
DA Taylor	1,153,049	3 1%

Significant agreements - change of control

The only significant agreements with change of control provisions are the Company's share plans Under the CSOP, SBP, DABP and MSPP share incentive plans, on a change of control of the Company, options and awards would vest in full subject to the satisfaction of any performance conditions at the time Part of the EGRIP and PSP awards would also vest subject to the satisfaction of any performance conditions at the time but these would be pro-rated The Company does not have agreements with any director that would provide compensation for loss of office resulting from a takeover

Authority to purchase own shares

At the Annual General Meeting of the Company held on 6th May 2011 shareholders approved a general authority for the Company to re-purchase up to 3,617,060 ordinary shares in the market This represented approximately 10% of the Company's issued ordinary share capital at the time No purchase of shares has been made pursuant to this authority

Directors' report continued

There is no present intention to use such authority, but the directors consider it desirable that the possibility of making such purchases under appropriate circumstances remains available A similar authority will be requested at the forthcoming Annual General Meeting, again limited to a maximum of 10% of the Company's issued share capital The Board intends only to exercise this authority if it believes that it will lead to an increase in earnings per share for the remaining shareholders

The Board

The Company is controlled through the Board, which at 31st December 2011 comprised the Chairman, two executive directors and three non-executive directors whose Board and Committee responsibilities are set out in the table below

		Board	Audit	Remuneration	Nominations
John Hamer	Chairman	Chairman	–	–	Chairman
Chris Aspinwall	Chief Executive	Member	–	–	–
Andy Malpass	Finance Director	Member	–	–	–
Ron Mackintosh	Senior Independent Non-Executive Director	Member	Member	Chairman	Member
Philip Hardaker	Independent Non-Executive Director	Member	Chairman	Member	Member
Elizabeth Lake	Independent Non-Executive Director	Member	Member	Member	Member

After formal review the Board has concluded that Ron Mackintosh, Elizabeth Lake and Philip Hardaker are independent In coming to this opinion the Board considered the character and judgement of the individuals concerned and the fact that they

- have never been an employee of the Group,
- have never had a material business relationship with the Group,
- do not receive any remuneration from the Group other than their non-executive director fees,
- do not have close family ties with other directors or senior management of the Group or with advisers to the Group,
- have no significant links with other directors of the Group through involvement with other companies now or in the past,
- do not represent a material shareholder of the Company, and
- have not served on the Board of the Company for more than nine years

The Board meets formally on a regular basis to monitor risk and trading performance, to review forecasts, strategy and policy, to consider key projects and major investments and to oversee appropriate shareholder reporting During 2011 the Board met on 10 scheduled occasions for this purpose In addition, if required, impromptu Board meetings occur to consider specific issues as and when necessary Meetings were held by the Chairman with the non-executive directors without the executive directors present The attendance of individual directors at Board meetings and Committee meetings is presented in the table on the next page

	Board meetings attended	Audit Committee meetings attended	Remuneration Committee meetings attended	Nominations Committee meetings attended
John Hamer	10/10	-	-	2/2
Chris Aspinwall	10/10	-	-	-
Andy Malpass	10/10	-	-	-
Ron Mackintosh	10/10	5/5	5/5	2/2
Philip Hardaker	9/10	4/5	5/5	1/2
Elizabeth Lake	10/10	5/5	5/5	-

The Board is responsible for the Group's system of corporate governance and delegates operational control to the executive directors At each Board meeting it considers strategic issues, finance, business development, governance and risks facing the business There is a formal schedule of matters reserved for the decision of the Board that covers key areas of the Group's affairs The schedule includes approval of the Annual Report and any other financial statements, the adoption of the Group's budgets or business plans, decisions on acquisitions and disposals, material financial commitments and the release of inside information Certain matters require Board approval and other matters may be approved by senior management, but notification to the Board is required The schedule of matters reserved for the Board is reviewed annually A procedure exists to allow the directors to seek independent legal advice in respect of their duties at the Company's expense where the circumstances are appropriate No such advice was sought by any director during the year All directors have access to the Company Secretary for her advice and services

Performance evaluation
There was a formal evaluation of the performance of the Board during 2011 This consisted of an internally run review conducted by way of a performance evaluation questionnaire The questionnaire was based on the Code process and it covered the areas of Board structure, effectiveness, Committees, information and communication Questionnaires were completed by the directors and submitted for discussion The feedback generated from the questionnaires was discussed by the Board together with potential improvements that could be made The conclusion was reached that the Board is operating effectively A review of the Chairman by the non-executive directors without the executives present was also carried out

There is a formal written policy on the division of responsibilities between the Chairman and the Chief Executive such that their roles are complementary to each other John Hamer as the Chairman is principally responsible for leading the Board, promoting constructive debate amongst the Board and facilitating communication with shareholders as well as overseeing strategy Chris Aspinwall as the Chief Executive is responsible for all aspects of the operation of the Group's business, he leads and develops the strategy plans for the business and identifies risk factors

Training and professional development
All directors undergo an induction process on joining the Company and receive ongoing updates to improve their skills and knowledge according to their personal and external needs The Company Secretary is responsible for advising the Board and updating it on governance and regulatory matters

Conflicts of interest
Under the Companies Act 2006 a statutory duty on directors to avoid conflicts of interest came into effect from 1st October 2008 The Company's Articles of Association allow the directors to consider and if they deem fit to authorise conflicts of interest The Articles of Association set out the process for authorisation of such conflicts and any such conflicts will be recorded in the Board minutes and maintained on a register which will be reviewed on an annual basis by the Nominations Committee and by the Board No conflicts arose during 2011

Directors' report continued

Committees of the Board
In addition to the Remuneration Committee, the details of which are in the Directors' Remuneration Report, the Audit and Nominations Committees deal with specific aspects of the Group's affairs and their terms of reference can be found on the Company's website www.fidessa.com.

Audit Committee
The Audit Committee is chaired by Philip Hardaker who, in line with the Code, has recent and relevant financial experience as a former partner of KPMG and through his other current appointments. In addition to Philip, the Committee comprises Ron Mackintosh and Elizabeth Lake, the Company Secretary acts as secretary to the Committee.

The Committee has met four times with the independent external auditor during the year. The Chairman and executive directors were invited to attend for part of these meetings. The Committee reviews the interim and annual reports produced by the Group every year. It considers and discusses with the external auditor any reports produced by them and checks the external auditor's scope and representation letters in respect of the audit and any reviews undertaken by them. It is responsible for agreeing the auditor's remuneration and for monitoring the overall effectiveness of the audit process.

There are no contractual obligations that oblige the Company to appoint KPMG to conduct the annual audit. KPMG has been the Company's auditor since the Company floated in 1997. There is no agreed timescale requiring formal tendering of the audit appointment, however, the Committee reviews on an annual basis the performance, expertise and independence of the external auditor and maintains appropriate contact with potential alternative suppliers for audit and accountancy advisory services. In addition, the Board receives written confirmation from the auditor of any relationships they have which may cause a conflict of interest, together with a declaration from them that they consider themselves to be independent. The Board has approved the auditor undertaking certain other limited activities for the Group but any assignment outside these activities requires separate Board approval. Following its review, the Board is satisfied that independence has been maintained and it is satisfied that it is appropriate to continue with the reappointment of KPMG as the Company's auditor. For details of the auditor's fees please refer to the notes to the financial statements.

The Committee reviews the terms of reference, programme, scope of work and reports of the internal audit function. The Committee focuses the activity of the function on those areas where it considers there to be the greatest potential risks. The Company engages an external consultant, who reports directly to the Audit Committee to conduct the internal audits of the Group's operations. The Audit Committee has considered the independence of the internal audit function and is satisfied that independence has been maintained.

The Audit Committee also reviews annually the environmental report, the overall results of ISO 9001:2000 (TickIT) compliance and the results of independent ISAE 3402/SSAE 16 audits (formerly SAS 70). The Committee's terms of reference are available on the Group's website at www.fidessa.com and set out the Committee's responsibilities.

Nominations Committee
The Nominations Committee, which is chaired by John Hamer, comprises John Hamer, Philip Hardaker, Ron Mackintosh and Elizabeth Lake and is therefore compliant with the requirements of the Code. Its role is to review the structure of the Board and to agree succession planning as set out in the Nominations Committee's terms of reference. The procedure for new appointments incorporates the use of independent recruitment consultants where appropriate. The Committee's terms of reference are available on the Group's website at www.fidessa.com and set out the Committee's responsibilities.

Dialogue with shareholders
The Company values the views of its shareholders and recognises their interests in the Company's strategy and performance. The Chief Executive and Finance Director hold briefing meetings with analysts and institutional shareholders,

primarily following the announcement of interim and preliminary results but also at other times during the year as may be suitable The Chief Executive and Finance Director provide feedback to the Board from meetings with shareholders The Board also obtains formal feedback on the Group and management from analysts and institutional shareholders through the Company's PR adviser and financial advisers Communication with private investors is through the Annual Report and the Annual General Meeting Financial and other information is made available on the Company's website, www fidessa com, which is regularly updated The Chairman and Senior Independent Non-Executive Director also meet with major shareholders as and when there is a requirement to do so

Going concern

The Group's business activities and position in its market are described in the Overview and Market Review The financial position of the Group, its cash flows and liquidity position are described in the Finance Review In addition, the notes to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit and liquidity risk Having reviewed the future plans and projections for the business and its current financial position, the directors believe that the Group is well placed to manage its business risks successfully despite the ongoing economic uncertainties The Group has considerable financial resources, no borrowings, a high level of recurring revenue and a very broad spread of customers As a consequence of these factors and having reviewed the forecasts for the coming year, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report For this reason, it continues to adopt the going concern basis of accounting in preparing the annual financial statements

Internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss

The Code requires that directors review the effectiveness of the Group's system of internal controls, including those of an operational and compliance nature, as well as internal financial controls The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's significant risks and that this has been in place for the period under review and up to the date of approval of the Annual Report The Group has established control processes and procedures to be compliant with the best practice governance provisions The Board's agenda includes a regular item for consideration of risk and control, and any actions that may be considered necessary, and it receives reports thereon from the executive directors Business unit performance and internal control are monitored by regular operating board meetings Management is responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including competition, control breakdowns, disruption in information systems, natural catastrophe and regulatory requirements A process of control assessment and reporting is established and defined in Fidessa plc's Quality Management System This system is independently audited on a regular basis and was successfully audited to ISO 9001 2000 (TickIT) twice in 2011 The UK and US operations also successfully completed the ISAE 3402/SSAE 16 audits during the year The directors believe these audits are particularly important to our clients in enabling them to satisfy their Sarbanes-Oxley requirements when using a Fidessa solution The treasury function operates within guidelines established by the Board

A comprehensive budgetary process is completed once a year and is reviewed and approved by the Board An updated forecast is regularly prepared throughout the year The operating results are reported monthly to the Board and compared to the budget and latest forecast as appropriate The Company presents financial statements to its shareholders twice a year

For details of the Group's financial risk and policies together with its policy with regard to the use of financial instruments, please refer to the Finance Review section of this Directors' Report and in the notes to the financial statements

Directors' report continued

Directors' responsibilities statement in respect of the Annual Report and the financial statements
The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare Group and Company financial statements for each financial year Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements on the same basis

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period In preparing each of the Group and Company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with IFRSs as adopted by the EU and applicable law, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

On behalf of the Board

Andy Malpass
Director
10th February 2012

Independent auditor's report to the members of Fidessa group plc

We have audited the financial statements of Fidessa group plc for the year ended 31st December 2011 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31st December 2011 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- information given in the Corporate Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Independent auditor's report to the members of Fidessa group plc continued

Matters on which we are required to report by exception
We have nothing to report in respect of the following

Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- a Corporate Governance Statement has not been prepared by the Company

Under the Listing Rules we are required to review

- the directors' statement, in relation to going concern,
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration

P Gresham (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT

10th February 2012

Consolidated income statement

for the year ended 31st December 2011

	Note	2011 £'000	2010 £'000
Revenue	4	**278,264**	262,343
Operating expenses before amortisation of acquisition intangibles	5	**(235,791)**	(222,894)
Other operating income		**388**	388
Operating profit before amortisation of acquisition intangibles		**42,861**	39,837
Amortisation of acquisition intangibles		**(730)**	(2,517)
Operating profit		**42,131**	37,320
Finance income – bank and other	8	**321**	142
Finance income – gain from Touchpaper	8,14	**-**	2,252
Total finance income		**321**	2,394
Profit before income tax		**42,452**	39,714
Income tax expense	9	**(12,526)**	(11,957)
Profit for the year attributable to owners of the Company		**29,926**	27,757
Basic earnings per share	10	**82.2p**	77 8p
Diluted earnings per share	10	**81.0p**	75 6p

Consolidated statement of comprehensive income

for the year ended 31st December 2011

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

Consolidated balance sheet

at 31st December 2011

	Note	**2011 £'000**	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**26,021**	24,439
Intangible assets	13	**82,045**	78,815
Deferred tax assets	15	**5,710**	7,123
Other receivables		**2,166**	688
Total non-current assets		**115,942**	111,065
Current assets			
Trade and other receivables	16	**70,604**	69,901
Income tax receivable		**248**	3,051
Cash and cash equivalents		**70,885**	62,988
Total current assets		**141,737**	135,940
Total assets		**257,679**	247,005
Equity			
Issued capital	17	**3,698**	3,617
Share premium		**22,466**	20,289
Merger reserve	17	**17,938**	17,938
Cumulative translation adjustment	17	**4,522**	4,005
Retained earnings		**90,964**	88,046
Total equity		**139,588**	133,895
Liabilities			
Non-current liabilities			
Other payables	18	**9,705**	5,453
Provisions	19	**3,649**	2,411
Deferred tax liabilities	15	**5,134**	4,356
Total non-current liabilities		**18,488**	12,220
Current liabilities			
Trade and other payables	18	**93,107**	90,853
Provisions	19	**95**	-
Current income tax liabilities		**6,401**	10,037
Total current liabilities		**99,603**	100,890
Total liabilities		**118,091**	113,110
Total equity and liabilities		**257,679**	247,005

The consolidated financial statements were approved by the Board of directors on 10th February 2012 and were signed on its behalf by

A Malpass

Consolidated statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2010		3,581	18,219	17,938	1,522	82,055	123,315
Total comprehensive income for the year							
Profit for the year		–	–	–	–	27,757	27,757
Other comprehensive income		–	–	–	2,483	–	2,483
		–	–	–	2,483	27,757	30,240
Transactions with owners of the Company							
Issue of shares – exercise of options	17	36	2,070	–	–	–	2,106
Employee share incentive charges	5	–	–	–	–	1,735	1,735
Current tax recognised direct to equity		–	–	–	–	963	963
Deferred tax recognised direct to equity		–	–	–	–	650	650
Purchase of own shares by employee share trust		–	–	–	–	(277)	(277)
Sale of own shares by employee share trust		–	–	–	–	418	418
Dividends paid	11	–	–	–	–	(25,255)	(25,255)
Balances at 1st January 2011		3,617	20,289	17,938	4,005	88,046	133,895
Total comprehensive income for the year							
Profit for the year		–	–	–	–	**29,926**	**29,926**
Other comprehensive income		–	–	–	**517**	–	**517**
		–	–	–	**517**	**29,926**	**30,443**
Transactions with owners of the Company							
Issue of shares – exercise of options	17	**81**	**2,177**	–	–	–	**2,258**
Employee share incentive charges	5	–	–	–	–	**1,696**	**1,696**
Current tax recognised direct to equity		–	–	–	–	**2,588**	**2,588**
Deferred tax recognised direct to equity		–	–	–	–	**(2,653)**	**(2,653)**
Sale of own shares by employee share trust		–	–	–	–	**185**	**185**
Dividends paid	11	–	–	–	–	**(28,824)**	**(28,824)**
Balances at 31st December 2011		**3,698**	**22,466**	**17,938**	**4,522**	**90,964**	**139,588**

Consolidated cash flow statement

for the year ended 31st December 2011

	Note	**2011 £'000**	2010 £'000
Cash flows from operating activities			
Profit before income tax for the year		**42,452**	39,714
Adjustments for			
Staff costs – share incentives	5	**1,696**	1,735
Depreciation of property, plant and equipment	5	**12,676**	12,449
Amortisation of product development	5	**18,523**	15,729
Amortisation of acquisition intangibles	5	**730**	2,517
Amortisation of other intangible assets	5	**944**	1,296
(Profit) on sale of property, plant and equipment	5	**(198)**	-
Finance income	8	**(321)**	(2,394)
Cash generated from operations before changes in working capital		**76,502**	71,046
Movement in trade and other receivables		**(2,720)**	562
Movement in trade and other payables		**7,835**	1,901
Cash generated from operations		**81,617**	73,509
Income tax paid		**(11,110)**	(11,075)
Net cash generated from operating activities		**70,507**	62,434
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(14,536)**	(6,893)
Proceeds from sale of property, plant and equipment		**741**	-
Purchase of other intangible assets	13	**(1,113)**	(484)
Product development capitalised	13	**(22,311)**	(19,706)
Interest received on cash and cash equivalents		**321**	142
Proceeds from sale of Touchpaper ordinary and preferred ordinary shares		**-**	3,432
Net cash used in investing activities		**(36,898)**	(23,509)
Cash flows from financing activities			
Proceeds from shares issued		**2,258**	2,106
Purchase of own shares by employee share trust		**-**	(277)
Proceeds from sale of own shares by employee share trust		**185**	418
Dividends paid	11	**(28,824)**	(25,255)
Net cash used in financing activities		**(26,381)**	(23,008)
Net increase in cash and cash equivalents		**7,228**	15,917
Cash and cash equivalents at 1st January		**62,988**	45,475
Effect of exchange rate fluctuations on cash held		**669**	1,596
Cash and cash equivalents at 31st December		**70,885**	62,988

Notes to the consolidated financial statements

Fidessa group plc (Fidessa or the Company), is a company incorporated in England and Wales The financial statements are presented in Sterling, rounded to the nearest thousand

The financial statements were authorised for issue by the directors on 10th February 2012

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the Group)

The Group's business activities and position in its market are described in the Overview and Market Review The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertainties as far as the global economy is concerned The Group has considerable financial resources, no borrowings, a high level of recurring revenue and a broad spread of customers As a consequence of these factors and having reviewed the forecasts for the coming year, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS or IFRSs) as adopted by the European Union

1 Basis of preparation

The financial statements are prepared on the historical cost basis with the exception of financial instruments which are stated in accordance with IAS 39 Financial Instruments Recognition and Measurement The following standards and interpretations have been adopted for the first time in these financial statements

- IFRS1 *First-time Adoption of International Financial Reporting Standards Limited Exemption from Comparative* IFRS7 *Disclosures for First-time Adopters* - the amendment had no impact on the Company's or Group's financial statements
- IAS24 *Related Party Disclosures (Revised)* - the amendments had no impact on the Company's or Group's financial statements
- IAS32 *Financial Instruments Presentation Classification of Rights Issues (Amendment)* - the amendment had no impact on the Company's or Group's financial statements
- Annual Improvements to IFRS 2010 covering IFRS1 *First-time Adoption of International Financial Reporting Standards*, IFRS3 *Business Combinations*, IFRS7 *Financial Instruments Disclosures*, IAS1 *Presentation of Financial Statements*, IAS27 *Consolidated and Separate Financial Statements*, IAS34 *Interim Financial Reporting* and IFRIC13 *Customer Loyalty Programmes* - these had no impact on the Company's or Group's financial statements
- IFRIC14 *Prepayments of a Minimum Funding Requirement (Amendment)* - the amendment had no impact on the Company's or Group's financial statements
- IFRIC19 *Extinguishing Financial Liabilities with Equity Instruments* - the interpretation had no impact on the Company's or Group's financial statements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of 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 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 differ from these estimates The estimates, assumptions and judgements that are likely to contain the greatest degree of uncertainty are summarised in note 24

Notes to the consolidated financial statements continued

The accounting policies set out below have, unless otherwise stated, been applied consistently by the Group and Company to all periods presented in these financial statements

2 Significant accounting policies

a Basis of consolidation

The consolidated financial statements include the financial statements of Fidessa group plc and its subsidiaries There are no associates or joint ventures to be included in the consolidated accounts

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies so as to obtain the benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date on which control ceases Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements

b Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date Foreign exchange differences arising on translation are recognised in the income statement Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Sterling at foreign exchange rates ruling at the balance sheet date The revenues and expenses of foreign operations are translated to Sterling at rates approximating the foreign exchange rates ruling at the dates of the transactions Foreign exchange differences arising on retranslation are recognised directly in the translation reserve Exchange gains and losses arising on the translation of the Group's net investment in foreign entities are recognised in the translation reserve On disposal of a foreign entity the cumulative translation differences are recycled to the income statement and recognised as part of the gain or loss on disposal

c Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities

For acquisitions on or after 1st January 2010, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred plus the recognised amount of any non-controlling interests in the acquiree less the net recognised amount of the identifiable assets acquired and liabilities assumed When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred Any contingent consideration payable is recognised at fair value at the acquisition date Subsequent changes to the fair value of contingent consideration are recognised in profit or loss

For acquisitions between 1st January 2004 and 31st December 2009, goodwill represents the excess of the cost of acquisition over the Group's interest in the recognised amount of identifiable assets, liabilities and contingent liabilities of the acquiree Transaction costs that the Group incurred in connection with a business combination were capitalised as part of the cost of the acquisition Any contingent consideration payable was recognised at fair value at the acquisition date Subsequent changes to the fair value of contingent consideration were recognised as an adjustment to the carrying value of goodwill

Acquisitions prior to 1st January 2004 were recognised under the Group's previous accounting framework, UK GAAP

d Revenue

Revenue represents the fair value for consideration received or receivable from customers for software and related services supplied by the Group, net of discounts, VAT and other sales related taxes Revenue is only recognised where there is persuasive evidence that a contract exists, delivery has occurred, the fee is fixed or determinable and collection of the resulting receivable is considered probable Full allowance is made for all known or expected losses

Recurring revenue is derived from the provision of software rental, software as a service, connectivity services, market data and support services Revenue for these services is recognised monthly over the period that the service is to be provided, taking account of any free of charge periods Non-recurring revenue is derived from the provision of implementation, consultancy, reconfiguration support and training services, in all cases being entirely related to Fidessa products These services are predominantly chargeable on a time and materials basis and the revenue is recognised when the work is performed When implementations are performed on a fixed price basis the revenue is recognised over the period of implementation in accordance with the estimated percentage completed for each contract, based on the anticipated number of days of effort for the implementation Recurring and non-recurring services can be separately identified in contracts and the fair value determined respectively

Deferred revenue represents amounts invoiced to customers for services not yet supplied Accrued revenue represents amounts recognised as revenue to be invoiced in a future period

e Share-based payments

The Group operates a number of equity-settled share incentive plans The fair value of the incentives granted is recognised as an employee expense over the vesting period with a corresponding increase in equity The fair value of the incentives granted is measured using a binomial model or a Monte Carlo simulation model, taking into account the terms and conditions upon which the incentives were granted The amount recognised as an expense is adjusted to reflect the actual number of share incentives that vest except where forfeiture is only due to the share price not achieving the threshold for vesting

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements, with the corresponding credit being recognised directly in equity

f Post employment benefits

Certain subsidiaries operate defined contribution pension schemes for their employees Pension costs are charged to the income statement as they arise

g Interest receivable

Interest receivable on interest-bearing financial assets is recognised on an accruals basis using the effective interest rate method The effective interest rate used reflects the anticipated cash flows to be received

Notes to the consolidated financial statements continued

h Taxation
Tax on the profit or loss for the year comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised

i Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses The cost is the purchase price of the goods received Purchased software that is integral to the related equipment is capitalised as part of that equipment

Depreciation is provided by the Group to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows

Equipment and furniture	3–5 years
Computers	2–3 years
Motor vehicles	4 years
Buildings	25 years
Leasehold improvements	5–10 years or remainder of lease if shorter

j Intangible assets
Research and development
Expenditure on research into areas such as potential new technologies, methodologies and architectures is recognised as an expense as incurred Product development relates to the design, programming and testing of new and enhanced inter-related products It is a continual process without defined end dates Costs incurred on product development are capitalised as intangible assets when it is probable that the development will provide economic benefits, considering its commercial and technological feasibility, resources are available for the development, and costs can be measured reliably The expenditure capitalised is the direct labour cost and is managed and controlled centrally Other development expenditure is recognised as an expense as incurred Product development costs previously recognised as an expense are not recognised as an asset in a subsequent period

Capitalised product development expenditure is stated at cost less accumulated amortisation and impairment losses Product development costs that have been capitalised are amortised from the time of development on a straight-line basis over three years

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's interest in the identifiable assets, liabilities and contingent liabilities acquired in a business combination Goodwill is stated at the amount recognised on acquisition date less any accumulated impairment losses

Acquisition intangibles

Intangible assets acquired from a business combination are capitalised at fair value as at the date of acquisition and amortised over their estimated useful economic life Their carrying value is the fair value at acquisition less cumulative amortisation and any impairments An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights The estimated useful lives of the intangible assets are as follows

Customer relationships	10 years
Complete technology	3 years
Brands and other marketing related	3 years

Other intangible assets

Other intangible assets that are purchased by the Group are stated at cost less accumulated amortisation and impairment losses The cost is the purchase price of the asset Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred Software purchased for internal use is amortised over two years

k Impairment of assets

Goodwill is allocated to cash generating units that are no larger than an operating segment for the purposes of impairment testing The recoverable amount of the cash generating unit to which the goodwill relates is estimated and the carrying amount is tested annually for impairment or when events or changes in circumstances indicate that it might be impaired The carrying values of assets other than goodwill are reviewed for impairment only when events or changes in circumstances indicate that the carrying value may be impaired

In an impairment test, the recoverable amount of the cash generating unit or asset is estimated to determine the extent of any impairment loss The recoverable amount is the higher of fair value less costs to sell and the value in use for the Group An impairment loss is recognised to the extent that the carrying value exceeds the recoverable amount

In determining a cash generating unit's or asset's value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash generating unit or asset that have not already been included in the estimate of future cash flows

l Leased assets

Where the Group enters into an operating lease the rentals are charged as an expense on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense

m Investments and financial instruments

Investments in subsidiary companies, which are all unquoted equity investments, are stated at cost less provision for any impairment in value

Notes to the consolidated financial statements continued

A financial instrument is recognised if the Company or Group becomes a party to the contractual provisions of the instrument Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee

n Trade receivables

Trade receivables are stated at amortised cost, their carrying value being reduced by appropriate allowances for estimated irrecoverable amounts

o Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less

p Trade payables

Trade payables are stated at amortised cost

q Grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as a deduction from the related expense over the periods in which the expense is recognised

r Employee Benefit Trust and Share Bonus Trust

The Employee Benefit Trust and Share Bonus Trust, which purchase and hold ordinary shares of the Company in connection with employee share schemes, are included in the Company's financial statements and presented as a deduction from equity Any consideration paid or received by the trusts for the purchase or sale of the Company's own shares is shown as a movement in shareholders' equity

s Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation If the effect is material the provision is determined by discounting the expected future cash flows No provision is recognised when it is not probable that an outflow of economic benefits will be required to settle an obligation or the amount of the obligation cannot be measured with sufficient reliability and instead a contingent liability is disclosed

3 Recent accounting developments

At the date of approval of these financial statements, the following standards, interpretations and amendments were issued but not yet mandatory for the Company or Group and early adoption has not been applied

International Financial Reporting Standards (IFRS)

- IFRS9 *Financial Instruments* – Classification and Measurement
- IFRS10 *Consolidated Financial Statements* and IAS27 *Separate Financial Statements*
- IFRS11 *Joint Arrangements* and IAS28 *Investments in Associates and Joint Ventures*

- IFRS12 *Disclosure of Interests in Other Entries*
- IFRS13 *Fair Value Measurement*

International Financial Reporting Interpretations Committee (IFRIC) interpretations
- IFRIC20 *Stripping Costs in the Production Phase of a Surface Mine*

Amendments to existing standards
- Amendment to IFRS1 *First-time Adoption of International Financial Reporting Standards Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- Amendment to IAS12 *Income Taxes - Deferred Taxes Recovery of Underlying Assets*
- Amendment to IFRS7 *Financial Instruments Disclosures*
- Amendment to IAS32 *Financial Instruments Presentation*
- Amendment to IAS27 *Consolidated and Separate Financial Statements*
- Amendment to IAS28 *Investments in Associates*
- Amendment to IAS1 *Presentation of Items of Other Comprehensive Income*
- Amendment to IAS19 *Employee Benefits*

It is considered that the above standards, amendments and interpretations will not have a significant effect on the results or net assets of the Company or Group

Of the above IFRSs, IFRIC interpretations and amendments to existing standards only the amendment to IFRS7 *Financial Instruments Disclosures* has been endorsed by the EU at the date of approval of these financial statements

4 Segment reporting

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

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

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

Notes to the consolidated financial statements continued

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

No single external customer accounts for 10% or more of the Group revenue Recurring revenue reflects the periodic fees for software and related services that is charged on a rental or subscription basis Non-recurring revenue comprises the consultancy fees for implementation, configuration and ongoing support activity

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

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

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

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

Other segmental disclosures

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

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

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

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

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

Notes to the consolidated financial statements continued

5 Operating expenses

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

Other operating income represents income from sublet office space

Included in total staff costs are the direct costs of research and development of £29,584,000 (2010 £26,279,000), which includes the amount capitalised above

The Group has received grants compensating for certain expenditure incurred to establish an operation in Belfast, including recruitment, training and infrastructure costs The grants are deducted from the related expense in the period that the expense is recognised In the year no grant was received (2010 £16,000)

6 Auditor fees

The following table shows an analysis of fees payable to the Group's auditors

	2011 £'000	2010 £'000
Fees payable for the audit of these financial statements	**50**	46
Fees payable for audits of subsidiaries pursuant to legislation	**180**	166
Fees payable for reviews of subsidiaries	**72**	65
Services relating to taxation	**47**	48
Total fees paid to the auditor	**349**	325

7 Staff numbers

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

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

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

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

8 Finance income

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

9 Income tax expense

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

Notes to the consolidated financial statements continued

Reconciliation of effective tax rate	2011	2011 £'000	2010	2010 £'000
Profit before tax		**42,452**		39,714
Income tax using the domestic corporation tax rate	**26.5%**	**11,250**	28 0%	11,120
Effective tax rates in foreign jurisdictions		**2,198**		1,810
Expenses not deductible for tax purposes		**1,523**		1,190
Tax incentives		**(1,149)**		(1,373)
Non-taxable items		**(27)**		(675)
Adjustment relating to prior years		**(1,269)**		(115)
Total income tax and effective tax rate for the year	**29.5%**	**12,526**	30 1%	11,957

On 1st April 2011 the UK corporation tax rate reduced from 28% to 26%, resulting in a headline UK corporation tax rate for the year of 26 5% The UK government has reduced the UK corporation tax rate to 25% with effect from 1st April 2012 and this reduction has been reflected in the measurement of deferred tax balances The UK government has proposed further reductions of 1% per annum effective 1st April 2013 and 1st April 2014 However, these rate reductions have 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

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

10 Earnings per share

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

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

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

	2011 Pence	2010 Pence
Basic earnings per share	**82 2p**	77 8p
Diluted earnings per share	**81 0p**	75 6p
Basic earnings per share on adjustments	**1.5p**	(1 1)p
Diluted earnings per share on adjustments	**1.4p**	(1 2)p
Basic earnings per share after adjustments	**83 7p**	76 7p
Diluted earnings per share after adjustments	**82 4p**	74 4p

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

11 Dividends paid and proposed

	2011 £'000	2010 £'000
Declared and paid during the year		
Interim 2011 dividend of 12 0 pence per share (interim 2010 dividend of 11 0 pence per share)	**4,391**	3,926
Final 2010 dividend of 22 0 pence per share (second interim 2009 dividend of 20 0 pence per share)	**8,023**	7,110
Special 2010 dividend 45 0 pence per share (special 2009 dividend of 40 0 pence per share)	**16,410**	14,219
	28,824	25,255

The directors propose a final dividend of 24 5 pence per share, £9,007,000, and a special dividend of 45 0 pence per share, £16,543,000 These will be payable on 28th May 2012 to shareholders on the register on 27th April 2012, with an ex-dividend date of 25th April 2012 These dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements

12 Property, plant and equipment

	Furniture & equipment £'000	Long leasehold buildings £ 000	Computers £ 000	Vehicles £'000	Total £'000
Cost					
At 1st January 2010	32,555	1,226	29,887	11	63,679
Exchange adjustment	616	17	680	-	1,313
Additions	784	-	6,109	-	6,893
Disposals	(6)	-	(1,854)	-	(1,860)
At 1st January 2011	33,949	1,243	34,822	11	70,025
Exchange adjustment	**414**	**10**	**603**	**-**	**1,027**
Additions	**3,432**	**815**	**10,274**	**15**	**14,536**
Disposals	**(1,266)**	**(675)**	**(2,567)**	**(11)**	**(4,519)**
Cumulative cost at 31st December 2011	**36,529**	**1,393**	**43,132**	**15**	**81,069**

Notes to the consolidated financial statements continued

	Furniture & equipment £'000	Long leasehold buildings £'000	Computers £'000	Vehicles £'000	Total £'000
Depreciation					
At 1st January 2010	14,068	283	19,843	7	34,201
Exchange adjustment	304	6	486	–	796
Charged in the year	5,648	49	6,749	3	12,449
Disposals	(6)	–	(1,854)	–	(1,860)
At 1st January 2011	20,014	338	25,224	10	45,586
Exchange adjustment	**319**	**5**	**438**	**–**	**762**
Charged in the year	**5,734**	**46**	**6,894**	**2**	**12,676**
Disposals	**(1,261)**	**(137)**	**(2,567)**	**(11)**	**(3,976)**
Cumulative depreciation at 31st December 2011	**24,806**	**252**	**29,989**	**1**	**55,048**
Carrying value					
At 31st December 2011	**11,723**	**1,141**	**13,143**	**14**	**26,021**
At 1st January 2011	13,935	905	9,598	1	24,439
At 1st January 2010	18,487	943	10,044	4	29,478

13 Intangible assets

Carrying value at 31st December	**2011 £'000**	2010 £'000
Goodwill	**44,897**	44,897
Acquisition intangible assets	**3,893**	4,623
Product development	**32,231**	28,443
Software purchased for internal use	**1,024**	852
	82,045	78,815

Goodwill

	Buy-side £'000	Hosted £'000	Total £'000
Carrying value at 1st January 2010, 1st January 2011 and at 31st December 2011	**39,242**	**5,655**	**44,897**

Goodwill acquired in a business combination is allocated to cash generating units which can be no larger than an operating segment The Group conducts annual impairment tests on the carrying value of goodwill, based on the recoverable amount of the cash generating units to which goodwill has been allocated Value in use calculations are used to determine the recoverable amount of cash generating units The key assumptions for the value in use calculations are the discount rate applied, future growth rate of the revenue and operating margin These take into account the existing customer base and revenue commitments from it, anticipated additional sales to existing and new customers, planned expansion of the product offerings and the specific market trends that are currently seen or expected in the future

The goodwill arising on the acquisition of LatentZero resulted from the value of the assembled workforce, the synergistic nature of the acquisition due to the long-term cross-selling opportunities between the buy-side and sell-side clients, potential cost savings, the expected future growth and the acceleration of the Group's operations into the buy-side

The LatentZero acquisition goodwill has been assigned to the Buy-side and Hosted business units The Group prepares cash flow forecasts derived from forecasts for the following year which have been extended for the following four years based on estimated growth rates which management consider reflects a reasonable future rate for the cash generating units after considering recent growth rates, the increasing amount of recurring revenue, assessing the market opportunities and threats and the potential to expand the addressable market The cash flow forecasts are discounted in line with the appropriate discount rate for each cash generating unit The discount rates have been calculated after assessing the specific risk premium for each cash generating unit, current gilt rates and the business's beta factor

For the Buy-side business unit an estimated growth rate of 10% has been applied A declining rate of cash flow growth to 5% and a terminal growth of 2% has been assumed after the five year period as the expected useful life is materially greater than five years This is considered to reflect a cautious long-term average growth rate for the products and services A discount rate of 9% pre-tax (2010 10%) has been applied to the cash flow forecast The recoverable amount for the Buy-side cash generating unit is sensitive to the improvement in operating margin that is achieved The value in use calculation assumes that a long-term operating margin of 13% is achieved and for this the recoverable amount exceeds the carrying value by £24,200,000

For the Hosted business unit an estimated growth rate of 12% has been applied A declining rate of cash flow growth to 5% and a terminal growth of 2% has been assumed after the five year period as the expected useful life is materially greater than five years This is considered to reflect a cautious long-term average growth rate for the products and services A discount rate of 10% pre-tax (2010 10%) has been applied to the cash flow forecast

Acquisition intangible assets

	Customer relationships £ 000	Complete technology £ 000	Marketing related £'000	Total £'000
Cumulative cost at 1st January 2010 and 1st January 2011	7,300	8,200	2,100	17,600
Fully expensed	-	**(8,200)**	**(2,100)**	**(10,300)**
Cumulative cost at 31st December 2011	**7,300**	-	-	**7,300**
Amortisation				
At 1st January 2010	1,947	6,829	1,684	10,460
Charged in the year	730	1,371	416	2,517
Cumulative amortisation at 1st January 2011	2,677	8,200	2,100	12,977
Charged in year	**730**	-	-	**730**
Fully expensed	-	**(8,200)**	**(2,100)**	**(10,300)**
Cumulative amortisation at 31st December 2011	**3,407**	-	-	**3,407**
Carrying value				
At 31st December 2011	**3,893**	-	-	**3,893**
At 1st January 2011	4,623	-	-	4,623
At 1st January 2010	5,353	1,371	416	7,140

Notes to the consolidated financial statements continued

Product development

	£'000
Carrying value at 1st January 2010	24,466
Additions	19,706
Amortisation	(15,729)
Carrying value at 1st January 2011	28,443
Additions	**22,311**
Amortisation	**(18,523)**
Carrying value at 31st December 2011	**32,231**

Product development relates to the design, programming and testing of new and inter-related products The product development is a continual process without defined end dates For the elements that are capitalised management consider that a net carrying value presentation is the most appropriate presentation for development of this nature

Software purchased for internal use

	£'000
Cost	
Cumulative cost at 1st January 2010	5,052
Exchange adjustment	41
Additions	484
Disposals	(383)
Cumulative cost at 1st January 2011	5,194
Exchange adjustment	**27**
Additions	**1,113**
Disposals	**(376)**
Cumulative cost at 31st December 2011	**5,958**
Depreciation	
Cumulative depreciation at 1st January 2010	3,397
Exchange adjustment	32
Charged in the year	1,296
Disposals	(383)
Cumulative depreciation at 1st January 2011	4,342
Exchange adjustment	**24**
Charged in the year	**944**
Disposals	**(376)**
Cumulative depreciation at 31st December 2011	**4,934**
Carrying value	
At 31st December 2011	**1,024**
At 1st January 2011	852
At 1st January 2010	1,655

14 Sale of investment in Touchpaper in 2008

In July 2001 the royalblue technologies help desk and call centre 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

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities		Net assets/(liabilities)	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000	**2011 £'000**	2010 £'000
Property, plant and equipment	**2,505**	2,395	**(106)**	(33)	**2,399**	2,362
Intangible assets	**2**	28	**(9,122)**	(9,010)	**(9,120)**	(8,982)
Employee benefits	**2,240**	5,086	**-**	-	**2,240**	5,086
Tax losses and allowances carried forward	**1,179**	1,549	**-**	-	**1,179**	1,549
Other temporary differences	**3,878**	2,752	**-**	-	**3,878**	2,752
Tax assets/(liabilities)	**9,804**	11,810	**(9,228)**	(9,043)	**576**	2,767
Set off of tax	**(4,094)**	(4,687)	**4,094**	4,687	**-**	-
Net tax assets/ (liabilities)	**5,710**	7,123	**(5,134)**	(4,356)	**576**	2,767

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset and the Group intends to settle the balances on a net basis

Notes to the consolidated financial statements continued

	Balance at 1st January 2011 £'000	Translation adjustment £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2011 £'000
Property, plant and equipment	**2,362**	**23**	**14**	**-**	**2,399**
Intangible assets	**(8,982)**	**(2)**	**(136)**	**-**	**(9,120)**
Employee benefits	**5,086**	**30**	**(223)**	**(2,653)**	**2,240**
Tax losses and allowances carried forward	**1,549**	**-**	**(370)**	**-**	**1,179**
Other temporary differences	**2,752**	**145**	**981**	**-**	**3,878**
	2,767	**196**	**266**	**(2,653)**	**576**

	Balance at 1st January 2010 £'000	Translation adjustment £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2010 £'000
Property, plant and equipment	688	44	1,630	-	2,362
Intangible assets	(8,808)	2	(176)	-	(8,982)
Employee benefits	4,382	46	8	650	5,086
Tax losses and allowances carried forward	1,524	19	6	-	1,549
Other temporary differences	1,764	248	740	-	2,752
	(450)	359	2,208	650	2,767

16 Trade and other receivables

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

17 Share capital and reserves

	2011 Number	2010 Number	**2011 £'000**	2010 £'000
Issued share capital at 1st January	**36,166,963**	35,814,081	**3,617**	3,581
Issued for share incentives exercised	**808,046**	352,882	**81**	36
Issued share capital at 31st December	**36,975,009**	36,166,963	**3,698**	3,617

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company All shares rank equally with regard to the Company's residual assets

Cumulative translation adjustment
The cumulative translation adjustment comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations

Merger reserve

The merger reserve represents the excess of the fair value over the nominal value of shares issued by the Company to acquire at least 90% equity interest in an acquiree company A purchaser company acquiring at least 90% equity interest in an acquiree company under an arrangement which provides for the allotment of equity shares by the purchaser in return for the equity interest in the acquiree must apply Section 612 of the Companies Act 2006 When applicable, the section requires that the premium on the issue of equity shares by the purchaser company be disregarded Accordingly, the Company did not record a premium on the shares it issued but recognised a merger reserve in the consolidated balance sheet

Employee share trusts

At 31st December 2011 the Fidessa group plc Employee Benefit Trust 1997 owned 79,186 (2010 120,920) shares representing 0 2% of the issued capital At 31st December 2011 the Fidessa group plc Share Bonus Trust owned 133,132 (2010 167,835) shares representing 0 4% of the issued capital

18 Trade and other payables

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

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

19 Provisions

	Property £ 000	Other £'000	Total £'000
At 1st January 2011	**2,251**	**160**	**2,411**
Exchange adjustment	**8**	**3**	**11**
Released during the year	**(40)**	**-**	**(40)**
Arising during the year	**329**	**1,082**	**1,411**
Utilised during the year	**(49)**	**-**	**(49)**
At 31st December 2011	**2,499**	**1,245**	**3,744**

Notes to the consolidated financial statements continued

	2011 £'000	2010 £'000
Current liabilities	**95**	-
Non-current liabilities	**3,649**	2,411
	3,744	2,411

The property provision is in respect of properties surplus to business requirements, after taking into account any sub-tenant arrangements, plus dilapidation provisions for properties currently in use Other provisions include a number of employee and legal related amounts Both property and other provisions are expected to be utilised in one to five years These items had been included in accrued expenses in previous years and have been separately disclosed in these notes to add clarity

20 Share-based payments

A full description of each type of share-based payment to employees is in the Directors' Remuneration Report All share incentives are over ordinary shares of the Company In recent years the Company has granted share incentives to employees under the Company Share Option Plan (CSOP), the Share Bonus Plan (SBP) and the Exceptional Growth Rate Incentive Plan (EGRIP) The last grant from these plans was in 2010 At the Annual General Meeting in May 2011 the Performance Share Plan, Deferred Annual Bonus Plan and Monthly Share Purchase Plan were approved No grants were made from the new share plans during 2011 The fair value of incentives is recognised as an employee expense with a corresponding increase in equity The employee expense is recognised equally over the time from grant until vesting of the incentive The employee expense in 2011 was £1,696,000 (2010 £1,735,000)

For share incentives under the CSOP and SBP the fair value has been measured using a binomial model The expected volatility was based on the historic volatility adjusted for any expected changes to future volatility The inputs to and output from the model are listed below

Company Share Option Plan	Granted in 2007	Granted in 2009	Granted in 2010
Fair value	267p	276p	299p
Share price at grant	949p	1154p	1421p
Exercise price	949p	1154p	1421p
Expected volatility	30%	30%	30%
Expected life	5 years	5 years	5 years
Expected dividends	2 2%	2 2%	3 0%
Risk-free rate of return	5 0%	2 5%	2 0%

Share Bonus Plan	Awards in 2008	Awards in 2009	Awards in 2010
Fair value	456p to 672p	1029p to 1245p	1314p to 1421p
Share price at purchase	482p to 710p	1100p to 1330p	1438p to 1555p
Expected volatility	30%	30%	30%
Expected life	3 years	3 years	3 years
Expected dividends	1 8%	2 2%	3 0%

The fair value of awards under the EGRIP has been measured using a Monte Carlo simulation model The expected volatility was based on the historic volatility adjusted for any expected changes to future volatility The inputs to and output from this model have been

EGRIP award	March 2006	September 2007	September 2008	September 2009	September 2010
Fair value	153p	245p	224p	234p	256p
Share price at grant	896p	1018p	920p	1154p	1421p
Exercise price	10p	10p	10p	10p	10p
Expected volatility	25%	30%	30%	30%	30%
Expected life	5 years	5 years	5 years	5 years	5 years
Expected dividends	3 4%	2 2%	1 8%	2 2%	3 0%
Risk-free rate of return	4 3%	5 0%	4 3%	2 5%	2 0%

Awards under the CSOP subsisting at 31st December 2011 were

Grant year	Options at 1st January 2011	Exercised in year	Expired in year	New grants	Options at 31st December 2011	Exercise price p	Vested at 31st December 2011	Remaining life
2001	2,382	(2,382)	–	–	–	612 5p	–	0 years
2002	15,285	(2,050)	(630)	–	12,605	252 5p	12,605	1 year
2003	40,841	(16,380)	(1,250)	–	23,211	257 5p	23,211	2 years
2004	106,214	(72,288)	(2,501)	–	31,425	560p	31,425	0-3 years
2005	142,178	(46,651)	(775)	–	94,752	632p	94,752	1-4 years
2006	227,091	(88,350)	–	–	138,741	860p	138,741	2 years
2007	358,390	(78,915)	(9,450)	–	270,025	949p	270,025	3 years
2009	363,800	(5,300)	(11,650)	–	346,850	1154p	–	5 years
2010	416,975	(3,925)	(18,450)	–	394,600	1421p	–	6 years

For all share options exercised in 2011 the weighted average share price at the time of exercise was 1679p (2010 1433p)

Awards under the SBP subsisting at 31st December 2011 were

Award year	Outstanding at 1st January 2011	Exercised in year	Expired in year	New awards	Outstanding at 31st December 2011	Vested at 31st December 2011	Remaining life
2007	17,455	(17,455)	–	–	–	–	0 years
2008	75,327	(15,247)	(6,184)	–	53,896	53,896	0 years
2009	35,154	–	(2,469)	–	32,685	–	1 year
2010	23,778	–	–	–	23,778	–	2 years

For all share bonus awards exercised in 2011 the weighted average share price at the time of exercise was 1744p (2010 1510p)

Notes to the consolidated financial statements continued

Awards under the EGRIP subsisting at 31st December 2011 were

Grant year	Options at 1st January 2011	Exercised in year	Expired in year	New grants	Options at 31st December 2011	Exercise price p	Vested at 31st December 2011	Remaining life
2006	523,512	(523,512)	-	-	-	10p	-	0 years
2007	454,500	-	(28,900)	-	425,600	10p	-	1 year
2008	393,000	-	(16,500)	-	376,500	10p	-	2 years
2009	314,750	-	(12,900)	-	301,850	10p	-	3 years
2010	288,000	-	(11,500)	-	276,500	10p	-	4 years

For all EGRIP options exercised in 2011 the weighted average share price at the time of exercise was 1700p (2010 no options exercised)

21 Related party transactions

There are no transactions with related parties who are not members of the Group

The remuneration of individual directors is disclosed in the Directors' Remuneration Report The remuneration of directors and other members of key management during the year was as follows

	2011 £'000	2010 £'000
Short-term employee benefits	**4,806**	4,913
Post employment benefits	**24**	13
Equity compensation benefits	**531**	605
Total remuneration of directors and key management	**5,361**	5,531

22 Financial risk management

The use of financial instruments is managed under policies and procedures approved by the Board These are designed to reduce the financial risks faced by the Group, and primarily relate to credit, interest, liquidity and currency risks, which arise in the normal course of the Group's business

Credit risk

Financial instruments which potentially expose the Group to credit risk consist primarily of cash equivalents and trade receivables The maximum exposure to credit risk is represented by the carrying amount of each financial asset At the balance sheet date, there were no significant concentrations of customer credit risk Our largest customer accounts for less than 5% of Group revenue and the 10 largest customers account for less than 30% of Group revenue

Cash equivalents are deposited only with major financial institutions that satisfy certain credit criteria as specified in the Group's treasury policy The policy limits the maximum deposit with a counterparty and the maximum duration of a deposit

The trade receivables for the Group as at 31st December are aged as in the table below

	2011 £'000	2010 £'000
Not due	**49,487**	34,030
Not more than three months past due	**10,704**	23,007
More than three months but not more than six months past due	**1,825**	2,097
More than six months past due	**2,041**	1,759
Total trade receivables	**64,057**	60,893

All material trade receivable balances relate to sales transactions with financial institutions The Group provides credit to customers in the normal course of business and the amount that appears in the balance sheet is net of an allowance for specific doubtful receivables, the allowance generally being due to concerns regarding a customer's solvency or the age of a receivable In most situations where a receivable is aged but no specific allowance has been made for it, no revenue has been taken and it forms part of the deferred revenue balance The Group does not require collateral in respect of financial assets

The Group makes an allowance when the settlement of a receivable becomes doubtful The uncertain economic conditions and the higher than normal occurrence of insolvencies, consolidation and cost cutting in the customer base have led to the new allowances in the year The movement in the allowance for doubtful receivables is in the table below

	2011 £'000	2010 £'000
Allowance for doubtful receivables at 1st January	**3,458**	1,254
Exchange adjustment	**14**	112
Allowances released in the period	**(1,394)**	(856)
New allowances made in the period	**1,321**	2,948
Allowance for doubtful receivables at 31st December	**3,399**	3,458

Liquidity risk

The following are the contractual maturities of financial liabilities

	Trade payables		Accrued expenses	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
3 months or less	**7,174**	3,374	**28,545**	28,939
3-12 months	**-**	-	**2,319**	2,782
Greater than 1 year	**-**	-	**2,041**	1,036
Carrying amount	**7,174**	3,374	**32,095**	32,757

It is not expected that the cash flows included in the maturity analysis will arise materially earlier or at significantly different values

Notes to the consolidated financial statements continued

Interest receivable and payable
The Group holds net funds and hence its interest risks are associated with short-term cash deposits The Group's overall objective with respect to these deposits is to maintain a balance between security of the funds, accessibility of funds and competitive rates of return In practice, this means that deposits are unlikely to be made with a maturity date greater than three months All deposits are at current market rates

Due to the strong cash generation of the business, the Group has no borrowings

Foreign currency risk
The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into Sterling The currencies giving rise to this risk are primarily US Dollars, Euros and Japanese Yen The Group's revenue is split 40% in Sterling, 41% in US Dollars, 8% in Japanese Yen and 11% in other currencies The trade debtor currency exposure is consistent with the split of revenue by currency The Group has both cash inflows and outflows in these currencies that create a natural hedge

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's cash inflows and outflows in a foreign currency The Group has not entered into hedging contracts for cash positions denominated in foreign currencies

Over the longer term, permanent changes in foreign exchange would have an impact on consolidation of foreign subsidiaries earnings It is estimated that a general increase of one percentage point in the value of Sterling against other currencies would have decreased the Group's profit before tax by approximately £195,000 for the year ended 31st December 2011 (2010 £167,000)

Capital management
The Board monitors the total equity and the cash and cash equivalents balance in considering its retained capital and when and how a return of capital to shareholders is appropriate The Group maintains a strong capital base so as to maintain employee, customer, market, investor and creditor confidence in the business and to ensure that it continues to operate as a going concern The annual dividends have increased at a similar rate to the growth in earnings per share The level of annual dividend provides a regular return to shareholders whilst also providing growth in the cash resources available to fund acquisitions or other investment activity Special dividends have been used to return additional funds to shareholders

Fair values
Unless otherwise disclosed, there is no significant difference between the carrying amounts shown in the balance sheet and the fair values of the Group's financial instruments For current trade and other receivables and payables with a remaining life of less than one year, the amortised cost is deemed to reflect the fair value

23 Operating leases

At 31st December the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows

	2011 £'000	2010 £'000
Less than one year	**16,069**	14,820
Between one and five years	**47,443**	41,605
More than five years	**55,018**	62,095
Total commitment under operating leases	**118,530**	118,520

The Group leases office space and data centre facilities under operating leases The lease term typically ranges from three years to 20 years, longer term leases normally having options to break the commitment before the end of the term Lease terms of greater than five years are often subject a rent review during the term

Part of the office space has been sublet to an entity outside of the Fidessa group The sublease expires in July 2012 Sublease receipts of £226,000 are expected during the remainder of the sublease

24 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of 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 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 differ from these estimates The estimates, assumptions and judgements that are likely to contain the greatest degree of uncertainty are summarised below This summary is not a list of all risks, estimates and judgements encountered by the Group and others could arise that cause a material adjustment to the carrying value of assets and liabilities

a Development expenditure

The Group invests in the development of future products and enhancement of existing products in accordance with the accounting policy The assessment as to whether material elements of this expenditure will be technically feasible, generate future economic benefit or the period over which to amortise the expenditure is a matter of judgement The carrying value of product development capitalised is detailed in note 13 and the amounts capitalised and amortised in the year are detailed in note 5

b Income taxes

In recognising income tax assets and liabilities estimates have to be made of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain and on the expected manner of realisation or settlement of deferred tax assets and liabilities

c Revenue

The revenue for fixed price implementations is recognised on a percentage of completion basis for each contract Management exercises judgement in determining the percentage complete for non-recurring revenue and the total cost of implementation Management also makes estimates in determining the fair value of the elements of service provided in a contract and the value of discounts given Estimates are continually revised based on changes in the facts relating to each contract

d Fair values

IFRSs require many assets, liabilities and expenses to be recognised at fair value This includes the intangible assets (note 13) By their nature fair values are estimates and subject to different interpretation

e Impairment of goodwill

The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the cash generating unit to which goodwill has been allocated The value in use calculation includes estimates about the future financial performance of the cash generating units, management's estimates of discount rates, long-term operating margins and long-term growth rates (note 13) If the results of the cash generating unit in a future period are materially adverse to the estimates used for the impairment testing an impairment charge may be triggered

f Expected useful lives

The carrying value of property, plant and equipment and intangible assets and the respective depreciation and amortisation of these assets is affected by the assumptions made in determining the expected useful lives of the assets Management makes estimates of the useful lives and regularly reviews these estimates

Company balance sheet

at 31st December 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Investments	3	**65,614**	65,607
Deferred tax assets	4	**149**	851
Total non-current assets		**65,763**	66,458
Current assets			
Trade and other receivables	5	**246**	397
Income tax receivable		**1,774**	2,781
Cash and cash equivalents		**40,777**	37,145
Total current assets		**42,797**	40,323
Total assets		**108,560**	106,781
Equity			
Issued capital	7	**3,698**	3,617
Share premium		**22,466**	20,289
Merger reserve	7	**17,938**	17,938
Retained earnings		**35,455**	35,697
Total equity		**79,557**	77,541
Liabilities			
Non-current liabilities			
Other payables	6	**200**	256
Total non-current liabilities		**200**	256
Current liabilities			
Trade and other payables	6	**28,803**	28,984
Total current liabilities		**28,803**	28,984
Total liabilities		**29,003**	29,240
Total equity and liabilities		**108,560**	106,781

The financial statements were approved by the Board of directors on 10th February 2012 and were signed on its behalf by

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Company statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2010		3,581	18,219	17,938	38,472	78,210
Total comprehensive income for the year						
Profit and total comprehensive income for the year		-	-	-	20,419	20,419
Transactions with owners of the Company						
Issue of shares - exercise of options	7	36	2,070	-	-	2,106
Employee share incentive charges - Company		-	-	-	205	205
Employee share incentive charges - subsidiaries		-	-	-	1,530	1,530
Deferred tax recognised direct to equity		-	-	-	185	185
Purchase of own shares by employee share trust		-	-	-	(277)	(277)
Sale of own shares by employee share trust		-	-	-	418	418
Dividend paid	7	-	-	-	(25,255)	(25,255)
Balance at 1st January 2011		3,617	20,289	17,938	35,697	77,541
Total comprehensive income for the year						
Profit and total comprehensive income for the year		**-**	**-**	**-**	**26,949**	**26,949**
Transactions with owners of the Company						
Issue of shares - exercise of options	7	**81**	**2,177**	**-**	**-**	**2,258**
Employee share incentive charges - Company		**-**	**-**	**-**	**159**	**159**
Employee share incentive charges - subsidiaries		**-**	**-**	**-**	**1,537**	**1,537**
Current tax recognised direct to equity		**-**	**-**	**-**	**396**	**396**
Deferred tax recognised direct to equity		**-**	**-**	**-**	**(644)**	**(644)**
Sale of own shares by employee share trust		**-**	**-**	**-**	**185**	**185**
Dividend paid	7	**-**	**-**	**-**	**(28,824)**	**(28,824)**
Balance at 31st December 2011		**3,698**	**22,466**	**17,938**	**35,455**	**79,557**

Company cash flow statement

for the year ended 31st December 2011

	Note	**2011 £'000**	2010 £'000
Cash flows from operating activities			
Profit before income tax for the year		**26,744**	20,450
Adjustments for			
Staff costs - share incentives		**159**	205
Finance income		**(321)**	(2,394)
Cash generated from operations before changes in working capital		**26,582**	18,261
Movement in trade and other receivables		**2,853**	2,269
Movement in trade and other payables		**(1,401)**	18,903
Cash generated from operations		**28,034**	39,433
Income tax paid		**1,665**	(1,216)
Net cash generated from operating activities		**29,699**	38,217
Cash flows from investing activities			
Investment in subsidiary companies	3	**(7)**	-
Interest received on cash and cash equivalents		**321**	142
Proceeds from sale of Touchpaper ordinary and preferred ordinary shares		**-**	3,432
Net cash generated from investing activities		**314**	3,574
Cash flows from financing activities			
Proceeds from shares issued		**2,258**	2,106
Purchase of own shares by employee share trust		**-**	(277)
Proceeds from sale of own shares by employee share trust		**185**	418
Dividends paid	7	**(28,824)**	(25,255)
Net cash used in financing activities		**(26,381)**	(23,008)
Net increase in cash and cash equivalents		**3,632**	18,783
Cash and cash equivalents at 1st January		**37,145**	18,362
Cash and cash equivalents at 31st December		**40,777**	37,145

Notes to the Company financial statements

The Company has presented separate financial statements in accordance with IFRS, as permitted by the Companies Act 2006 The Company financial statements present information about the Company as a separate entity and not about its group In publishing the financial statements the Company has taken advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement and related notes when the consolidated income statement has been presented The Company's principal activity is that of a holding company The financial statements are presented in Sterling, rounded to the nearest thousand

The financial statements were authorised for issue by the directors on 10th February 2012

The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertainties as far as the global economy is concerned The Company has considerable financial resources and no borrowings As a consequence of these factors and having reviewed the forecasts for the coming year, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

1 Basis of preparation

The financial statements are prepared on the historical cost basis with the exception of financial instruments which are stated in accordance with IAS 39 *Financial Instruments Recognition and Measurement*

2 Significant accounting policies

The accounting policies as set out in note 2 to the consolidated financial statements have been applied in the preparation of these Company financial instruments

3 Investments

	£'000
Investments in subsidiaries at 1st January 2010	65,607
Share incentive charges - subsidiaries	1,530
Share incentive reimbursements - subsidiaries	(1,530)
Investments in subsidiaries at 1st January 2011	65,607
Investment in subsidiary	**7**
Share incentive charges - subsidiaries	**1,537**
Share incentive reimbursements - subsidiaries	**(1,537)**
Investments in subsidiaries at 31st December 2011	**65,614**

Notes to the Company financial statements continued

The subsidiary undertakings and other trade investments at 31st December 2011, all being engaged in developing and selling computer software and providing associated services, are in the table below All principally operate in their country of incorporation

	Country of incorporation	Proportion of ordinary share capital held
Fidessa plc	England and Wales	100%
Fidessa LatentZero Limited	England and Wales	100%
Fidessa software limited	England and Wales	100%
Fidessa investments limited	England and Wales	100%
royalblue financial limited	England and Wales	100%
royalblue group limited	England and Wales	100%
Fidessa corporation	USA	100%
Fidessa LatentZero Incorporated	USA	100%
Fidessa US corporation	USA	100%
Fidessa limited	Hong Kong	100%
Fidessa kk	Japan	100%
Fidessa SAS	France	100%
Fidessa Canada corporation	Canada	100%
Fidessa WLL	Bahrain	100%
Fidessa Pte Limited	Singapore	100%
Fidessa Pty Limited	Australia	100%

4 Deferred tax assets

Deferred tax assets are attributable to the following

	2011 £'000	2010 £'000
Property, plant and equipment	**1**	2
Employee benefits	**148**	849
Tax assets/(liabilities)	**149**	851

	Balance at 1st January 2011 £ 000	Recognised in income £'000	Recognised in equity £ 000	Balance at 31st December 2011 £'000
Property, plant and equipment	**2**	**(1)**	**–**	**1**
Employee benefits	**849**	**(57)**	**(644)**	**148**
	851	**(58)**	**(644)**	**149**

	Balance at 1st January 2010 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2010 £'000
Property, plant and equipment	2	–	–	2
Employee benefits	662	2	185	849
	664	2	185	851

5 Receivables

	2011 £'000	2010 £'000
Prepayments	**2**	160
Other receivables	**244**	237
Total trade and other receivables	**246**	397

6 Trade and other payables

Current liabilities	2011 £'000	2010 £'000
Trade payables	**115**	58
Amount due to subsidiaries	**25,523**	25,815
Accrued expenses	**1,149**	898
Other liabilities	**155**	148
Other taxes and social security	**1,861**	2,065
Total trade and other payables	**28,803**	28,984

Non-current liabilities	2011 £'000	2010 £'000
Other liabilities	**200**	256
Total trade and other payables	**200**	256

7 Share capital, reserves and dividends

The movements in share capital and reserves are set out in note 17 to the consolidated financial statements Details of dividends paid and proposed are set out in note 11 to the consolidated financial statements

8 Share-based payments

A full description of each type of share incentive to employees is in the Directors' Remuneration Report All share incentives are over ordinary shares of the Company The fair value of incentives is recognised as an employee expense with a corresponding increase in equity The employee expense is recognised equally over the time from grant until vesting of the incentive The employee expense in 2011 was £159,000 (2010 £205,000).

For share incentives under the Share Bonus Plan the fair value has been measured using a binomial model The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility The material inputs into the model have been

Share Bonus Plan	Awards in 2008	Awards in 2009	Awards in 2010
Fair value	456p to 672p	1029p to 1245p	1314p to 1413p
Share price at purchase	482p to 710p	1100p to 1330p	1438p to 1546p
Expected volatility	30%	30%	30%
Expected life	3 years	3 years	3 years
Expected dividends	1 8%	2 2%	3 0%

Notes to the Company financial statements continued

The fair value of the awards under the Exceptional Growth Rate Incentive Plan (EGRIP) has been measured using a Monte Carlo simulation model The expected volatility is based on the historic volatility adjusted for any expected changes to future volatility The inputs to and output from this model are listed below

EGRIP award	March 2006	September 2007	September 2008	September 2009	September 2010
Fair value	153p	245p	224p	234p	256p
Share price at grant	896p	1018p	920p	1154p	1421p
Exercise price	10p	10p	10p	10p	10p
Expected volatility	25%	30%	30%	30%	30%
Expected life	5 years	5 years	5 years	5 years	5 years
Expected dividends	3 4%	2 2%	1 8%	2 2%	3 0%
Risk-free rate of return	4 3%	5 0%	4 3%	2 5%	2 0%

Awards under the Share Bonus Plan subsisting at 31st December 2011 were

Award year	Outstanding at 1st January 2011	Exercised in year	Expired in year	New awards	Outstanding at 31st December 2011	Vested at 31st December 2011	Remaining life
2007	7,257	(7,257)	–	–	–	–	0 years
2008	13,447	–	(839)	–	12,608	12,608	0 years
2009	5,222	–	–	–	5,222	–	1 year
2010	3,992	–	–	–	3,992	–	2 years

For all share bonus awards exercised in 2011 the weighted average share price at the time of exercise was 1823p (2010 1409p)

Awards under the EGRIP subsisting at 31st December 2011 were

Grant year	Options at 1st January 2011	Exercised in year	Expired in year	New grants	Options at 31st December 2011	Exercise price p	Vested at 31st December 2011	Remaining life
2006	177,000	(177,000)	–	–	–	10p	–	0 years
2007	91,500	–	–	–	91,500	10p	–	1 year
2008	50,000	–	–	–	50,000	10p	–	2 years
2009	36,000	–	–	–	36,000	10p	–	3 years
2010	30,000	–	–	–	30,000	10p	–	4 years

For all EGRIP options exercised in 2011 the weighted average share price at the time of exercise was 1704p (2010 no options exercised)

9 Related party transactions

The Company has a related party relationship with its subsidiaries and with its directors and members of key management There are no transactions with related parties who are not members of the Group The remuneration of individual directors is disclosed in the Directors' Remuneration Report The amounts owed by and owed to its wholly owned subsidiaries are disclosed in notes 5 and 6 to these financial statements

The Company leases office premises and provides treasury management on behalf of Group companies Rent and service charges are charged at cost, £1,182,000 (2010 £1,097,000)

10 Financial risk management

The use of financial instruments is managed under policies and procedures approved by the Board These are designed to reduce the financial risks faced by the Company, which primarily relate to credit, interest and liquidity, which arise in the normal course of the Company's business

Credit risk

Financial instruments which potentially expose the Company to credit risk consist primarily of cash equivalents The maximum exposure to credit risk is represented by the carrying amount of each financial asset Cash equivalents are deposited only with major financial institutions that satisfy certain credit criteria as specified in the Group's treasury policy The policy limits the maximum deposit with a counterparty

Liquidity risk

The following are the contractual maturities of financial liabilities

	Trade payables		Accrued expenses	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
3 months or less	**115**	58	**1,149**	898
3-12 months	**-**	-	**-**	-
Greater than 1 year	**-**	-	**-**	-
Carrying amount	**115**	58	**1,149**	898

It is not expected that the cash flows included in the maturity analysis will arise materially earlier or at significantly different values

Interest receivable and payable

The Company holds net funds and hence its interest risks are associated with short-term cash deposits The Company's overall objective with respect to these deposits is to maintain a balance between security of the funds, accessibility of funds and competitive rates of return In practice, this means that deposits are unlikely to be made with a maturity date greater than three months All deposits are at current market rates

Due to the strong cash generation of the business, the Group has no borrowings

Notes to the Company financial statements continued

Capital management

The Board monitors the total equity and the cash and cash equivalents balance in considering its retained capital and when and how a return of capital to shareholders is appropriate The Company maintains a strong capital base so as to maintain employee, customer, market, investor and creditor confidence in the Company and its subsidiaries' business and to ensure that it continues to operate as a going concern The annual dividends have increased at a similar rate to the growth in earnings per share The level of annual dividend provides a regular return to shareholders whilst also providing growth in the cash resources available to fund acquisitions or other investment activity Special dividends have been used to return surplus capital to shareholders

Fair values

Unless otherwise disclosed, there is no significant difference between the carrying amounts shown in the balance sheet and the fair values of the Company's financial instruments For receivables and payables the directors consider that the carrying amount approximates their fair value

11 Operating leases

At 31st December the Company had outstanding commitments under non-cancellable operating leases, which fall due as follows

	2011 £'000	2010 £'000
Less than one year	**5,060**	5,060
Between one and five years	**16,842**	16,842
More than five years	**42,543**	46,381
Total commitment under operating leases	**64,445**	68,283

The Company leases office space under operating leases. The lease term typically ranges from three years to 20 years, longer term leases normally having options to break the commitment before the end of the term Lease terms of greater than five years are often subject a rent review during the term

Part of the office space has been sublet by the Company to an entity outside of the Fidessa group The sublease expires in July 2012 Sublease receipts of £226,000 are expected during the remainder of the sublease

Financial calendar

13th February 2012
2011 annual results announced

22nd March 2012
2011 Annual Report circulated

24th April 2012
Annual General Meeting

28th May 2012
Final 2011 dividend and special dividend paid

July 2012
2012 interim results announced

October 2012
2012 interim dividend paid

February 2013
2012 annual results announced

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