

F Annual report and accounts 2016

Fidessa group plc
Company Number: 03234176

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Fidessa

Strategic report

Results at a glance

Highlights for the period ended 31st December 2016:

- Solid revenue growth across all regions.
- Good international spread providing stability against uncertainty following the Brexit vote and the US election.
- 64% of total revenue accounted for outside of Europe, with 73% denominated in non-sterling currency.
- Increasing opportunities for new Fidessa services.
- Derivatives programme continuing to build momentum.
- Recurring revenue representing 87% of total revenue.
- Strong cash generation, with £95.2 million cash balance after dividend payments of £32.5 million.
- Final and special dividends declared, bringing the total 2016 payout to 92.5 pence per share.

	2016	2015	Change	At constant currencies*
Revenue	£331.9m	£295.5m	+12%	+3%
Profit before tax	£48.8m	£39.1m	+25%	+1%
Diluted earnings per share	92.3p	76.5p	+21%	
Final dividend per share	28.2p	25.4p	+11%	
Special dividend per share	50.0p	45.0p	+11%	
Cash	£95.2m	£78.3m	+22%	

* Constant currency growth is calculated by comparing 2016 results with 2015 results retranslated at the rates of exchange prevailing during 2016.

Strategic report continued

We continue to believe that we are well positioned to benefit from the opportunities that will arise in the markets as a result of regulatory and structural change.

Overview

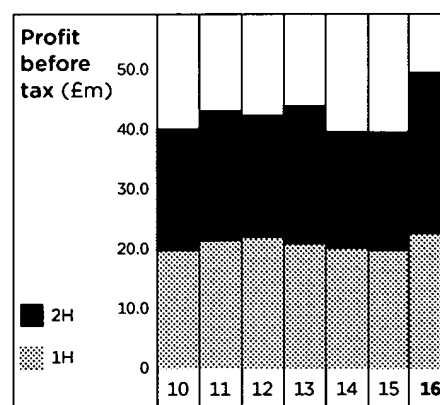
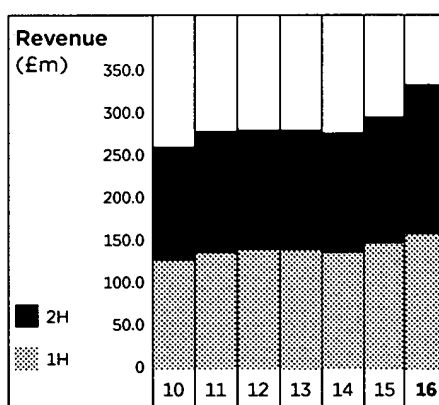
2016 has seen a period of exceptional change and uncertainty for our customers. During the year, structural and regulatory drivers have started to impact across the market and, at the same time, customers have been faced with uncertainty around how the political environment might affect their business. For Fidessa, however, although there was some evidence of stress during the second half of the year as firms took stock of the impact of the Brexit decision and the US election, levels of new business activity generally remained high and, when combined with the weakness of sterling, this enabled us to deliver solid growth for the year as a whole. As anticipated in the 2015 preliminary results announcement, we saw an increased headwind in 2016 as a result of consolidations and closures within our customer base, with this having the largest effect in the second half, particularly with regard to our sell-side derivatives business. However, based on what we can currently see, we expect that this headwind will now start to reduce.

Moving into 2017, whilst we continue to see structural and regulatory drivers within the market, there is clearly a degree of uncertainty as a result of the Brexit vote and the US

election and it is likely to be some time before we have a clear view of how these events will impact our customer base. In Europe, however, we continue to expect that MiFID II will be introduced as planned and that regardless of Brexit, this will include the UK. In the US there are signs that the regulatory environment may be loosened but, whilst early indications are that our customers see this as beneficial, at this stage it is too early to say how this might develop.

During 2017 we plan to relocate our main US office from New York to Jersey City. This will provide a first-class facility which will position us with the footprint we need to further expand in this important market. The strength of our balance sheet enables us to fund the fit out of this facility ourselves, rather than using financing. As a result of some one-time and duplicate move-related costs, we anticipate a small impact on profit after tax margin in 2017.

Overall, we continue to believe that we are well positioned to benefit from the opportunities that will arise in the markets as a result of regulatory and structural change. Furthermore, with over 60% of our revenue derived from outside of Europe, and over 70% in non-sterling currencies, we remain



In 2016 Fidessa achieved revenue of £331.9 million which represents growth on a reported basis of 12%.

well positioned to benefit from any continued weakness in sterling, providing further support for our strong cash generation and dividend policy. We expect that 2017 constant currency revenue growth will be around the levels that we have seen during 2016, with further headline gains if sterling remains weak.

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

Finance review

In 2016 Fidessa achieved revenue of £331.9 million which represents growth on a reported basis of 12% (2015: £295.5 million and 7% growth). On a constant currency basis, revenue growth of 3% compares with 4% in 2015.

Recurring revenue of £287.8 million grew 14% and represents 87% of total revenue (2015: £252.5 million, 85% of total revenue).

Revenue for the sell-side business of £308.9 million grew 13% (2015: £273.6 million and 4% growth) and for the buy-side business revenue of £23.1 million grew 5% (2015: £21.9 million and a decline of 3%). Within the sell-side business, equities revenue of £267.5 million grew 13% (2015: £237.6 million) and derivatives revenue of £41.3 million grew 15% (2015: £36.0 million). Derivatives revenue represents 12% of total revenue (2015: 12%) and also accounts for 12% of recurring revenue.

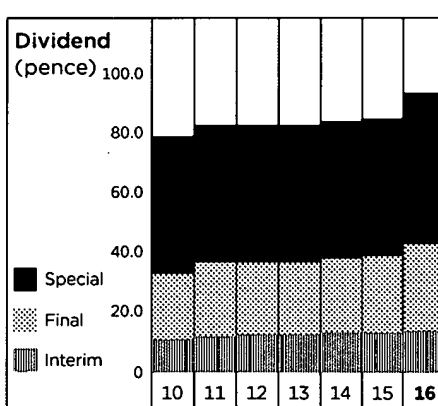
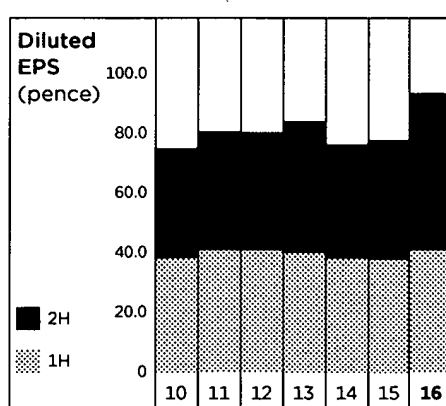
Foreign currency exchange rates have been significantly more volatile during 2016 than in 2015. Sterling was 12% weaker against the US dollar and currencies pegged to the US dollar and 20% weaker against the Japanese yen. This has resulted in an increased variance between headline growth

rates and constant currency growth rates. During 2016, 73% of revenue was denominated in foreign currencies, predominantly US dollars which accounted for 57% of revenue in the period.

As anticipated, the revenue impact from consolidation and closures across the customer base increased to 4% during 2016 (from 2% in 2015). During 2016 there have continued to be further consolidations and closures, but Fidessa's current expectation is that these will have a reduced impact on revenue in 2017.

On a regional basis, 64% of total revenue was accounted for outside of Europe. The Americas grew 15% on a reported basis and 2% on a constant currency basis and was the largest region, accounting for 43% of total revenue. Asia grew 21% on a reported basis and 5% on a constant currency basis and accounted for 21% of total revenue. Europe grew 5% on a reported basis and 2% on a constant currency basis and accounted for 36% of total revenue. The currency tailwind in Europe reflects that over 25% of revenue for the region is denominated in currencies other than sterling.

The deferred revenue in the balance sheet at the end of the year was £61.8 million and represents 19% of



Strategic report continued

92.5p

**total dividend
for the year.**

annualised revenue (31st December 2015: £54.6 million and 18% of annualised revenue) with the majority of it expected to be recognised as revenue during the first half of 2017. Consistent with previous years, the accrued revenue balance was minimal.

Total operating expenses for 2016 grew 10% to £283.9 million (2015: £257.1 million) with over half of the increase attributable to foreign currency exchange rate movements. The £26.8 million increase in operating expenses primarily relates to a £15.9 million increase in total staff costs and a £10.3 million increase in communications and data costs. The average number of people employed during 2016 of 1,739 was broadly unchanged from 1,741 in 2015.

During 2017 we plan to relocate our main US office from New York to Jersey City. The strength of our balance sheet enables us to fund the fit out of this facility ourselves, rather than using financing. We anticipate a cash outflow, net of landlord incentives, of approximately £12 million in relation to this fit out during 2017 and approximately a 1% reduction in profit before tax margin as a result of duplicate and one-off costs associated with the move. The reduction in profit before tax margin is expected to impact both the first and second halves of 2017.

Development expenditure capitalised of £30.4 million was broadly unchanged from £30.3 million in 2015 while net capitalisation of development expenditure of £2.9 million increased from £2.5 million in 2015.

Following changes in legislation, Fidessa has implemented the research and development expenditure credit regime (RDEC) during the period. As a result, research and development

tax credits previously offset against income tax expense are replaced by research and development grants that will be offset against operating expenses. The new treatment was adopted with effect from 1st January 2015 and during 2016, operating expenses have been reduced by grants totalling £1.7 million.

Profit before tax for 2016 has increased 25% to £48.8 million (2015: £39.1 million), being a profit before tax margin of 14.7% (2015: 13.2%). The profit before tax growth benefits from the positive impact of foreign currency exchange rate movements and from the RDEC grants noted above.

The effective rate of tax for 2016 is 26.8% (2015: 24.5%) with the movement primarily attributable to the implementation of the RDEC rules. The overall impact of RDEC during 2016 was a small reduction to profit after tax. From 2017, we anticipate adoption of RDEC will have a net benefit on profit after tax and will reduce cash tax payable.

Diluted earnings per share have increased by 21% to 92.3 pence (2015: 76.5 pence).

Fidessa continued to be strongly cash generative, closing the period with a cash balance of £95.2 million (2015: £78.3 million) and no debt. Cash generated from operations increased by 15% to £92.4 million (2015: £80.4 million). During the period, dividends of £32.5 million (2015: £31.7 million) have been paid.

The final dividend, if approved by shareholders, will be 28.2 pence and payable on 8th June 2017 to shareholders on the register on 12th May 2017, with an ex-dividend date of 11th May 2017. In addition, a special dividend of 50.0 pence

(2015: 45.0 pence) is proposed and, if approved by shareholders, will be paid at the same time as the final dividend and brings total dividends for the year to 92.5 pence, an 11% increase from 83.5 pence in 2015.

Business model and strategy

Fidessa's vision is to make it easier for financial services firms to buy, sell and own financial assets of all types on a global basis. Its mission is to deliver solutions that use technology to automate workflow and 'take cost out of the system', and so make customers' business processes easier, quicker and cheaper.

Fidessa's multi-asset trading, investment and information solutions cover the complete lifecycle from investment decision through to actual trading in the marketplace and are provided to both the buy-side and sell-side communities. Traditionally the solutions were delivered on a highly configured, enterprise basis, but in recent years the predominant delivery mechanism has been as a managed service through Fidessa's own global connectivity network and data centres.

Fidessa's buy-side solutions operate across all asset classes, whereas its sell-side solutions have historically focused on cash equities. In recent years Fidessa has expanded its sell-side suite to cover listed derivatives as well. Long-term commitments are required for each asset class in order to build functionally rich offerings that are effective in all regions.

Fidessa maintains ownership of its product and service architecture and is committed to internal development to obtain tight integration throughout its solutions. As a result of this approach, growth has been

predominantly organic and there have been only been two small acquisitions in the last 20 years. Providing tailored products and services to a broad range of customers on both the buy-side and sell-side means Fidessa has a unique understanding of the complete marketplace.

Fidessa charges for its solutions primarily on a rental and subscription basis which is reflected in the high level of recurring revenue reported each period. This gives increased stability to the business and allows Fidessa to commit to the long-term development of its products and services.

Fidessa has consistently been profitable and generated cash, and with the very small number of acquisitions has built a healthy cash balance. The annual dividend has a typical pay-out ratio of between 40% and 50% which provides a reasonable return to shareholders whilst also providing funds for potential acquisitions and replenishing the cash balance. In the absence of acquisitions, Fidessa has a track record of returning additional cash to shareholders in the form of special dividends.

Market review

2016 was a challenging year for many of Fidessa's customers, with a slowdown in trading activity in the first half being followed by political uncertainty as a result of the Brexit vote and the US election. The continued crisis in the Chinese stock market meant that each region had its individual difficulties, creating a challenging backdrop. However, there were also positive elements within the market which are expected to feed through into 2017. These include the increasing clarity around regulation, improved sentiment

amongst the Futures Commission Merchants (FCM) community, who now believe that they may have weathered the worst of the storm, and a view across the market that the new US presidency will herald a significant reduction in regulation and increased freedom within America's financial markets.

Despite the challenging backdrop, Fidessa continued to make progress as customers switched away from purely cost focused strategies towards a more strategic approach. This approach, which typically involves Fidessa's customers reviewing their positioning for the longer term, can result in some customers restructuring some areas of their business whilst strengthening their commitment in other key areas. As anticipated in the 2015 preliminary results announcement, this restructuring did result in an increase in the headwind that Fidessa saw from consolidations and closures within its customer base, but this was balanced out by customers committing to and investing in other areas of their business.

The investments Fidessa has made to extend the range of asset classes it supports, expand its regional coverage and build out its global infrastructure have positioned it well to help its customers to address the cost of their activities through a robust, multi-asset, service-based delivery platform. Fidessa has seen further customers adopting this approach during 2016 and believes that the value of this core platform, and the importance of Fidessa's multi-asset strategy, will become increasingly clear as the new MiFID II regulations are introduced and firms adapt to the new political landscape.

Strategic report continued

Fidessa also believes that the global nature of its trading platforms means that it is less susceptible to the effects of regional changes such as Brexit and the US election, as trading infrastructure is likely to continue to operate on a cross-border basis.

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

Sell-side trading

During 2016 Fidessa has continued to develop its sell-side business. Fidessa's customers have seen challenges coming from several different directions, including new regulation and reporting requirements, increased capital requirements and cost pressures within their own customer bases. Additional uncertainty has been added to these challenges as a result of the Brexit vote and the US election. These challenges mean that many firms are continuing to review their

business models in order to identify how their businesses need to be shaped to respond to future demand. Fidessa continues to believe that these challenges will create opportunities as firms seek a partner who can provide the applications they need for the future, integrated with the complex trading infrastructure they need, as a cost-effective service. This enables them to deal with the upcoming regulatory challenges and focus on the unique elements of their business model, whilst keeping a tight control on costs.

During 2016 Fidessa has seen continued progress with its service-based platform across Europe, the Americas and Asia. New deals included two sales of large/global platforms as well as a number of smaller platforms across all regions. The large deals included an equity platform for a large global bank as well as a substantial contract with ABN AMRO Clearing to provide a cross-asset execution service. The deal with ABN will allow it to offer its customers low-latency access to more than 110 futures, options, equities and FX markets worldwide. The platform will be delivered out of 11 key locations around the world and, in addition to low-latency market access, also includes frameworks around smart order routing, internalisation, algorithmic trading and risk management. Fidessa has also seen interest in smaller sales of this platform as measurable execution quality becomes an increasingly important requirement within the market. Fidessa believes that this trend will strengthen further with the introduction of MiFID II, as unbundling will make the cost and quality of execution increasingly visible. Fidessa is making some additional investment into its execution services as it builds

towards a long-term vision of a global, scalable, fully managed platform that allows customers to plug in and trade nearly any listed instrument anywhere in the world in a systematic way.

Within the regions, despite the challenges in China, Asia has continued to deliver the strongest growth helped by a robust performance from Japan. Further Chinese brokers have been signed in Hong Kong and additional wins in Japan have helped further strengthen Fidessa's position in this market. During the second half of 2016, Shenzhen Connect went live allowing international investors to trade 881 Shenzhen listed stocks through Hong Kong brokers. It also allows mainland China-based investors to trade 417 Hong Kong stocks through local brokers there. This complements the Shanghai-Hong Kong Stock Connect solution which went live in 2014, and Fidessa has already connected around 15 brokers to the new Shenzhen service.

Across all regions, the overall theme of a market in transition is strongly in evidence with more focus around service differentiation and execution quality. Fidessa's Optimised Trading initiative, which provides a range of tools, aimed at helping brokers to work more effectively and efficiently, is targeted directly at this space. These include the Order Performance Monitor which gives brokers insight into their orders and executions in real time and Fidessa Prospector which monitors a range of live and historical data to provide context and help identify liquidity. These tools have been well received as they roll out to customers across the regions and were quick to win awards, with Prospector being voted best business intelligence and analytics service in

the Banking Technology Readers' Choice Awards.

To further assist customers to differentiate, Fidessa established a partnership programme during 2015. This programme aims to enable carefully selected third parties to integrate their innovative applications and technology within the Fidessa environment, while Fidessa maintains control over the customer experience both technically and commercially. In this way Fidessa is able to offer a route for innovative companies to access the Fidessa community and to meet the complex compliance and information security requirements mandated by regulators. For Fidessa's customers they are able to benefit from an even greater diversity of applications within their Fidessa platform, helping them to differentiate their business. During 2016, the number of partners within this programme extended to three, with a further partner announced in early 2017.

Fidessa has continued to make good progress with deliveries of its derivatives platform during 2016, although as mentioned in previous results announcements, growth during 2016, and particularly the second half, was suppressed by the headwind resulting from the 2015 closure of the Jefferies Group's Bache futures unit. During 2016 there has continued to be considerable pressure on FCMs, but despite this Fidessa has seen continued demand for exchange-based derivatives trading, with deliveries in 2016 including a new platform for BNP Paribas. This platform will support the bank's futures and options agency trading operations for listed derivatives across Europe, Asia-Pacific and North America. Delivering order management, global order handover

capabilities and execution across all the major derivatives markets around the world, Fidessa's platform will also provide BNP Paribas with specialised derivatives algorithms and advanced synthetic order types to normalise trading across markets. Fully-integrated risk functionality will manage BNP Paribas' client limits on a global basis. Fidessa is also seeing demand for platforms to support electronic execution of exchange-based derivatives, and this is illustrated by the deal with ABN which includes significant elements of derivatives functionality. Fidessa continues to broaden into further parts of the derivatives market by providing platforms for Commodity Trading Firms (CTFs) with another deal signed in this area during 2016. The pressure within the FCM market has made it a challenging area in which to deliver rapid progress; however, research published by the Tabb Group in Q4 '16 indicates that the FCM community now believe they have weathered the worst of the storm, and that the tide of the business will rise over time. This is expected to make market conditions more favourable, and Fidessa is already seeing some evidence of this within its current pipeline. The level of investment Fidessa is making in its derivatives platform has started to normalise as it achieves scale, and Fidessa's derivatives business remains on track to make a positive contribution to Fidessa's overall profitability within two years. In addition to being a valuable business in its own right, the derivatives business is also providing Fidessa with a natural entry point into further asset classes within the sell-side.

With the changing market conditions, Fidessa has been investigating the potential of further extensions to the

asset classes it supports looking specifically at the rates segment of the fixed income market. This research is continuing, and additional resource has been brought in to assist with this exercise. In addition, a small amount of additional investment has been actioned around specific market gateways for fixed income instruments. Fidessa expects to continue its work in this area during 2017, but this is not expected to have a material financial impact.

Buy-side trading

Sentiment within the buy-side community remained relatively subdued throughout 2016, however Fidessa's buy-side business signed a number of new customers for its investment management, compliance and post-trade products and services, as well as establishing a growing forward pipeline. The business experienced a reduced impact from consolidations and closures compared to the previous year and this, as anticipated in the 2015 preliminary results, helped facilitate an improved performance. Throughout 2016 Fidessa continued to invest in its buy-side products and services, with a focus on specific areas to address particular challenges in the industry.

Compliance has always been a key part of Fidessa's offering to the buy-side, and Sentinel has historically been primarily seen as a leading portfolio compliance solution. However, in 2015 Sentinel's reach was significantly extended to provide trading compliance. The first customers for this went live during 2016, and this differentiating feature was also key in securing further new business. The active compliance features of Sentinel have now been further extended, adding counterparty exposure and more sophisticated algorithms within the transactional

Strategic report continued

checks across mandates. This enables asset managers to evaluate gains and losses on distinct time horizons and establish controls that trigger notifications, or even suspend trading, if results are out of normal tolerance.

The buy-side's customers today are much more willing to move funds between asset managers, and mergers within the industry drive further shifting of account ownership. As a result, compliance teams are on-boarding new accounts and mandates in greater numbers, driving the requirement for new levels of operational efficiency. Sentinel's portfolio compliance capabilities meet this challenge by streamlining user workloads, making the on-boarding of new funds and the adoption of new mandates faster and more accurate with account cloning, bulk maintenance of rules and one-click account termination.

Fidessa's Sentinel compliance system continues to be recognised by the industry for its leading position in the market, receiving further accolades during the year. These included winning Best Buy-side Compliance Product in the Waters Buy-side Technology Awards for the seventh time, as well as winning Best Buy-side Compliance Product in the Hedge Fund Manager US Technology Awards.

Fidessa's Investment Management System (IMS) provides buy-side firms with a global, consistent, integrated workflow across all asset classes and geographic regions, whilst at the same time delivering powerful functionality to allow them to maximise returns and enforce controls. This allows the firms to pursue the twin goals of best execution and maximum efficiency, so they can take advantage of new

opportunities while demonstrating tight operational controls. During 2016, Fidessa has continued to expand the capabilities of its IMS. The new Portfolio Studio provides customers with next generation investment decision making functionality fully integrated with Microsoft Excel. Enhanced order handling capabilities have been delivered across futures, options and swaps, as well as comprehensive support for complex interest rate products. Fidessa has also been working with Neptune, an open standards network utility for pre-trade indications in bond markets. This will improve information dissemination among market participants and aid in the search for liquidity in this increasingly fragmented market.

Fidessa's offerings in the post-trade space have continued to expand throughout 2016. Its Affirmation Management Service (AMS) is now being used by over 60 firms and usage has increased with the utility now handling around 40,000 transactions per month. During 2017, Fidessa intends to expand the service from equities and fixed income into derivatives and the number of firms using AMS and the volume handled by the service are both expected to continue rising.

Fidessa's Partnership Programme has provided new opportunities for expansion in the post-trade space, taking advantage of Fidessa's positioning across both the buy-side and the sell-side. Under MiFID II, firms must not only unbundle the fees paid by buy-side firms to brokers for research, but also implement an affirmation process to confirm these fees trade by trade. Commcise joined the Fidessa Partnership Programme in 2016, and its commission management solution enables firms

to transform their processing of Commission Sharing Agreements by providing reconciliation, invoice management, broker voting, commission management and reporting. Integrating this into Fidessa's post-trade workflow allows buy-side firms to more easily meet these new regulatory requirements, and leveraging Fidessa's distribution in this way enables the process to be implemented in a very cost effective and seamless manner.

Regulation

Regulation continues to be an active topic around the world, with the main focus now shifted to the imminent implementation of MiFID II in Europe and the uncertainty in America following the US election. During 2016 Fidessa has been working closely with its customers to develop a comprehensive programme which will support them through the complex regulatory environment and help them maintain their compliance across all regions.

In Europe, Fidessa is continuing to develop its MiFID II programme on the basis that the rules will come into effect on 3rd January 2018 and will apply to all firms in the UK regardless of the outcome of the Brexit negotiations. The scope of Fidessa's MiFID II programme is wide ranging and covers:

- enhanced controls including pre-trade risk checks;
- increased transparency including enhanced trade reporting;
- support for downstream record keeping and transaction reporting including additional order and trade data; and
- IT infrastructure and cyber security requirements.

It is clear that in order to meet the

Fidessa is committed to playing an increasingly important role in the markets as customers focus on efficiency, transparency, compliance and performance.

new regulations, firms will be under increasing pressure to have tighter integration of all their electronic flow and to ensure that workflow across all the regulated asset classes is well managed. To support its customers through MiFID II, Fidessa is planning a number of major software releases during 2017 and expects that some customers will look to move to a service provider with scale, such as Fidessa, as the work required to comply becomes clearer.

In the US, Fidessa has successfully deployed new functionality to support the Securities and Exchange Commission's (SEC's) Tick Size Pilot study, which widens the minimum quoting increment for a subset of pilot stocks. This pilot, created in part as a result of the Jumpstart Our Business Startups Act ("JOBS Act"), is a programme aimed at studying whether liquidity in smaller companies can be improved by widening the quoting increment, thereby incentivising market makers. It also includes a "Trade-at" provision, the purpose of which is to encourage the routing of orders to "lit" markets. Fidessa is also continuing to prepare for the forthcoming CAT NMS plan, which was approved by the SEC in November. The plan aims to create a single, comprehensive database known as the Consolidated Audit Trail (CAT) that will enable regulators to more efficiently and thoroughly track all trading activity in the US equity and options markets. It is likely to expand in future phases to include US Fixed Income instruments and dealing activities related to Initial Public Offerings.

At the end of 2015 a proposal to move forward with Regulation Automated Trading (RegAT) was unanimously approved by the Commodity Futures Trading Commission (CFTC). Work on

the definition of RegAT continued during 2016, but the regulation was not finalised before the US election as originally planned, and the comment period has now been extended to 1st May 2017. With the new US administration indicating a preference towards deregulation, there is now some uncertainty as to whether RegAT in its current form will continue. The new administration has also indicated a desire to make significant structural alterations to the Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), and has indicated that it will be introducing detailed cost benefit analysis of any new proposed rules. As a result, Fidessa believes that in the short term, there may be a pause in regulatory drivers within the US market, although Fidessa may benefit from improved customer sentiment if growth opportunities are boosted. Fidessa also expects that despite any hiatus with regard to US regulation, most large firms will continue to look for best practice when managing their global risk and workflow.

Outlook

Whilst Fidessa continues to see structural and regulatory drivers within the market, there is clearly a degree of uncertainty as a result of the Brexit vote and the US election and it is likely to be some time before it has a clear view of how these events will impact its customer base. In Europe, however, Fidessa continues to expect that MiFID II will be introduced as planned and that regardless of Brexit, this will include the UK. In the US there are signs that the regulatory environment may be loosened but, whilst early indications are that Fidessa's customers see this as beneficial, at this stage it is too early to say how this might develop.

Overall, Fidessa continues to believe that it is well positioned to benefit from the opportunities that will arise in the markets as a result of regulatory and structural change. Furthermore, with over 60% of its revenue derived from outside of Europe, and over 70% in non-sterling currencies, Fidessa remains well positioned to benefit from any continued weakness in sterling, providing further support for its strong cash generation and dividend policy. Fidessa expects that 2017 constant currency revenue growth will be around the levels that it has seen during 2016, with further headline gains if sterling remains weak. Fidessa anticipates that one off and duplicate costs in respect of the relocation of its main US office from New York to Jersey City will reduce profit after tax margin by approximately 1% during 2017.

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

Strategic report continued

Risk factors and uncertainties

Responsibility for internal controls and risk management systems across the Fidessa group ultimately rests with the Board. The Operating Board is responsible for the identification and management of risks and this is overseen and managed by the Governance Risk and Compliance Committee which is chaired by the Group General Counsel and comprises senior managers from across Fidessa. The Governance Risk and Compliance Committee provides regular updates to the Operating Board and the Audit Committee.

There are a number of potential risk factors that could have a material adverse effect on Fidessa's operations, its financial results or the value and liquidity of its securities. During the year the Board carried out a robust assessment of the principal risks facing Fidessa, including those that threaten its business model, future performance, solvency or liquidity, and the table below identifies the known principal risk factors; the table is not intended to be exhaustive. Whilst there has been no material change to Fidessa's risk profile from previous years, increased focus has been given during the year to cyber threats. Consideration has also been given to the risks of regional changes such as Brexit and the American election; however, the Board believes that the global nature of its trading platforms means that it is less susceptible to the effects of regional changes, as trading infrastructure is likely to continue to operate on a cross border basis. There may also be risks that are not currently considered to be serious or which are currently unknown. Where reasonably possible, Fidessa has taken steps to manage or mitigate the risks or potential risks but it cannot entirely safeguard against all of them. Additionally, and where feasible, Fidessa has purchased reasonable levels of insurance, including cyber liability cover, to mitigate against the financial exposure arising from known or potential risk.

The Board considers its risk assessment processes to be compliant with the current governance requirements. Further details of its internal control and risk management systems are set out in the Audit Committee's Report.

Principal risk factor	Risk impact and mitigation
Economic conditions and competitors: <ul style="list-style-type: none"> • Instability of the financial system, market disruptions or suspensions • A material downturn in financial markets or economic recession • The insolvency, closure, consolidation or rationalisation of parts of its customer base • Fidessa's response to competition may not be satisfactory 	<p>Impact: adverse economic conditions or the activities of competitors could harm Fidessa's revenue, profit, growth and cash flow over a sustained period.</p> <p>Mitigation: Fidessa's business model generates a high level of recurring revenue which lessens the immediate effect of downturns in end markets or competitor actions. In addition, Fidessa is a global business which provides resilience against regional recession.</p> <p>Fidessa's service line structure together with dialogue with customers, research and marketing activities help provide focus to maintain a competitive advantage.</p>
Strategic risk: <ul style="list-style-type: none"> • Fidessa's investment decisions may not be satisfactory 	<p>Impact: damage to Fidessa's reputation and/or financial loss if customers cancel or do not renew their contracts.</p> <p>Mitigation: Fidessa undertakes strategic reviews using customer and market intelligence to support its decision-making processes.</p>

Principal risk factor	Risk impact and mitigation
<p>Operational risk:</p> <ul style="list-style-type: none"> • Inability to access an office or data centre facility • Inability to provide Fidessa service or loss of data due to software error or infrastructure failure • Delay to or failure of an implementation of Fidessa software or service • Lack of access to the Fidessa services or markets or failure of data transmission from Fidessa data centres • Saturation of network or infrastructure capacity • Software or algorithm error or external interference including sabotage for individual or multiple customers causing trading errors or preventing customers from trading • A disaster such as a natural disaster occurs and Fidessa's business continuity planning and/or disaster recovery is found to be inadequate • Fidessa products or services cause customers to breach regulations • Test trades entering a live market 	<p>Impact: a failure in the delivery of an aspect of service or a software error could immediately and materially damage Fidessa's revenue, profit, growth and reputation.</p> <p>Mitigation: through established controls and procedures, including a rigorous test and quality assurance process, Fidessa aims to prevent many of these risks materialising. In addition, the service environment is monitored using tools and processes so that issues arising can be detected and reacted to at an early stage. In designing and managing facilities, the resilience and capacity are of high importance so that continuity of service is expected. Fidessa's regulatory teams monitor applicable requirements and advise on how they are to be reflected in the software and services. Fidessa has robust business continuity and disaster recovery policies and procedures.</p>
<p>Security and data:</p> <ul style="list-style-type: none"> • Unauthorised access to and/or breach of systems, network or premises • Loss, corruption or misuse of customer or Fidessa data • Exploitation of a software vulnerability • Inadequate monitoring of security events • Malware outbreak 	<p>Impact: a security, cyber security or customer data breach may immediately and materially affect Fidessa's reputation with possible implications for revenue and growth over the short- to medium-term. Such a breach may also cause financial loss, for example as a result of contractual claims or regulatory penalties.</p> <p>Mitigation: Fidessa has robust cyber and physical security policies, system and procedures, managed by dedicated staff; these provide a substantial level of protection against ever-evolving threats. Fidessa limits access to customer data, systems, office and data centre areas to appropriate personnel. Penetration testing is undertaken to monitor the effectiveness of security and cyber security and identify areas for improvement. Separation between the corporate network and the customer environment further reduces security risk. Fidessa has robust incident management procedures. Fidessa uses various levels of anti-malware protection.</p>

Strategic report continued

Principal risk factor	Risk impact and mitigation
Legal: <ul style="list-style-type: none"> Contractual risk in relation to customer and supplier contracts Claims for infringement of a third party's intellectual property Infringement of Fidessa's intellectual property 	<p>Impact: an injunction against Fidessa in connection with a breach of a third party's intellectual property right could prevent Fidessa from delivering its full portfolio of products and services whilst contesting that injunction. Other legal actions brought by or against Fidessa may have an impact on profit and cash balances.</p> <p>Mitigation: Fidessa maintains a rigorous process for approving contractual terms and deliverables to control the level of risk that is accepted and manages contract deliverables. Fidessa ensures its intellectual property is protected in its employment contracts, data leakage protection policies and procedures and access controls. Fidessa controls its product development processes to focus on its own innovation and intellectual property and seeks to protect its own inventions through the development of a patent portfolio.</p>
Bribery, corruption and fraud: <ul style="list-style-type: none"> Failure to follow anti-bribery laws and policies Bribery and corruption are more prevalent in certain jurisdictions Fraudulent activities or theft by employees Collusion between employees and customers/suppliers 	<p>Impact: damage to Fidessa's reputation and/or financial loss if customers cancel or do not renew their contracts.</p> <p>Mitigation: Fidessa has an established set of anti-bribery policies and an established training programme. Fidessa operates background checking and training.</p> <p>Fidessa has security processes, including access controls, in place for key business areas. Access to bank accounts is controlled and monitored centrally. Additionally, internal audit reviews are undertaken on key control areas. Fidessa has whistleblowing procedures.</p>
Regulation: <ul style="list-style-type: none"> Changes in regulations in financial markets affecting the software and services that Fidessa provides Health and safety and environmental regulation affecting Fidessa's operations 	<p>Impact: failure to comply with changes in regulations that concern Fidessa's software, services or operations may have an impact on Fidessa's reputation, revenue and cash balances over the short- to medium-term.</p> <p>Mitigation: Being a workflow provider, changes in financial market regulation are normally beneficial for Fidessa's business. It has a team of specialists who monitor regulatory developments and how they need to be reflected in the products and services offered.</p> <p>Fidessa maintains awareness of applicable laws that are likely to affect its operations whilst developing procedures and providing training that are designed to ensure compliance. Advice is obtained from external experts as necessary.</p>

Principal risk factor	Risk impact and mitigation
Employees: <ul style="list-style-type: none"> • Loss of key employees • Skills shortage 	<p>Impact: the loss of key employees or a skills shortage may have an effect on Fidessa's ability to implement its strategies and business plans over the short- to medium-term.</p> <p>Mitigation: Fidessa recognises that it is important to provide a stimulating environment in which to work, and provide the development and training to create successful careers whilst also rewarding fairly and competitively and uses benchmark data, career planning and succession planning as part of its strategy.</p>
Financial: <ul style="list-style-type: none"> • Foreign exchange fluctuations due to operating in multiple currency • Collapse of financial institutions holding Fidessa's cash deposits • Real or perceived non-compliance with tax regulations 	<p>Impact: the occurrence of the financial risks highlighted may weaken cash balances, revenue and profit over the short-term and could expose Fidessa to reputational risk.</p> <p>Mitigation: Fidessa has an established treasury policy that limits the level of single counterparty risk. Foreign exchange fluctuations are mitigated by a significant level of natural hedge and hedging of any remaining foreign exchange risk is currently not considered necessary.</p> <p>Fidessa minimise tax risk through robust processes and governance, the employment of appropriately trained resources and the use of specialist advisors where deemed appropriate.</p>

Strategic report continued

Employees, employee involvement and equal opportunities

Fidessa considers its employees not only as key stakeholders in the business but also critical to its success and growth. It therefore aims to maintain an attractive place to work, where employees can develop successful and rewarding careers for themselves.

Fidessa has an extensive induction programme that provides all new joiners with the opportunity to understand Fidessa's business and customers. It offers an extensive set of training programmes and career development opportunities for employees.

Fidessa continues to focus on building a diverse and inclusive culture throughout the Group and its employment policies are designed to attract, retain and motivate the very best employees regardless of colour, nationality, sex, marital status, sexual orientation, age, religion, disability or any other characteristic protected by law. In addition to its employment policies, Fidessa managers with global responsibility receive training designed to ensure that they avoid unintended bias.

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. Fidessa is committed to being able to fully support employees with

hidden or visible disabilities. Fidessa joined the Business Disability Forum during the year.

Achieving gender diversity in certain sectors, including the software and technology sector, continues to present challenges when considering the profile of the available talent pool in those sectors. Fidessa has active female involvement at director, senior management and other management levels. The table below sets out the gender breakdown across the Group.

	Male	Female
Directors	7	1
Other senior managers	16	3
All employees	1,371	365

In order to encourage a diverse pool of talent and assist in raising Fidessa's profile amongst new and diverse talent, Fidessa joined the Tech Partnership during the year. One of the aims of the Tech Partnership is to inspire a new generation, especially girls, about technology skills and technology careers.

Effective communication and openness with employees are vital and Fidessa's internal communications policy promotes the understanding and involvement of all employees in its business aims and performance. Fidessa has a relatively flat management structure and is committed to and encourages regular face-to-face communications. The policy of providing employees with information about new products and services, operations and the performance and development of the overall business has continued

through the intranet site, product seminars and interactive Group-wide meetings at which progress updates are given by senior management.

It is important for Fidessa to understand how its employees feel about working at Fidessa and the "Fidessa Focus" employee survey conducted in 2016 helped provide some valuable feedback. The last survey was conducted in 2014. The 2016 survey was facilitated by an independent HR consultancy, Expert Training Systems plc (ETS) and was completed by 82% of all staff (75%: 2014). The key highlights were:

- Fidessa scored an overall engagement score of 82%. The overall engagement score relates to the percentage of combined 'agree' and 'strongly agree' responses selected by participants against each of the engagement index questions within the survey, of which there were seven questions. Of these seven questions, three scored above the ETS benchmark, three were in line with the ETS benchmark and there was no benchmark data available for the other. The results illustrate Fidessa's strong performance against external benchmarks;
- 83% of employees rated Fidessa favourably as an employer; and
- the highest scoring question was 'I care about Fidessa's customers'.

Despite the excellent results of the survey, Fidessa set up various focus groups with the aim of further improving the results ahead of the next survey, which is scheduled for 2018.

Based on external benchmarking within the key regions, Fidessa offers remuneration and benefits packages consistent with similarly placed technology employers in the countries Fidessa operates. In addition, Fidessa encourages employees to own shares in the Company through their participation in the Share Incentive Plan (SIP) and the Monthly Share Purchase Share (MSPP). As at 31st December 2016 91% of employees were eligible to participate in the SIP and/or MSPP. Further details of the SIP and MSPP can be found in note 19 to the consolidated financial statements.

Fidessa also offers flexible working arrangements, supporting part time working and reduced hours to allow its employees to balance their work and family commitments.

The success Fidessa has in recruiting and retaining staff can be further demonstrated by the fact over 50% of all employees have been with Fidessa for more than five years and nearly 20% for more than 10 years.

Fidessa has policies, procedures and/or training designed to ensure that it operates in a legal and ethical manner. These include policies, procedures and/or training relating to health and safety, whistleblowing, anti-corruption, grievance, maternity, paternity, adoption and parental leave, flexible working, learning and career development, cyber and physical security and IT. Fidessa reviews its policies on a regular basis to ensure that they continue to be fit for purpose.

The health and safety of employees, customers and visitors is of primary importance. Fidessa 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 are carried out regularly. Appropriate information, training and supervision are provided in support of this policy.

Corporate social responsibility and human rights

Fidessa recognises the importance of meeting globally recognised corporate responsibility standards.

The Board believes that Fidessa has a positive social impact through the employment it creates, the payment of local corporate, employment and sales taxes, its participation in activities with local communities and its regular support of a number of fundraising activities for employee nominated charities. Employees are encouraged to follow good principles of social behaviour, which are reflected in Fidessa's internally published corporate social responsibility policy. Fidessa believes that engagement with local communities helps support the principles set out in its social and ethics policy.

During the year Fidessa contributed globally £30,000 to charities through direct donation or matched funding.

Fidessa is committed to respecting the human rights of individuals in the UK and internationally. Fidessa recognises that it has an opportunity to ensure that human rights are understood and observed in the areas

that it operates and it supports the principles set out in the following international standards:

- UN Declaration of Human Rights;
- UN Guiding Principles on Business and Human Rights; and
- Core Conventions of the International Labour Organization.

Additionally, Fidessa believes that its policies relating to equality, equal opportunities and anti-corruption also help avoid causing or contributing to negative human rights impacts.

Fidessa's website provides further details on Fidessa's corporate social responsibility and human rights policies, including Fidessa's statement in relation to Section 54 of the Modern Slavery Act 2015.

Environmental matters

It is important to Fidessa's employees, customers and suppliers that it acts in an environmentally responsible manner and that Fidessa has endeavoured to manage the effect that it has on the environment and to support sustainability. Fidessa's environmental policy is regularly reviewed and is published on its website and intranet.

As an office-based software and services provider, Fidessa has no activities that have a major negative environmental impact. Usage of energy to facilitate the computing requirements of its data centres and its employees, as well as international travel, are considered to be the greatest environmental impacts associated with its daily operations.

Strategic report continued

Other factors include the use of electrical and electronic equipment, the consumption of water, the use of paper and the disposal of waste.

Fidessa endeavours to minimise energy and natural resource usage, support the reduction and recycling of materials and ensure the legal disposal of waste arising from the activities of the business. Fidessa encourages employees to reduce their usage of those resources and sets policies and procedures to assist in this so that productivity is not adversely impacted.

Fidessa's website provides further details on its environmental policy.

Greenhouse gas emissions

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Fidessa is required to make certain disclosures concerning greenhouse gas emissions relating to the current and preceding financial years.

The quantity of Scope 2 emissions is set out in the table below.

	2016	2015
Carbon emissions (tonnes of CO₂e)	9,384	10,520

The GHG Protocol Corporate Accounting and Reporting standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors Guidance 2013 were used to calculate the quantity of emissions.

Fidessa calculated the emissions from data available for its major operations and extrapolated these results to take account of the smaller operations. Scope 1 data has not been included as it is not considered to be material. Refrigerant losses are excluded as they are the responsibility of either Fidessa's landlords or its data centre service providers.

The legislation requires the statement of relevant intensity ratios. This is an expression of the quantity of emissions in relation to a quantifiable factor of the businesses activity.

Fidessa has identified six such intensity ratios as set out in the table below.

**Intensity ratios
(tonnes of CO₂e per unit)**
Ratios of carbon emissions to:

	2016	2015
Total revenue	0.03	0.04
Recurring revenue	0.03	0.04
Operating profit	0.21	0.28
Employees	5.41	6.04
Number of connections to the network community	1.45	1.74
Number of Fidessa users	0.41	0.45

Approved by the Board and signed on its behalf by

Andy Skelton
Director

10th February 2017



Directors' and corporate governance report

This section of the Annual Report outlines how the Board maintains high standards of corporate governance as well as providing a summary of how each of the Board's Committees function. The Board believes in good governance and recognises the importance of complying with the various aspects of the UK governance framework.

After conducting an externally facilitated evaluation process last year, I led an internal review process that concluded that the Board was operating effectively. The observations arising from that review were discussed during 2016. Further details are set out in this report.

The composition and stability of the Board continues to be a key focus. As announced on 8th February 2017, Richard Longdon will be joining the Board on 1st March as Senior Independent Director; he will also be a member of the Audit, Remuneration and Nominations Committees. Ron Mackintosh will stand down as Senior Independent Director when Richard joins the Board but will remain on the Board as an independent non-executive director.

Finally, the Board continues to welcome interaction with shareholders and I and the other non-executive directors are available for dialogue as an alternative to meetings with the Chief Executive and Chief Financial Officer.

John Hamer
Chairman

The directors present their report and the audited financial statements for Fidessa group plc (company number 03234176) for the year ended 31st December 2016. These will be laid before the shareholders at the Annual General Meeting to be held on 26th April 2017. The Strategic Report is incorporated by reference into this Directors' Report.

All sections of the Annual Report contain 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 or events 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.

Directors

For the majority of 2016, the Board comprised a Chairman, four independent non-executive directors and two executive directors. Currently there are four independent non-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 non-executive directors to be independent of management. The serving directors are:

John Hamer (age 57), Chairman

John Hamer joined Fidessa in 1983. He has a BSc. Hons. in Computer Science from Leeds University and was Chief Executive of the Group between 1992 and 2001 when the Group had multiple divisions, each division having its own Chief Executive. John became Chairman in 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 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 2001. He currently has no other material business commitments.

Chris Aspinwall (age 53), Chief Executive

Chris Aspinwall joined Fidessa in 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 2001 he became Group Chief Executive. He has a BSc. Hons. in Computer Science from York University.

Directors' and corporate governance report continued

Andy Skelton (age 45), Chief Financial Officer

Andy Skelton joined Fidessa in October 2015 as Chief Financial Officer. He was previously Deputy Chief Financial Officer at CSR plc, a global fabless semiconductor company that was listed on the London Stock Exchange and on NASDAQ, before its acquisition in 2015 by Qualcomm Incorporated. Prior to joining CSR, Andy held a number of senior finance positions at Ericsson and Marconi, including two years as Chief Financial Officer of Ericsson Nikola Tesla in Zagreb, Croatia. He has a BA in Accounting and Finance from Heriot-Watt University and qualified as a chartered accountant in 1994.

Ron Mackintosh (age 68), Senior Independent Non-Executive Director

Ron Mackintosh was appointed to the Board in 2004. 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 has been Chairman of each of CSR plc, SmartStream Technologies Limited, Northgate Information Solutions plc, Differentis Limited and Alertme.com Limited and is a former director of Gemplus SA.

Elizabeth Lake (age 74), 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 was a partner in the consultancy practice of KPMG and has also held senior executive positions at CSC Index 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.

John Worby (age 66), Independent Non-Executive Director

John Worby was appointed to the Board as a non-executive director in May 2014. John is a chartered accountant who is an experienced executive and non-executive director. In 2013 he retired as Group Finance Director of Genus plc, having previously been Group Finance Director and Deputy Chairman at Uniq plc (formerly Unigate PLC). John is the senior independent director and Chairman of the Audit Committee at both Carr's Group plc and Hilton Food Group plc and has held a number of other non-executive positions including at Connect Group PLC (formerly Smiths News PLC) and Cranswick plc. John is a member of the Financial Reporting Review Panel.

Ken Archer (age 65), Independent Non-Executive Director

Ken Archer joined the Board as a non-executive director in November 2014. He is Chairman of Gresham Technologies plc (formerly Gresham Computing plc), where he has been a non-executive director since 2010. Ken was Chief Executive Officer of SmartStream Technologies until 2009 and prior to that, the President, European Business Development of Computer Sciences Corporation where he managed the sales team responsible for large scale outsourcing projects across Europe. Ken has also worked at J.P. Morgan, where he served as VP, Information Services and subsequently at Mercantile Information Services and The Savings Corporation.

In accordance with provision B.7.1 of the UK Corporate Governance Code (Code) all the directors offer themselves for re-election at the forthcoming Annual General Meeting.

As announced on 8th February 2017, Richard Longdon will be joining the Board on 1st March as Senior Independent Director; he will also be a member of the Audit, Remuneration and Nominations Committees. Ron Mackintosh will stand down as Senior Independent Director when Richard joins the Board but will remain an independent non-executive director. Further details are set out in the Nominations Committee Report.

Richard Longdon has had a highly successful executive career in the technology sector having spent 33 years with AVEVA Group plc. Richard was chief executive officer at AVEVA for 17 years and retired from that role and as a director of AVEVA in December 2016. Richard is currently the president of AVEVA, a non-Board role that he will hold during 2017. Richard has been Chairman of Process Systems Enterprises Ltd since January 2015.

In 2013 Ron Mackintosh completed nine years of service as non-executive director of Fidessa. Following consultation in October 2013 with the largest 13 shareholders (holding over 60% of Fidessa's shares at that time) the Board reappointed Ron and he has been re-elected by shareholders at subsequent Annual General Meetings. During 2016, the Board undertook a rigorous review of Ron's independence and contribution to the Board and continues to conclude that he remains independent in character and judgement. The Board believes that Ron's considerable experience within the technology sector in UK listed companies is both rare and very valuable and given recent changes in other parts of the Board it is beneficial to the Company to retain Ron's services as an independent non-executive director. The Board further considers his valuable contribution to, and in-depth understanding of, Fidessa's business together with his fair and transparent participation in Board discussions as beneficial and valuable to the Board and Fidessa as a whole. Accordingly, the Board recommends that Ron be re-elected as an independent non-executive director at the 2017 Annual General Meeting.

The Board also recommends the election of Richard Longdon as the Senior Independent Director.

As announced by the Company on 11th January 2016, Ron Mackintosh stepped down as Chairman of the Remuneration Committee with Ken Archer assuming that role and also becoming a member of the Nominations Committee, both with effect from 8th January 2016.

After a formal review, the Board confirmed that John Worby, Elizabeth Lake and Ken Archer are independent in character and judgement. When reaching its decision on independence, the Board considered the independence criteria set out in paragraph B.1.1 of the Code.

The Chairman confirms that the performance of each of the directors continues to be effective and that they continue to demonstrate commitment to their roles, bringing their considerable commercial experience to Fidessa; accordingly their re-election is recommended. The Senior Independent Director, Ron Mackintosh, confirms, on behalf of the non-executive directors, that the performance of the Chairman continues to be effective and his re-election is accordingly recommended.

Directors' interests in shares and share incentives in Fidessa group plc are detailed in the Directors' Remuneration Report.

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

Directors' and corporate governance report continued

The Board

At 31st December 2016 the Board comprised the Chairman, two executive directors and four 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 Skelton	Chief Financial Officer	Member	-	-	-
Ron Mackintosh	Senior Independent Non-Executive Director	Member	-	-	-
John Worby	Independent Non-Executive Director	Member	Chairman	Member	Member
Elizabeth Lake	Independent Non-Executive Director	Member	Member	Member	Member
Ken Archer	Independent Non-Executive Director	Member	Member	Chairman	Member

The Board meets formally on a regular basis to monitor operating issues, risk and trading performance, to review forecasts, strategy and policy, to consider key projects and major investments and to oversee appropriate shareholder reporting. During 2016 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, to discuss the performance of the executives. The Chairman and non-executive directors also held meetings throughout the year with various senior managers to improve insight into the business operations and marketplace. The attendance of all directors at Board meetings and non-executive directors at Committee meetings is presented in the table below:

	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 Skelton	10/10	-	-	-
Andy Malpass*	1/1	-	-	-
Ron Mackintosh	10/10	4/4	3/3	2/2
John Worby	10/10	4/4	3/3	2/2
Elizabeth Lake	10/10	4/4	3/3	2/2
Ken Archer	9/10	4/4	3/3	2/2

* As previously announced, Andy Malpass retired from the Board on 15th February 2016.

Absences were due to illness.

The Board is responsible for 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 Fidessa's affairs.

The schedule includes approval of the Annual Report and any other financial statements, the adoption of 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 regularly. A procedure exists to allow the directors to seek independent legal advice in respect of their duties at Fidessa'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 his advice and services.

There was a rigorous formal evaluation of the performance of the Board during 2016. This consisted of a review conducted by way of a performance evaluation questionnaire which was based on the Code and included questions related to the following areas: Board structure and diversity, effectiveness, frequency and content of Board meetings, decision making, strategy, training, risk oversight, succession planning and Committees. Questionnaires were completed by the directors and that was followed by review at a Board meeting to give directors the opportunity to discuss specific points raised. The conclusion was reached that the Board is operating effectively, that it is considered to be the right size and composition with appropriate skills represented and that each director continues to contribute effectively and demonstrates commitment to their role.

An evaluation of the Chairman by the non-executive directors without the executive directors present was also carried out and it was concluded that he was performing his role effectively. In accordance with the requirements of paragraph B.6.2 of the Code, the next independent evaluation of the performance of the Board is scheduled to be conducted during 2018.

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 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 Chief Executive is responsible for all aspects of Fidessa's operations; he leads and develops the strategy plans for the business and identifies risk factors and the steps required to mitigate them.

Directors undergo a thorough, formal and tailored induction process on joining and, following regular reviews by the Chairman of training and development requirements, 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.

The Companies Act 2006 imposes a statutory duty on directors to avoid conflicts of interest. The 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 have arisen since that legislation came into effect.

Directors' and corporate governance report continued

Committees of the Board

The constitution and responsibilities of the Board's Committees are set out below.

Directors' remuneration report

Annual statement from the Chairman of the Remuneration Committee

I am pleased to introduce the Directors' Remuneration Report for the year ended 31st December 2016.

The Committee continues to believe that a significant proportion of the remuneration for the executive directors should be performance-related. The elements of each executive's package that are performance-related are the annual variable pay, which is directly linked to the year's operating profit, and long-term share incentives. These elements are underpinned by a competitive salary but with very limited benefits. These principles are reflected in the updated remuneration policy.

During the year the Committee conducted a five year review of the Company's share plans for directors and other employees and also reviewed the Directors' remuneration policy which is due to be presented for renewal at the Company's 2017 Annual General Meeting. The conclusion of the review was that the current share plans and the policy are broadly fit for purpose; however certain changes are proposed to give greater flexibility in the way that the policy and, in particular the Performance Share Plan (PSP), is operated from year to year and to take account of market and best practice developments. The Committee consulted with Fidessa's largest shareholders (holding almost 75% of Fidessa shares) regarding these changes and the majority of those consulted were supportive. Details of the proposed performance targets for the 2017 awards are set out in the Annual Report on Remuneration.

The key change to the policy will be to allow the Committee greater flexibility in the choice of long-term incentive metrics (the previous policy only allowed narrowly defined earnings per share (EPS) targets to be used as a measure). The Committee has also formalised the share ownership guidelines and will introduce a two year post-vesting holding period into the policy. Clawback and withholding provisions were also updated and/or introduced to the share plan rules and the annual variable pay award to ensure consistency with best practice. The overriding focus of the performance-related elements will remain on consistent financial performance over multiple years and the operation of increased shareholding guidelines will provide alignment with Fidessa's strategy and shareholders' interests.

In September 2016 the Committee also approved the first grant of long-term incentives under the PSP since 2014. These awards will vest in September 2020 subject to the achievement of challenging EPS targets.

For 2016, the Committee felt that due to prevailing market conditions and the potential financial performance of Fidessa, basic salary and the total annual variable pay opportunity for the executive directors should remain unchanged. As in previous years, when setting the operating profit threshold for the executive directors' annual variable pay, the Committee considered the market conditions at the time, Fidessa's projected financial performance for the year and stakeholders' interests. For 2016, the Committee increased the operating profit threshold by 2.6%.

For 2017, the Committee has agreed that any increase in executive directors' salaries will take into account and reflect sensitivities in relation to the percentage increase received by the Group's UK employees. Additionally, there will be no change in benefits and Chris Aspinwall's and Andy Skelton's annual variable pay will be aligned to operating profit performance consistent with the approach taken since 2013.

Ken Archer
Chairman of the Remuneration Committee

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) (Amendment) Regulations 2013 (the Regulations).

The report has been split into two sections: the Directors' Remuneration Policy, which sets out the policy on the remuneration of the executive and non-executive directors for the next three years, and an Annual Report on Remuneration, which discloses the directors' remuneration for the year ended 31st December 2016. The Directors' Remuneration Policy is intended to be operated from the start of the 2017 financial year and take formal effect from the 2017 Annual General Meeting and remain in place for three years. Fidessa will be seeking shareholders' support for the Directors' Remuneration Report (including the Directors' Remuneration Policy) at the forthcoming Annual General Meeting.

Directors' remuneration policy

The Committee believes that the executive directors and senior managers should be rewarded fairly and competitively according to their performance. This should be at a comparable level to directors and senior managers in similar companies and at a level that will challenge, attract, motivate and retain individuals of an appropriate calibre to deliver long-term success against Fidessa's strategy and value to shareholders.

Fidessa's remuneration philosophy is that a significant proportion of the remuneration of the executive directors and senior managers should be performance-related, so that management is clearly focused on financial performance. Whilst the annual variable pay component is focused on financial performance in the year, the long-term share-based incentives are focused on longer term growth and share price performance measured over multiple years. The focus on sustainable financial performance avoids excessive short-term risk taking, encourages consistent performance over multiple years and aligns remuneration with Fidessa's strategy and shareholders' interests. It aims to deliver success, value and good growth over the long-term whilst balancing the extent of caution and risk.

The individual elements of the remuneration packages offered to executive directors are set out in the table below.

Executive directors' remuneration policy	
Salary	<p>Executive directors' salaries are normally reviewed with effect from 1st January each year. When setting salary levels the Committee takes into account an individual's experience, knowledge and performance in the role, business and individual performance, achievement of objectives, comparative salaries and periodic reviews from the Committee's remuneration advisers. Maintaining this alignment is one of the factors the Committee takes into account when setting salary levels. This approach should assist in the recruitment, motivation and retention of high performing individuals.</p> <p>In addition, the Committee considers the salary increases being provided to Fidessa employees over recent years and the period under review to take account of potential sensitivity of salary increases to executive directors.</p>

Directors' and corporate governance report continued

Benefits	<p>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.</p> <p>Current benefits include life insurance, ill health income protection and private medical insurance. The benefits offered may vary during the policy period but they shall not exceed those benefits generally offered to employees. Any reasonable business expenses and any tax thereon that are deemed to be taxable benefits by HMRC may also be reimbursed by the Company.</p> <p>For any international recruitment and/or overseas assignment benefits may be tailored to comply with local market legislation, regulation or cultural norms.</p>
Annual variable pay	<p>The purpose of the annual variable pay award is to reward the performance of the executive directors based on an annual business target(s). It is currently based on financial performance measures which are reviewed annually and will be aligned to the Group's strategic objectives at that time. The Committee may revise the performance criteria in the event of an acquisition or disposal. The applicable sections of the Annual Report on Remuneration sets out details of the performance measures and the operation of the annual variable pay award. Should the Committee impose non-financial performance measures the annual variable pay award will still be primarily based on financial performance measures.</p> <p>To be consistent with other tiers of management, annual variable pay award is currently paid in two instalments, interim and final payments being paid after the half year and final results are announced, respectively. The proportion of the variable pay award payable as an interim award is around one third of the anticipated final award. In the unlikely event that the overall annual variable pay award is less than that already paid as an interim award, the excess will be clawed back. This directly aligns the annual variable pay award with financial performance, whilst at the same time avoids rewarding for poor performance.</p> <p>A component of the annual variable pay award may be deferred in shares for three years, subject to continued employment, through the use of the Deferred Annual Bonus Plan (DABP); thus encouraging a longer term focus. Dividend equivalents may be paid on deferred annual variable pay awards at the time at which the award vests. The Committee will take into consideration the executive directors' shareholdings and existing long-term share-based incentives when determining whether deferral of a proportion of an annual variable payment is appropriate or not.</p> <p>The maximum annual variable pay award is capped at 125% of salary for the Chief Executive and 100% of salary for any other executive director. The minimum percentage of salary payable at threshold is 0%. Up to 50% of the annual variable pay award will normally be deferred under the DABP.</p> <p>Annual variable pay is subject to clawback and withholding provisions.</p>
Long-term incentives	<p>Long-term incentives are an important form of overall compensation when judiciously combined with other forms of remuneration. Such incentives are also key to aligning long-term remuneration with the long-term interests of shareholders. These incentives also encourage employee retention and sustainable performance when measured over multiple years.</p> <p>The current primary long-term incentive plan the executive directors can receive awards from is the PSP which was approved by shareholders in May 2011.</p>

Long-term incentives continued	<p>Subject to approval by shareholders, PSP awards granted from 2017 onwards will have a vesting and performance period of at least three years. Awards with a three year vesting period will also be subject to an additional holding period of at least two years during which the executives directors are normally unable to sell vested awards, other than to settle any tax or NICs due on vesting of awards.</p>
strategic	<p>The maximum annual award under the PSP to an executive director is £500,000 (based on the market value of the shares at the time of the award). When determining the value of the grants to the executive directors, the Committee takes into account, and ensures consistency with, the awards granted to other employees. No more than 25% of the total award may vest at threshold.</p>
	<p>Awards will be subject to performance conditions which are aligned to the Group's longer term strategy. The performance measures for awards in the current financial year are set out in the Annual Report on Remuneration. The Committee has discretion to introduce more measures or change the weighting of measures for each year's awards so that they are directly aligned with Fidessa's objectives for each performance period. The Committee will normally consult with its major shareholders before implementing any major changes to the measures used.</p> <p>The PSP is subject to clawback and withholding provisions.</p>
Pension	<p>The provision of pension benefits may be important in helping Fidessa attract and recruit high performing individuals. Directors are eligible to participate in a money purchase pension scheme or receive a cash alternative allowance; the executive directors do not currently participate in the scheme. The maximum contribution or allowance that Fidessa may make to a director's money purchase pension scheme shall be consistent with other employees in the same location. Fidessa currently matches the contributions of employees participating in the UK money purchase pension scheme up to a maximum of 3% of salary consistent with other UK employees. Any such pension benefits will be taken into consideration when agreeing a director's salary so that it does not result in an inappropriate proportion of fixed remuneration.</p>
All-employee share scheme	<p>The executive directors are also eligible to participate in all-employee share plans (approved by shareholders) on the same terms as other employees. These plans have standard terms and, where applicable, are subject to timing set by HMRC from time to time.</p>
Share ownership guidelines	<p>Executive directors are encouraged to build a material holding in the Group to align interests with shareholders.</p> <p>As such and with effect from approval of this policy, executive directors are expected to retain at least 50% of shares from vested awards (other than sales to settle any tax or NICs due) until they hold at least 200% of salary in the case of the Chief Executive Officer and 150% in the case of the Chief Financial Officer. The Committee has discretion to allow flexibility regarding achieving the share ownership guideline in exceptional circumstances. The Committee will review progress against the guideline on an annual basis.</p>

Directors' and corporate governance report continued

When considering annual variable pay targets the Committee takes into account the directors' on target earnings (i.e. salary and variable pay) for the year and sets a target level that is appropriately demanding taking into account market conditions prevailing at the time and the expected financial performance for the year. The Committee chooses financial performance measures which are simple to operate, transparent and can be applied accurately. The financial performance measures consist of a threshold and a sliding scale of payment once that threshold has been achieved up to the relevant cap, as described in the table above.

In relation to the PSP, growth in EPS has been chosen as the performance measure for the 2017 awards which the Committee considers appropriate, as the vesting of an award requires an improvement in Fidessa's financial performance. Additionally, in the event that total shareholder return is below that of the FTSE techMARK Index over the performance period, the Committee reserves the right to scale back the awards if it feels the level of vesting based on the EPS performance is, in the opinion of the Committee, inappropriate. Such measures are simple to operate, transparent and can be applied accurately.

When setting performance measures for the variable incentive plans in future years the Committee will consider the strategic priorities at the start of each financial year/ award cycle. Targets will be set on a sliding scale where possible with a minority of the maximum potential payable for achieving threshold performance. The target range will be set after considering a number of reference points, which may include internal financial forecasts, market consensus and a view of broader macroeconomic conditions.

The Committee will operate all incentive plans in accordance with their respective plan rules, the Listing Rules and relevant legislation where required.

Committee discretions

The Committee operates the Group's variable incentive plans according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of these plans and executive director remuneration, the Committee will apply certain operational discretions.

These include the following:

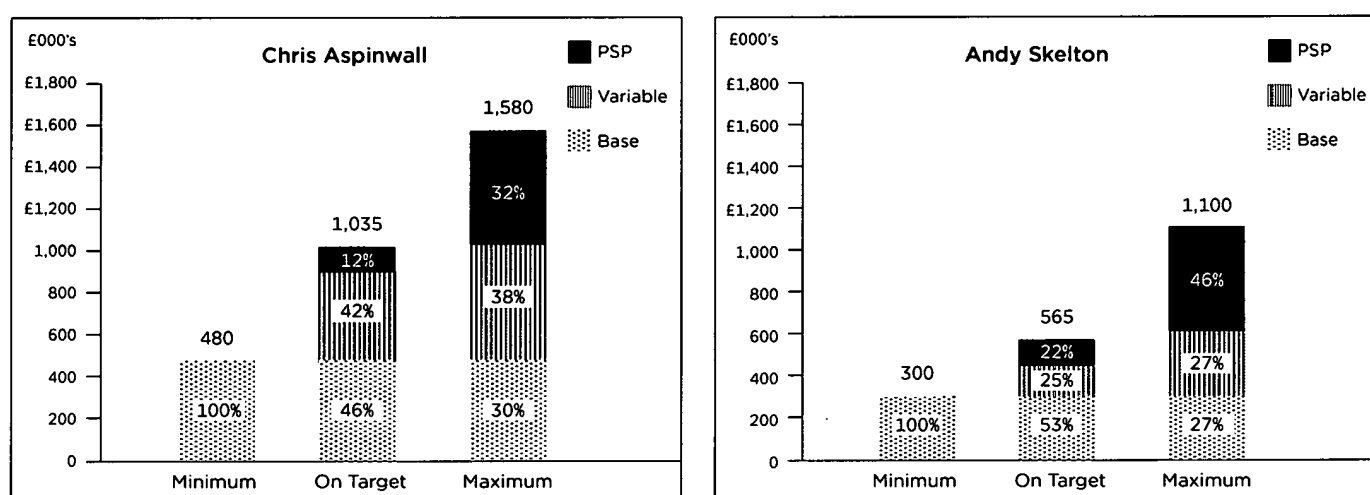
- selecting the participants in the plans on an annual basis;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the policy table above);
- determining the extent of vesting based on the assessment of performance;
- if an event occurs which results in the annual variable pay award or PSP performance conditions and/or targets being deemed no longer appropriate (e.g. a material acquisition or divestment, departure of a director etc) the Committee will have the ability in limited circumstances to adjust appropriately the measures and/ or targets and alter weightings;
- determining "good leaver" status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures, and setting targets for the annual variable pay award and PSP from year to year.

Remuneration policy changes

The remuneration policy above remains broadly similar to that approved by shareholders at the 2014 Annual General Meeting. The material change is the increased flexibility to grant PSP awards in the future with different performance conditions (previously limited to awards subject to a narrowly defined EPS measure with a target range of 8% per annum to 15% per annum).

The Committee has also formalised the share ownership guidelines and introduced post-vesting holding periods, clawback and withholding provisions and standard operational discretions into the policy.

The chart below illustrates the levels of remuneration that would be received by each executive director at different levels of performance for the first year to which the remuneration policy applies.



The illustration above, which excludes benefits and awards under the SIP (as they represent a very small amount), was calculated based on the following assumptions:

- minimum remuneration is solely fixed remuneration comprising salary (the current executive directors do not receive a pension contribution from Fidessa);
- on target remuneration comprises fixed remuneration, annual variable pay (including any deferred amount) for the year calculated on principles similar to those applied in 2016 (with an on target value of 90% and 47% of salary for the Chief Executive Officer and Chief Financial Officer respectively) and the maximum allowed PSP award, valued at the time of the award with a face value of £500,000 and a vesting of 25% during the year valued at the grant price; and
- maximum remuneration comprises fixed remuneration, the annual bonus (including any deferred amount) based on the maximum multiple of salary achievable (with a maximum value of 125% and 100% of salary for the Chief Executive Officer and Chief Financial Officer respectively) and a PSP award, valued at the time of the award with a face value of £500,000 and 100% vesting during the year valued at the grant price.

The assumptions for 'on-target' performance in the graph above are provided for illustrative purposes only and, in accordance with the regulations, does not make any assumptions as to future share price growth.

Directors' and corporate governance report continued

Non-executive directors' remuneration policy

Fees	<p>The fees of the Chairman and non-executive directors are paid monthly and reviewed annually taking into account time commitment, responsibilities and fees paid by listed companies with a similar market capitalisation.</p> <p>The Committee sets the Chairman's fee and the Board, excluding the non-executive directors, sets the non-executive directors' fees.</p> <p>The fee increases will take into account the outcome of the annual review and other factors, such as inflation.</p> <p>Additional fees for non-executive directors for duties outside the ordinary course of their service or for taking on additional responsibilities may be payable to reflect the time and responsibility involved.</p>
Benefits	<p>The Chairman is entitled to life insurance, ill health income protection and private medical insurance. Those benefits shall be provided on terms that are no better than those available to other employees.</p> <p>Other non-executives do not normally receive benefits but may be provided with travel and/or hospitality related benefits as part of the performance of their roles. In addition, all reasonable business related expenses (including any tax thereon) will be reimbursed.</p>
Other	<p>The Chairman participates in the SIP on terms that are no better than those available to other employees. Fidessa provides a matching share for each share purchased in the SIP. The Chairman's participation in the SIP may not be greater than maximum allowed in the plan rules and/or relevant legislation which may change from time to time.</p>

Non-executive directors are not entitled to any annual variable pay and are not eligible to participate in the long-term incentive or pension schemes offered by the Company.

Payments for loss of office – future directors

In the event of termination, the directors will receive payments for loss of office in accordance with the termination provisions of their service contracts, letters of appointment as applicable and any discretions available to the Committee.

No executive director is entitled to receive any annual variable pay award in lieu of the required notice period or unexpired part thereof.

Termination provisions for new directors will be no more favourable than those set out in the current Chief Financial Officer's service contract.

The Committee may pay reasonable outplacement and legal fees where considered appropriate. The Committee may pay any statutory entitlements or settle or compromise claims in connection with a termination of employment, where considered in the best interests of the Company.

Service contracts – executive directors

The contract of service for Chris Aspinwall was entered into on 2nd June 1997, and has been amended on three occasions (in October 2003, January 2012, February 2014) to reflect current market practice. The contract of service for Andy Skelton was entered into on 17th August 2015.

The key terms of the service contract and payments for loss of office for existing directors are shown in the table below:

Provisions	Summary
Term and notice	Indefinite with 12 months' notice from either party.
Payment	Salary and annual variable pay.
Benefits and other entitlements	Private medical insurance, life insurance and ill health income protection. Entitled to participate in the SIP and MSPP and receive matching shares in relation to those share plans. Entitled but to date not participating in Fidessa's defined contribution pension plan.
Clawback	During the period of two years from the date on which an annual variable pay, PSP or DABP award has been paid or awarded, that award will be subject to clawback in the event of a material misstatement of the financial results, an error in calculating performance against the conditions or if the executive director commits an act of gross misconduct.
Termination	<p>In the event of early termination, the directors may be entitled to receive payments for loss of office in accordance with the termination provisions of their service contracts and letters of appointment as applicable.</p> <p>In the event of early termination, the executive director will normally be entitled to receive salary, pro-rata variable pay for the period of time worked up to the date of termination and benefits during the notice period.</p> <p>If Fidessa terminates employment early, it may elect to make a payment in lieu of the required notice period, or unexpired part thereof, of salary and the cash equivalent of benefits. The executive director may also receive a pro-rata variable pay award for the period of time worked up to the date of termination. The executive directors are not entitled to receive any annual variable pay award in lieu of the required notice period or unexpired part thereof.</p> <p>Where the Chief Executive continues to work during his notice period it may be beneficial to Fidessa and its shareholders for the terms of the variable pay award to be varied, for example to ensure an effective handover of responsibilities. If such circumstances arise, the Committee in its absolute discretion may determine that different targets may apply to the Chief Executive than for other executives. The remuneration policy relating to payments for loss of office sets out how the Committee may exercise its discretion. For the avoidance of doubt, the Chief Executive is not entitled to receive a bonus in lieu of the required notice period or unexpired part thereof.</p>

Directors' and corporate governance report continued

Provisions	Summary
Termination continued	<p>Payments during the notice period or payments in lieu of notice will be payable in equal monthly instalments on the normal payroll date, except that any annual variable pay shall be payable at such time as that award would otherwise have been payable. Payments made in lieu of notice are subject to the executive director using reasonable endeavours to obtain suitable alternative employment; in the event that alternative employment is secured, amounts payable pursuant to the new employment shall be deducted from any payment made by Fidessa during the unexpired notice period.</p> <p>Service contracts may be terminated without notice and without compensation in a number of scenarios, including gross misconduct.</p> <p>Further amounts may become due to settle statutory entitlements, compromise claims, assistance with outplacement costs and legal expenses.</p>
Share incentive plans condition.	<p>The treatment for share-based incentives previously granted to an executive director will be determined based on the relevant plan rules. The default treatment will be for outstanding unvested awards to lapse on cessation of employment. In relation to awards granted under the PSP, DABP, SIP and MSPP, in certain prescribed circumstances 'good leaver' status may be applied (death, injury or disability, transfer of employment outside of the Group, or any other reason at the Committee's discretion) and the awards will normally vest in full (in the case of the DABP, SIP and MSPP) or subject to pro-rating for time (in the case of the PSP) subject to the performance condition.</p> <p>PSP awards and any restricted share awards under the DABP will vest on the normal vesting date unless the Committee determines they vest on the date of cessation and will be subject to time pro-rating (unless the Committee determines time pro-rating is inappropriate). Other DABP awards will vest on the date of cessation.</p>

The executive directors may accept a non-executive role at one other company with the approval of the Board. The executive directors will be entitled to retain any fees paid for those services.

Service contracts - non-executive directors

The contract of service for John Hamer was entered into on 2nd June 1997 and the key terms are shown in the table below:

Provisions	Summary
Term and notice	Indefinite with six months' notice from either party.
Payment	Salary.
Benefits and other entitlements	Private medical insurance, life insurance and ill health income protection. Entitled to participate in SIP and receive matching shares from Fidessa in relation to that share plan.
Termination	Payment in lieu of notice equal to six months' pay.

Each of the non-executive directors has a letter of appointment for a term of three years (except in the case of Ron Mackintosh, whose appointment term is one year) that is subject to termination by either party on one month's notice. The current terms commenced in; 2016 for Ron Mackintosh and 2014 for Elizabeth Lake, John Worby and Ken Archer. Further details of the appointment dates and remaining unexpired terms are set out in the Annual Report on Remuneration.

Remuneration policy for new directors

In the event that a new executive director is appointed or a new service contract is entered into, the service contract would be subject to a notice period of not greater than 12 months with the director entitled to receive salary, benefits as well as participate in the annual variable pay scheme and share plans. The remuneration package for the new director would be set in accordance with the terms of Fidessa's approved remuneration policy in force at the time of appointment whilst at the same time reflecting the experience and skill of the individual.

The new director's total remuneration would be set taking account of comparative packages as advised by the Committee's remuneration advisers and the proportions of the various elements of the remuneration package would be broadly similar to those relating to the current executive directors, taking into account local market legislation, regulatory constraints and cultural norms. The salary for a new executive will be set to reflect their skills and experience, the Company's target pay positioning and the market rate for the role in the relevant location, subject to the overall goal of attaining the right candidate. Where it is appropriate to do so, salaries may be set below the market rate, with phased increases over the first few years as the individual gains experience on the role. Different measures and targets under the annual variable pay plan or the PSP may be set initially, taking account of the responsibilities of the individual and the point in the financial year at which they join. A new employee may be granted a normal annual PSP award in the first year of employment in addition to any awards made with respect to prior employment being forfeited.

Where the Committee has considered it to be in the best interest of Fidessa and its shareholders it may offer additional cash and/or share-based elements on a one-time basis, such payments would be limited to the remuneration lost when leaving the former employer to take up a position with Fidessa and would reflect the delivery mechanism (e.g. cash, shares, options), time horizons and whether performance requirements are attached to that remuneration. If it is not possible, or not considered appropriate, to match the delivery mechanism, time horizons and performance requirements of such payment for lost remuneration then the Committee has the discretion to recommend that a payment be made on terms that it considers to be no more favourable than the payment terms for the lost remuneration. Existing arrangements will be used to the extent possible (subject to the limits set out in the policy); however, the Committee retains discretion to use the flexibility provided by the Listing Rules to make such awards. Shareholders will be informed of such payments at the time of appointment.

In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. Other ongoing remuneration obligations existing prior to appointment would continue as appropriate, provided that they are put to shareholders for approval at the earliest opportunity. For external and internal appointments, the Committee may agree that Fidessa will meet reasonable legal expenses, and/or relocation expenses in line with market practice.

The appointment of non-executive directors shall be on terms substantially similar to those of the existing non-executive directors and in accordance with the remuneration policy for non-executive directors applicable at the time.

Directors' and corporate governance report

continued

Employees and shareholders

Fidessa expects the total remuneration for employees to be at a level appropriate to attract, recruit, motivate and retain the most suitable individuals. Employees receive a bonus, which in many cases will be a percentage of salary with an element determined by personal performance and an element determined by Fidessa's financial performance. For more senior employees, a higher proportion of remuneration is payable as a bonus. The benefits available are dependent on market practice in each country. The pension scheme available to an employee varies according to location with contributions at a competitive level for each country; Fidessa only offers defined contribution pension schemes. There is no formal mechanism through which Fidessa consults with employees when determining executive directors' remuneration but the Committee takes into consideration the remuneration policy for employees when reviewing the remuneration of the executive directors.

Fidessa's shareholders have historically been very supportive of the remuneration philosophy and policy. On the occasions that dialogue has been required, this has been constructive and positive. The Committee has consulted with its major shareholders and representative shareholder bodies, the majority of whom were supportive of the changes being introduced for 2017. In the interests of maintaining an open and transparent approach to remuneration, the Committee will consult with major shareholders before making any material changes to the remuneration policy.

As has been the case in the past, the Committee will consider shareholder feedback provided for the forthcoming Annual General Meeting and throughout the year when setting the overall policy.

Annual report on remuneration

Membership, meetings and evaluation

During the year the Committee comprised Ken Archer (Committee Chairman), Elizabeth Lake and John Worby. All members of the Committee are independent non-executive directors. No member of the Committee has any personal financial interest (other than as a shareholder, to the extent disclosed in this report), conflict of interest arising from cross-directorships, or day-to-day involvement in running the business. The Chairman and executive directors may attend Committee meetings by invitation. The Company Secretary acts as secretary to the Committee.

As announced by the Company on 11th January 2016, Ron Mackintosh stepped down as Chairman and a member of the Remuneration Committee with effect from 8th January 2016.

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.

Responsibilities

The Committee operates within its terms of reference, which are reviewed and, if necessary, updated annually and are available at www.fidessa.com/investor-relations/remuneration-committee.

The Committee is responsible for determining the policy and application for remuneration, other benefits and terms of employment, including performance-related bonus schemes and oversight of share plans, for executive directors, senior management and the Chairman.

Remuneration consultants

During the year, the Committee took independent advice from its retained remuneration advisers, New Bridge Street, a trading name of Aon Hewitt Limited (AH), part of Aon plc. AH is a member of the Remuneration Consultants Group and has signed up to its Code of Conduct, which requires its advice to be objective and impartial. AH provided advice on general remuneration matters. AH does not provide other services to Fidessa. The Aon group provides other services to Fidessa, namely insurance broking and pensions provision, but the Committee continues to believe that this does not create a conflict of interest.

AH was appointed in 2008 following a selection process involving other remuneration advisers. The Committee regularly reviews the effectiveness of the advice received from AH and the Committee is satisfied that the advice given during the year under review is objective and impartial. The Committee maintains appropriate contacts with potential alternative remuneration advisers should a change be required.

For the year under review, AH received fees of £47,000 in connection with its work for the Committee.

Remuneration details

In accordance with the Regulations, the tables below set out the remuneration for each director.

Executive directors

£'000		Salary	Benefits	Annual variable pay	Long-term incentives vested	Other	Total
Chris Aspinwall	2016	480	1	529	-	2	1,012
	2015	480	1	377	-	1	859
Andy Skelton*	2016	300	9	172	-	1	482
	2015	56	12	26	-	-	94
Andy Malpass **	2016	13	1	-	-	-	14
	2015	302	1	140	-	1	444

* Andy Skelton was appointed to the Board on 26th October 2015. He is entitled to the same benefits as other executive directors and for a period of six months from joining Fidessa was eligible to receive a relocation allowance subject to a maximum of £20,000 (gross) related to temporary accommodation and removal costs. He stopped receiving the relocation allowance in April 2016.

** Andy Malpass retired from the Board on 15th February 2016 and did not receive any payments other than those disclosed in the table above.

Directors' and corporate governance report continued

Fidessa's approach to variable pay for 2016 was consistent with the remuneration policy approved by shareholders and the approach used since 2013. The benefits received by the executive directors are life insurance, ill health income protection and private medical insurance. The item in the column headed 'other' comprises the matching shares awarded under the SIP. The table below sets out the annual variable pay thresholds and percentages for the directors.

£'000		Operating profit*	Operating profit* threshold	Percentage payable above the threshold	Annual variable pay amount	Annual variable pay as a percentage of maximum opportunity
Chris Aspinwall	2016	44,603	20,000	2.15%	529	88%
	2015	37,034	19,500	2.15%	377	63%
Andy Skelton**	2016	44,603	20,000	0.7%	172	46%
	2015***	37,034	19,500	0.8%	26	37%
Andy Malpass****	2016	-	-	-	-	-
	2015	37,034	19,500	0.8%	140	37%

* Operating profit as monitored by the Operating Board.

** Andy Skelton receives 50% of his annual variable pay by way of an award under the DABP.

*** Pro-rated for period of service.

**** Andy Malpass retired from the Board on 15th February 2016 and was not eligible to receive a variable pay award for 2016.

The executive directors' annual variable pay is calculated as a flat percentage above a threshold of the operating profit as monitored by the Operating Board (disclosed in note 5 to the consolidated financial statements). The Committee can, if it deems appropriate, exclude items that it considers to be exceptional or inappropriate. There were no such items during the year. When setting both the threshold and the flat percentage the Committee takes into account Fidessa's approved plan for the year and the directors' on target earnings (i.e. salary and variable pay) for the year. The annual plan is approved at the beginning of each financial year following consideration by the Board.

Non-executive directors

£'000		Salary and fees	Benefits	Other	Total
John Hamer	2016	147	1	2	150
	2015	147	1	1	149
Ron Mackintosh	2016	51	-	-	51
	2015	51	-	-	51
Elizabeth Lake	2016	45	-	-	45
	2015	45	-	-	45
John Worby	2016	51	-	-	51
	2015	51	-	-	51
Ken Archer	2016	51	-	-	51
	2015	45	-	-	45

During the year the following grants were made to the directors under the current share plans.

Chris Aspinwall and Andy Skelton were granted awards of nil cost options under the PSP on 12th September 2016. Andy Skelton received an award on 23rd March 2016 under Part A of the DABP, representing the deferred element of annual variable pay. The specific details of each component are set out over the following sections of the report. In addition, in line with other employees, certain directors received matching shares under the SIP throughout the year. The tables below set out the details of those awards.

PSP awards

	Date of grant	PSP awards Number of shares	Basis of PSP award (% of annual salary)	Face value of PSP award at date of grant £'000*	Vesting determined by performance over	Threshold vesting (% of award)
Chris Aspinwall	12th September 2016	15,000	79%	379	Four financial years from 1st January 2016 to 31st December 2019	25%
Andy Skelton	12th September 2016	15,000	126%	379		25%

* Based on the share price of 2530p on the day before grant.

Awards granted under the PSP in 2016 vest depending on the compound annual growth in EPS during the performance period set out in the Company's Remuneration Policy at the time of grant, as follows:

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%

In addition to the EPS based performance condition, in the event that the total shareholder return is below that of the FTSE techMARK Index over the performance period, the Remuneration Committee reserves the right to scale back awards if in its opinion the level of vesting based on EPS performance is, inappropriate.

Directors' and corporate governance report

continued

DABP awards

	Date of grant	DABP awards Number of shares	Basis of DABP award	Face value of DABP award at date of grant £'000*	Vesting period	Threshold vesting (% of award)
Andy Skelton	23rd March 2016	565	50% of annual bonus	13	23rd March 2016 – 22nd March 2019	100%

* Based on the share price of 2333p on the day before grant.

SIP awards

	SIP awards Number of shares	Basis of SIP award	Face value £'000	Vesting period	Threshold vesting (% of award)
Chris Aspinwall	65	1:1 match for partnership shares acquired	2	3 years from the date of grant	100%
Andy Skelton	64		1		
John Hamer	65		2		

A summary of the share plans currently operated by Fidessa are set out at note 19 to the financial statements.

No director received any pension benefit or entitlement from Fidessa.

Directors' shareholdings

The executive directors' shareholding guidelines have been structured to encourage executive directors to acquire and maintain a meaningful shareholding in Fidessa. For executive directors this is a minimum value equal to 100% of salary for the Chief Executive Office and 100% for the Chief Financial Officer. The values of Chris Aspinwall's shareholding has been substantially greater than the guideline throughout 2016 and several multiples of his salary. Andy Skelton, having only recently been appointed as Chief Financial Officer, will be building his shareholding so that he satisfies the guideline over the coming years; the table below provides further details. There is no shareholding guideline for the non-executive directors.

Subject to approval by shareholders of the new Directors' Remuneration Policy, the shareholding guidelines from 2017 onwards will change to 200% of salary for the Chief Executive Officer and 150% for the Chief Financial Officer with progress towards the guidelines being met by the retention of at least 50% of vesting long-term incentive awards (currently the PSP) net of tax and exercise costs. The guidelines apply to specific shares within the director's beneficial holding. Under the new guidelines, an executive director may at his discretion nominate such other of his reportable holdings to count towards the minimum shareholding requirement. Fidessa will report on this new basis in the 2017 Annual Report. There will continue to be no shareholding requirement for non-executive directors.

The interests of the directors and their connected persons in Fidessa's ordinary shares as at 31st December 2016 were as follows:

	Shareholding	Performance against shareholding guideline	Vested performance shares	Unvested performance shares	Deferred shares
Chris Aspinwall	124,777	595%*	-	30,000	367
Andy Skelton	1,572	12%*	-	15,000	11,013
Andy Malpass	84,137**	553%***	-	-	-
John Hamer	90,183	-	-	-	367
Ron Mackintosh	5,000	-	-	-	-
Elizabeth Lake	-	-	-	-	-
John Worby	2,000	-	-	-	-
Ken Archer	1,500	-	-	-	-

* Based on a closing share price of 2289p on 31st December 2016.

** As at 15th February 2016, the date Andy Malpass retired from the Company, and including the 302 deferred SIP shares that vested on retirement in accordance with the SIP rules' good leaver provisions.

*** Based on a closing price of 1985p on 15th February 2016 and an annual salary of £302,000.

Between 31st December 2016 and the date of this report following the regular monthly purchase by the SIP, John Hamer's and Chris Aspinwall's interests increased by five shares and Andy Skelton's interests increased by six shares.

Directors' and corporate governance report continued

The directors have the following interests in performance and deferred shares from the share plans.

	At 1st January 2016	Awarded	Lapsed	Exercised	At 31st December 2016	Share price on award	Share price on exercise	Vesting date	Expiry date
Chris Aspinwall									
Unvested performance shares:									
PSP 2014	15,000	-	-	-	15,000	2555p		2018	2021
PSP 2016	-	15,000	-	-	15,000	2530p		2020	2023
Deferred shares:									
SIP matching shares	302	65	-	-	367				
Andy Skelton									
Unvested performance shares:									
PSP 2016	-	15,000	-	-	15,000	2530p		2020	2023
Deferred shares:									
DABP 2015	10,000	358*	-	-	10,358	1975p		2018	2022
DABP 2016	-	585**	-	-	585	2333p		2019	2023
SIP matching shares	6	64	-	-	70				
Andy Malpass***									
Deferred shares:									
SIP matching shares	302	-	-	302	-	1985p		2016	
John Hamer									
Deferred shares:									
SIP matching shares	302	65	-	-	367				

* Includes dividend equivalent grants of 301 and 57 as previously notified.

** Includes dividend equivalent grants of 17 and 3 as previously notified.

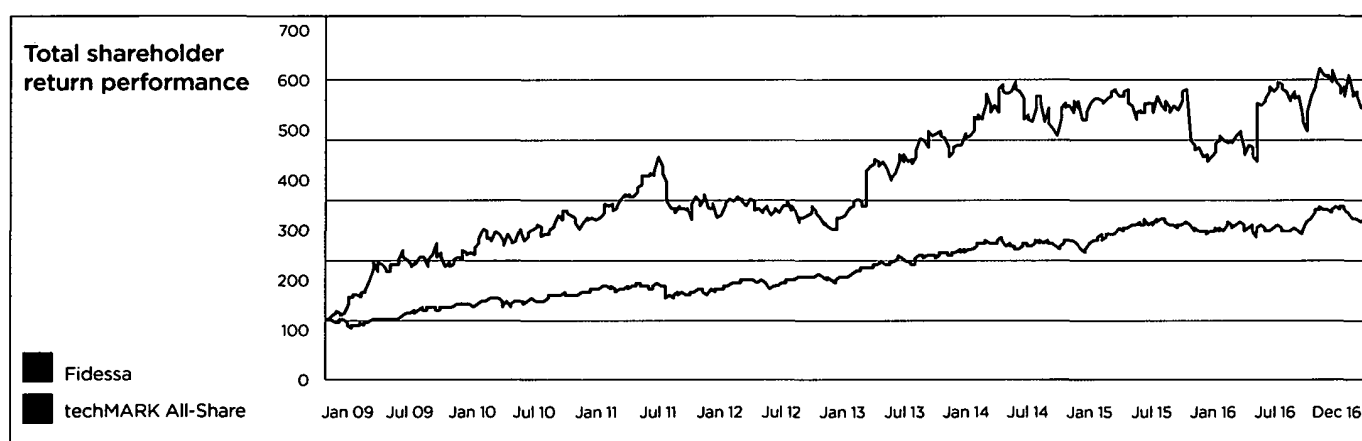
*** Andy Malpass retired from the Company on 15th February 2016 and his matching awards under the SIP vested in accordance with the SIP rules' good leaver provisions.

Details of the current and previous share plans together with the total permitted dilution in relation to those share plans are set out in note 19 to the consolidated financial statements.

Performance graphs and comparator tables

The Regulations require the presentation of a number of graphs and tables as follows:

- The performance graph of total shareholder return compared to a broad equity market index for the same period as the table setting out the total remuneration and amounts received by the Chief Executive. The Board believes that the techMARK All-Share Index, of which Fidessa is a constituent, provides the best benchmark for comparison. The Fidessa share price and the techMARK All-Share Index are both set to 100 at the start of the period.



Source: Fidessa

- The total remuneration and amounts received by the Chief Executive under Fidessa's variable pay and long-term incentive plans, both expressed as a percentage of the maximum of the amount receivable for a period of eight years.

	Chief Executive's salary, variable pay and benefits £'000	Chief Executive's vested long-term incentives £'000	Chief Executive's total remuneration £'000	Variable pay received (as a percentage of the maximum receivable)	Vested long-term incentives (as a percentage of the maximum receivable)
2009	841	-	841	80%	0%
2010	853	51	904	82%	88%
2011	920	1,065	1,985	82%	99%
2012	885	30	915	60%	6%
2013	846	576	1,422	61%	98%
2014	922	-	922	74%	0%
2015	859	-	859	63%	0%
2016	1,012	-	1,012	88%	0%

- The table on the next page highlights the percentage change in the sum of salary, benefits and variable pay of the Chief Executive and all UK employees for a period of five years. Fidessa considers the comparator group of all UK employees to be representative of Fidessa as a whole and a global comparator group would not result in a material variance.

Directors' and corporate governance report continued

	Percentage annual change for Chief Executive's salary	Percentage annual change for UK employees' salary	Percentage annual for Chief Executive's annual variable pay	Percentage annual change for UK employees' annual variable pay	Percentage annual change for Chief Executive's benefits	Percentage annual change for UK employees' benefits	Percentage annual change for Chief Executive's total	Percentage annual change for UK employees' total
2012	+157%	+2%	-53%	+15%	0%	0%	-4%	+4%
2013	-13%	+4%	+10%	+1%	0%	0%	-4%	+3%
2014	0%	+6%	+21%	+4%	0%	0%	9%	+5%
2015	0%	+6%	-15%	+3%	0%	0%	-7%	+5%
2016	0%	+3%	+40%	+7%	0%	0%	18%	+3%

- Fidessa's employees are vital to the growth and success of the business. As a software business with a strategy focused on organic development, its primary costs are related to its employees. The strategy also delivers a stable margin and strong cash flows. The cash generation has allowed Fidessa to distribute the majority of profit after tax to shareholders in the form of annual and special dividends. The profit and corporation tax figures have been included to provide greater context to employee remuneration and the total distributions to shareholders.

	Staff remuneration £'000	Profit before tax £'000	Corporation tax £'000	Corporation tax rate	Dividends £'000	Profit after tax distributed to shareholders
2012	119,796	41,984	11,578	27.6%	30,227	99%
2013	120,944	43,146	11,329	26.3%	30,475	96%
2014	118,025	39,090	9,960	25.5%	31,244	107%
2015	128,287	39,085	9,563	24.5%	31,655	107%
2016	142,113	48,820	13,066	26.8%	32,493	91%

Unexpired term of contract table

Details of the executive directors' service contracts and the non-executive directors' letters of appointment are set out below. All directors' service contracts and letters of appointment are available for inspection at the Company's registered office and at the Annual General Meeting.

Director	Effective date of appointment	Approximate unexpired term as at 31st December 2016	Notice period under contract
Chris Aspinwall	2nd June 1997	12 months	12 months
Andy Skelton	26th October 2015	12 months	12 months
John Hamer	2nd June 1997	6 months	6 months
Ron Mackintosh	1st June 2004	5 months	1 month
Elizabeth Lake	29th September 2008	9 months	1 month
John Worby	1st May 2014	4 months	1 month
Ken Archer	25th November 2014	11 months	1 month

Annual General Meeting of 27th April 2016 directors' remuneration report voting results

Ordinary Resolution	For	Against	Withheld	Total votes cast
To approve the directors' remuneration report for the year ended 31st December 2015	28,783,175 (93.3%)	747,363 (2.4%)	1,326,743 (4.3%)	30,857,281

Directors' remuneration for the year commencing 1st January 2017

Executive directors

Salary	The Committee will continue to monitor the remuneration of executive directors of other companies in the IT sector and other listed companies with similar market capitalisation to ensure that the executive directors remain sufficiently rewarded to promote the long-term success of Fidessa. The Committee also takes into account sensitivities in relation to the salary increases across the wider workforce. Salary increases may also include use of the DABP. Any increase will be set out in the 2017 Annual Report.										
Benefits	The benefits received by the directors will remain substantially unchanged from 2016, being life insurance, ill health income protection and private medical insurance.										
Annual variable pay	Variable pay will be paid to the executive directors in accordance with the directors' remuneration policy and the operation method followed in 2016. The threshold operating profit and the percentage payable on operating profit greater than the threshold will be set to provide a similar overall outcome for on target earnings and material adjustments to these parameters are unlikely and will be disclosed to shareholders in the 2017 Annual Report and Accounts. An interim payment will be made after the half year results are announced. The performance measure for, and the operation of, the annual variable pay for 2017 is not being disclosed in this report as that information is deemed to be a forecast and therefore commercially sensitive. That information will be disclosed in the 2017 Annual Report.										
Long-term incentives	<p>It is proposed that the Committee may approve the granting of awards to the executive directors under the PSP in accordance with the Policy.</p> <p>The performance targets for awards made under the PSP will be the same as in 2016. Awards granted under the PSP will vest depending on the compound annual growth in EPS during the performance period, as follows:</p> <table> <tr> <th>Compound annual growth in EPS</th><th>of award vesting</th></tr> <tr> <td>Less than 8%</td><td>0%</td></tr> <tr> <td>8%</td><td>25%</td></tr> <tr> <td>Between 8% and 15%</td><td>Between 25% and 100%</td></tr> <tr> <td>Greater than 15%</td><td>100%</td></tr> </table> <p>In addition to the EPS based performance condition, in the event that the total shareholder return is below that of the FTSE techMARK Index over the performance period, the Remuneration Committee will also have the power to scale back awards if in its opinion the level of vesting based on EPS performance is inappropriate.</p>	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%
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%										
Pension	The executive directors have not participated in the pension scheme in the past. Any participation in the pension scheme will be on terms no better than those available to UK employees. Currently Fidessa matches the contributions of employees participating in the UK money purchase scheme up to a maximum of 3% of salary.										
Other	The directors will continue to be awarded matching shares as a result of their participation in the SIP.										

In relation to the Chairman and non-executive directors, it is proposed that their fees will be reviewed to take into account fees paid by listed companies with a similar market capitalisation and also their time commitment and responsibilities.

Approved by the Board and signed on its behalf by
Ken Archer
Chairman of the Remuneration Committee
10th February 2017



Directors' and corporate governance report

continued

Audit Committee's report

As Chairman of the Audit Committee, I am pleased to introduce the Audit Committee Report for the year ended 31st December 2016.

In January 2016 Ron Mackintosh retired from the Committee. On behalf of the Committee I would like to thank Ron for his valuable and constructive contribution to the Committee over a number of years.

The Committee has focused on the integrity, completeness and clarity of financial reporting, the areas where judgements and estimates are required in the financial statements and the quality and effectiveness of audit processes and other risk management activities. There has been no significant change to these areas of focus during the year and the Committee will continue to monitor them.

John Worby
Chairman of the Audit Committee

Membership, meetings and evaluation

John Worby is the Chairman of the Committee and in line with the Code, John, who is a qualified accountant, has significant, recent and relevant financial experience serving as Group Finance Director of Genus plc until 2013 and through his other current and recent appointments, including his membership of the Financial Reporting Review Panel. In addition to John, the Committee comprises two non-executive directors Elizabeth Lake and Ken Archer, who have experience in technology and financial services businesses. Accordingly, the Committee continues to comprise both financial and operational skills and experience.

At the invitation of the Committee, the Chief Financial Officer attends the Committee meetings together with representatives of the external auditor, the internal auditor, the Group General Counsel and the Head of Tax as appropriate. In addition, the Committee meets with the external auditor and the internal auditor without management present at least once a year.

The performance of the Committee was evaluated as part of the Board evaluation process and the conclusion was that the Committee was functioning effectively.

Responsibilities

The Committee operates within its terms of reference, which are reviewed and updated annually and are available at www.fidessa.com/investor-relations/audit-committee.

The Committee's main responsibilities include:

- to make recommendations to the Board on the appointment and remuneration of the external auditor, review and monitor the external auditor's performance, expertise, independence and objectivity along with the effectiveness of the audit process and its scope;
- to assist the Board in monitoring the integrity, completeness and clarity of the financial statements and announcements relating to financial performance and to advise that the Annual Report is fair, balanced and understandable;
- to monitor the appropriateness of accounting policies and practices and consistency of their application year to year;
- to monitor and review the internal financial controls and the internal control and risk management systems; and
- to monitor and review the effectiveness of the internal audit function and review operational audit work undertaken by independent third parties.

Key matters considered in relation to the financial statements

During 2016, the Committee reviewed the results of the external audit for the previous financial year, the external auditor's half year review and the half year results, as well as the external audit plan for 2016. In February 2017 the Committee reviewed the 2016 Annual Report including the financial statements contained within it, the Preliminary Results Announcement for the year ended 31st December 2016 and reports from the external auditor on their audit of the financial statements and Annual Report.

The Committee's prime areas of focus were:

- the integrity, completeness and consistency of financial reporting, including the adequacy, clarity and appropriateness of disclosures. This included reviewing the 2016 Annual Report and concluding that it was fair, balanced and understandable;
- the areas where significant judgements and estimates are required in the financial statements;
- the scope and programme of external audit, along with the quality and effectiveness of the external audit processes;
- the materiality level used by the external auditor, concluding that it should be consistent with the previous year;
- whether the going concern basis of accounting should continue to apply in the preparation of the annual financial statements;
- considering the appropriateness of the viability statement;
- reviewing the processes and systems to identify and mitigate the financial and non-financial risks and to consider the appropriateness of the controls to reduce the risk of fraud and exposure to bribery and corruption; and
- the appropriateness of the 'whistleblowing' procedures in place whereby staff may confidentially raise concerns about possible improprieties.

The preparation of financial statements requires management to make assumptions, judgements and estimates and the material ones are detailed in note 4 to the consolidated financial statements. The key areas of assumptions, judgements and estimates that have been reviewed and considered by the Committee are listed below:

- Revenue recognition in relation to significant implementations and contract amendments. For the limited number of situations that required significant judgement the Committee received updates from management on the contractual terms, implementation timetable, technical risks being faced, uncertainties still to be resolved, significant contractual changes and the customer's situation. The Committee also reviewed the reports from the external auditor on revenue recognition. As a result of their review of the management and external auditor's reports, the Committee was satisfied that the explanations provided for judgements being made, particularly in relation to revenue being deferred, were applicable in the circumstances.
- Development costs and the approach to their capitalisation and amortisation. The Committee received updates from management and the external auditor and was satisfied that the methodology and process were appropriate. The Committee concurred with management that the amounts capitalised met the criteria for capitalisation and that the short amortisation period of three years remained appropriate and that no material impairments had arisen.
- The tax complexity and risk related to the multinational operations of Fidessa and the areas of uncertainty that arise. The Committee received explanatory papers from management including a review of the appropriateness of the tax provisions held and an analysis of the Research and Development Expenditure Credit (RDEC) rules and their impact on the reported results for the year. The Committee also received reports from the external auditor on its findings in these areas. The Committee considered the appropriateness of tax provisions, deferred tax assets and tax disclosures in relation to the explanatory papers and reports it had received and concluded that the treatment adopted was fair and reasonable.

Directors' and corporate governance report continued

- The carrying value of goodwill and intangible assets in connection with the acquisition of LatentZero Limited in 2007 and the potential impairment of those assets. The determination of whether or not goodwill has been impaired requires a review of the value in use of the asset. The main judgements in relation to the review were considered to be the achievability of the long-term business plan, the potential impact on the business plan of macroeconomic and regulatory factors and the discount rate being applied to projected future cash flows. As part of the annual impairment review of goodwill and other intangible assets, the Committee reviewed a report from management and from the external auditor on the value in use, discount rate and sensitivities applied to the value in use and, taking these and the improved performance of the business into account, concurred with the judgements associated with these calculations, including that no impairment provisions were required.

External auditor

The Committee conducted a review of the effectiveness of the external audit and the performance of the external auditor. The review included consideration of the independence and objectivity of the external auditor, the appropriateness and quality of reporting to and interaction with the Committee, the suitability of the audit plan and the effectiveness of its execution and feedback from management and the finance team. The Committee also reviewed observations made by the Audit Quality Review team of the Financial Reporting Council and the actions taken by the external auditor in response to such observations. Having considered all of these factors, the Committee concluded that the audit had been effective and that it was satisfied that KPMG has continued to provide an effective and efficient audit service.

The Committee received written confirmation from the external auditor of any relationships it has which may cause a conflict of interest, together with a declaration that it considered itself to be independent. The Board has approved the external auditor undertaking very limited non-audit activities and any assignments outside these activities require separate Board approval. The non-audit activity undertaken by the external auditor has been assistance on a limited number of tax matters in the reported periods. The fees for non-audit activity represented 5% of the fees for audit activity. Details of the external auditor's fees including fees for non-audit work are set out in note 7 to the consolidated financial statements. The Committee has noted the recent EU regulations on permitted non-audit services and arrangements have been put in place so that KPMG will no longer be providing tax advisory services to the Company with effect from 1st January 2017.

Following its review of the effectiveness of the external audit and independence of the external auditor, the Committee is satisfied that independence has been maintained and that it is appropriate to reappoint KPMG as the external auditor. The Committee therefore recommended to the Board that KPMG be reappointed as the external auditor for 2017 and a resolution for its appointment will be submitted to the Annual General Meeting.

KPMG has been Fidessa's external auditor since its stock market listing in 1997 and during that time the audit has not been formally tendered. The Committee recognises the requirements regarding the retendering of audit services at least once every ten years for companies in the FTSE 350 required by the Competition and Markets Authority and the requirement for auditor rotation as set out in EU regulations. Under the transitional arrangements provided in these regulations, mandatory rotation of the Company's external auditors is required by 2020. Given the relatively recent appointment of a new Chief Financial Officer, and after careful consideration of the most appropriate timing, the Committee currently intends to conduct an audit tender during the first half of 2018. This will allow the new auditor to observe the 2018 audit process with the intention that the Committee recommends to the Board and shareholders a new external auditor be in place for the 2019 audit process. It is intended that the new external auditor be appointed at the 2019 Annual General Meeting. In light of the required mandatory rotation of the Company's external auditor by 2020, the Committee maintains appropriate contact with potential alternative suppliers for audit services.

Internal control and risk management

The Board is ultimately responsible for Fidessa's internal controls and risk management systems. Those controls and systems are 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 concept of reasonable assurance recognises that the cost of control procedures should not exceed the expected benefits. Details of the principal risks are set out in the Strategic Report.

The Board confirms that Fidessa has established systems, procedures and controls designed to ensure that there is an ongoing process for identifying, evaluating and managing the principal risks faced by Fidessa and that they have been in place for the period under review and up to the date of approval of the Annual Report. The effectiveness of those systems, procedures and controls are regularly reviewed by the Board.

As required by the Code, the Committee has reviewed the internal controls and risk management systems, including those relating to financial, operational and compliance matters and the Committee has confirmed to the Board that it is satisfied that Fidessa has established internal controls and risk management systems that are effective and compliant with the current governance provisions.

The key activities by the Board and the Committee during the year were:

- the Board's and Committee's agenda included a review of risk, risk management and internal controls. Additionally, the Board reviewed regular reports from management that addressed business issues including any relating to risk and risk management actions being taken or required to be taken by Fidessa;
- the Board received monthly management reporting and monitoring of performance against both budgets and forecasts with explanations for all significant variances;
- the Board received reports from the Group General Counsel on activities regarding the identification, evaluation and management of the principal risks faced by Fidessa;
- the Committee reviewed reports on the activities of the Governance, Risk and Compliance Committee. The Governance, Risk and Compliance Committee, which comprises senior managers across Fidessa and is chaired by the Group General Counsel, has day to day responsibility for cyber security and oversight of the risk management activities and reports regularly to the Operating Board;
- the Committee reviewed internal audit and management reports on financial, operational and compliance risk matters. The Committee reviewed operational audit reports from independent auditors regarding Fidessa's quality management system (ISO 9001:2008) and its service organisation controls (ISAE 3402/SSAE 16). The ISAE 3402/SSAE 16 reports currently relate to the UK, US, Canadian and Hong Kong operations. The requirement to conduct additional external operational audits in other regions in which the Group operates is kept under review; and
- as part of Fidessa's testing of internal controls, reports on cyber security and penetration testing were conducted by accredited bodies and the Committee received a summary of those reports and associated remediation plans. Regular training is provided to employees to increase awareness amongst employees of the important role they play in ensuring Fidessa's systems and data and Fidessa's customers' data remain secure.

Internal audit

The Committee focuses the activity of the internal auditor on those primarily financial areas where it considers the need to review controls, test processes and monitor risk levels. Fidessa engages an external consultant, who reports directly to the Committee, to conduct these internal audits. During the year the Committee approved the internal audit work plan and reviewed the reports from the internal auditor of work done, recommendations for control improvements together with corrective action planned.

The Committee also reviewed the effectiveness and independence of the internal auditor and concluded that they are satisfactory. The review included discussions amongst the Committee and feedback from management.

Additionally, the Committee has reviewed various independent third-party operational audit reports and concluded that they are satisfactory.

Directors' and corporate governance report continued

Nominations Committee's report

Membership, meetings and evaluation

During the year, the Nominations Committee, which is chaired by John Hamer, comprised John Hamer, Elizabeth Lake, John Worby and Ken Archer and is therefore compliant with the requirements of the Code.

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.

Responsibilities

The Committee operates within its terms of reference, which are reviewed and updated annually and are available at www.fidessa.com/investor-relations/nominations-committee.

The Committee's main responsibilities are to advise and make recommendations to the Board on the following matters:

- the size, structure and composition of the Board;
- succession planning of Board members;
- the appointment of external consultants where appropriate; and
- the appointment of new directors and the re-appointment of existing directors.

Matters considered during the year

During 2016, the Committee:

- considered and reviewed the Board's composition and engaged independent search consultants, Russell Reynolds Associates, to assist with the process;
- considered and reported to the Board the recommendations following the 2016 Board evaluation; and
- reviewed its terms of reference.

In February 2017, the Committee recommended to the Board the appointment of Richard Longdon as Ron Mackintosh's successor as Senior Independent Director and that Ron Mackintosh remain on the Board as an independent non-executive director. Russell Reynolds Associates assisted with the appointment process. Richard Longdon's appointment to the Board was announced on 8th February 2017.

In relation to appointments and diversity, the Nominations Committee's conclusions originally reported in 2012 continue to apply, namely that while diversity – including gender diversity – is important when reviewing the composition of the Board and possible new appointees, the single most important factor is to identify and recruit people based on merit. The Nominations Committee continues to note that achieving diversity in certain sectors, including the technology sector, presents particular challenges when considering the profile of the available talent pool in those sectors. Accordingly, the Board confirms that it is still not in favour of setting specific targets for Board diversity to be achieved by particular dates.

As at the date of this Annual Report and Accounts there is one female member of the Board representing 14% of Board membership.

The Board recognises the importance of succession planning and the role it plays in maintaining a continuous level of quality in management and reducing the level of instability that may arise following unforeseen events, such as the departure of a key individual. The Nominations Committee, in conjunction with the Board, formally discusses succession planning at least once a year to identify those individuals with potential for Board and other senior management positions; part of those discussions include the development requirements of those identified individuals.

Other statutory disclosures

In accordance with Section 414C(11) of the Companies Act 2006, to the extent they are not addressed in the Directors' and Corporate Governance Report, the disclosures relating to the following matters are included in the Strategic Report: future developments; current and proposed product development and investment; risk management; equal opportunities for disabled persons, employee engagement and other employee related disclosures; environmental matters, including greenhouse gas emissions; and corporate social responsibility.

The financial results and position are shown in the financial statements. A fuller explanation of the results, including the recommended dividend and financial position, is provided in the Overview, the Finance Review, the Market Review and Outlook sections of the Strategic Report and the notes to the financial statements.

Fidessa has an active programme of research and development covering the expansion and improvement of its products and services. Total expenditure on product development is set out in note 6 to the consolidated financial statements.

No political donations were made by Fidessa during 2016 (2014: nil).

There are no off-balance sheet arrangements. Details of the trusts relating to Fidessa's share incentive plans, including any rights relating to the shares held by those trusts, are set out in note 16 to the consolidated financial statements.

For the purposes of LR9.8.4C R, the information required to be disclosed by LR9.8.4 R can be found in the following locations:

Section	Topic	Location
1	Interest capitalised	Not applicable
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	Not applicable
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Section (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	Directors' report
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Note 16 to the consolidated financial statements
13	Shareholder waivers of future dividends	Note 16 to the consolidated financial statements
14	Agreements with controlling shareholders	Not applicable

Directors' and corporate governance report continued

Share capital, articles of association and restrictions on transfers of securities

Details of the called-up and fully paid share capital are set out in note 16 to the consolidated financial statements. There are no restrictions on the voting rights attached to the shares and no person holds securities carrying special rights with regard to control. As set out in note 16 the Fidessa group plc Employee Benefit Trust has waived its voting and dividend rights in connection with the shares held by it.

The rights and obligations attaching to the shares and the powers of the directors are set out in the Articles of Association, copies of which can be obtained from Companies House. The appointment and replacement of directors is governed by the Articles of Association and the Nominations Committee's Terms of Reference. The Articles of Association may be amended by a special resolution.

There are no restrictions on the transfer of securities in the Company, except:

- that certain restrictions may from time to time be imposed by laws and regulations; and
- pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in the Company's ordinary shares.

Fidessa is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' and Corporate Governance Report confirm that, so far as they are each aware, there is no relevant audit information of which the auditor is unaware and each director has taken the steps that he or she ought to have taken as a director to ascertain any relevant audit information and to establish that the auditor is aware of that information.

Authority to purchase own shares

At the Annual General Meeting held on 27th April 2016 shareholders approved a general authority to purchase up to 3,826,332 ordinary shares in the market. This represented approximately 10% of the issued ordinary share capital at the time. No purchase of shares has been made pursuant to this authority. There is no present intention to use such authority, but the Board considers 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 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.

Significant agreements

Under the DABP, MSPP and SIP, on a change of control, options and awards would vest in full subject to the satisfaction of any performance conditions at the time. Part of the PSP awards would also vest subject to the satisfaction of any performance conditions at the time but these would be time pro-rated. Other than a limited number of customer contracts that give additional termination rights upon a change of control, Fidessa is not party to any other significant agreements that take effect, alter or terminate upon a change of control following a takeover or upon a takeover bid.

No director had material interest in any significant contract, other than a service contract, appointment letter or qualifying indemnity, with the Company or any of its subsidiaries at any time during the year.

Compliance with the UK Corporate Governance Code

Fidessa is committed to high standards of corporate governance and is subject to the principles of the Code which is published and regularly updated by the Financial Reporting Council (FRC). The latest applicable update was published by the FRC in September 2014 and is available on the FRC website.

In respect of the year ended 31st December 2016 Fidessa has complied with all of the provisions of the Code.

Dialogue with shareholders

Fidessa values the views of its shareholders and recognises their interests in its strategy and performance. The Chief Executive and Chief Financial Officer 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 Chief Financial Officer provide feedback to the Board from meetings with shareholders and also provide the Board with updates on communications with shareholders. The Board also obtains formal feedback from analysts and institutional shareholders via Fidessa'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 website, www.fidessa.com, which is regularly updated. The Chairman and Senior Independent Director also meet with major shareholders as and when there is a requirement to do so.

Principal shareholders

The following have disclosed that they have an interest in 3% or more of the issued ordinary share capital. As at 10th February 2017, the last holding notified to Fidessa is shown below.

	Ordinary 10p shares	Percentage of issued share capital
Lindsell Train Limited	5,796,274	15.0
MFS Investment Management*	3,929,856	10.2
Schroders plc*	2,138,444	5.5
BlackRock, Inc.*	2,020,043	5.2
Liontrust Investment Partners LLP	1,978,763	5.1
Kames Capital	1,915,889	5.0
Ameriprise Financial, Inc. and its group*	1,738,359	4.5
Prudential plc group of companies*	1,629,727	4.2
The Capital Group Companies, Inc.	1,619,001	4.2
Legal & General Group plc*	1,425,065	3.7
FMR LLC*	1,243,151	3.2
DA Taylor*	1,153,049	3.0
Finsbury Growth & Income Trust PLC*	1,148,500	3.0

* The date of notification was not during 2016.

Going concern and longer term viability

Fidessa's business activities and position in its market are described in the Overview, Business Model and Strategy, Market Review, Outlook and Risks and Uncertainties sections of the Strategic Report. The financial position, cash flows and liquidity position are described in the Finance Review and the notes to the financial statements. In addition, the notes to the financial statements include Fidessa'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, the principal risks that could impact on Fidessa's liquidity and solvency over the next 12 months and its current financial position, the Board believes that Fidessa is well placed to manage its business risks successfully. Therefore, the Board has a reasonable expectation that Fidessa 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.

Directors' and corporate governance report continued

In addition to the going concern consideration, the Board has assessed Fidessa's viability over a period longer than the 12 months covered by the going concern statement. The Board determined that an assessment covering a period of three years, to 31st December 2019, was an appropriate period to assess Fidessa's longer term viability. In reaching this determination, consideration was given to Fidessa's long-term strategy and focus and the period for which Fidessa has visibility over typical commercial arrangements with customers. Consideration was also given to Fidessa's track record of high levels of recurring revenue, ability to manage variable costs, strong cash generation, healthy cash balances and its absence of debt.

The review included stress tests on the future performance and solvency for changes in the base assumptions over the three years and also for the principal risks facing the business in severe but plausible combination scenarios together with the effectiveness of any mitigating actions. Consideration has also been given to the risks of regional changes such as Brexit and the American election; however, the Board believes that the global nature of its trading platforms means that it is less susceptible to the effects of regional changes, as trading infrastructure is likely to continue to operate on a cross border basis. Additionally, the foreign exchange movements during 2016 were considered with the Board noting that a weaker sterling represented a tailwind as over 70% of the Group's revenues and a lower proportion of its costs are denominated in non-sterling currencies. Based on this assessment, the Board has reasonable expectations that Fidessa will be able to continue in operation and meet its liabilities as they fall due over the period to 31st December 2019. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

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 transactions and disclose with reasonable accuracy at any time the financial position and enable them to ensure that the 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 and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Report 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 Fidessa's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that to the best of their 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;
- the Strategic Report and the Directors' Report together include 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; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Approved by the Board and signed on its behalf by

Andy Skelton
Director



10th February 2017

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

Opinion and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of Fidessa group plc for the year ended 31st December 2016 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity and related notes. 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 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatements, in decreasing order of audit significance, that had the greatest effect on our audit were as follows (unchanged from 2015):

Revenue recognition (£331.9. million) (2015: £295.5m) Risk vs 2015: ◀▶¹

Refer to Audit Committee's report, accounting policy (note 2d) and notes to the consolidated financial statements (note 4a).

The risk – The group provides its products and services to customers in bundled packages. These packages may contain two or more of the following elements: software rental, consultancy services (including those required to deploy the group's software), market data charges and connectivity services. The timing of when revenue should be recognised on different elements of a bundled package can require significant judgement, particularly when there is a significant deployment phase.

Consultancy services, particularly deployment activities, may be provided on a fixed price basis and such services are recognised based on the percentage of completion ("POC"). Determining the POC of the contract, which may include making estimates of cost contingencies, requires significant judgement.

Where the products or services are being deployed at multiple customer sites, judgement is also required to determine whether the group has fulfilled its obligations associated with each element of revenue across the sites. The allocation of total revenue to the individual elements of the contract and the need to assess the timing of recognition for each element presents a risk of accelerated or delayed recognition of revenue.

¹ When the risk significance has increased: Risk vs 2015: ▲
When the risk significance has decreased: Risk vs 2015: ▼
When the risk significance is unchanged: Risk vs 2015: ◀▶

Our response – Our procedures included:

- For bundled products, we considered, on a sample basis, whether the fair value attributed to each element of the bundle was reasonable.
- For fixed price deployment services which were not completed at the balance sheet date, we assessed the calculation of the stage of completion. Costs incurred to date primarily include labour costs and our procedures included assessing whether those costs are appropriately allocated to the contracts. We also challenged the assessment of forecast costs to complete based on our knowledge of the service deliverables and historical accuracy of these forecasts. Where contingencies were included in the calculation of costs to complete, we inspected and critically assessed the rationale for the basis for their calculation with the directors and project managers who are responsible for delivering the projects. We also evaluated the historical accuracy of the utilisation of contingencies.
- For contracts where software, connectivity and market data revenue has been recognised during the year, our work focused on assessing whether the internal control process regarding approval of contractual terms had been followed. Our work also focused on assessing whether the group had obtained sufficient evidence, such as through user acceptance, that it has fulfilled the relevant obligations under the deployment phase of the contract. This included, for a sample of significant contracts, assessing whether the group had obtained appropriate evidence that the relevant deployment services had been completed and that it was therefore appropriate to recognise revenue.
- We also performed other substantive, transactional testing and analytical procedures to validate the recognition of revenue throughout the year.
- We also assessed the adequacy of the disclosures in respect of amounts recognised as revenue during the period or deferred at the balance sheet date.

Goodwill (£44.9 million) (2015: £44.9m) Risk vs 2015: ◀▶

Refer to Audit Committee's report, accounting policy (note 2j) and notes to the consolidated financial statements (notes 4e and 13).

The risk – There is a risk of irrecoverability of goodwill, because of the inherent uncertainty involved in forecasting and discounting future cash flows, which form the basis for the assessment of the goodwill recoverability. Historical valuations identified that there was significant sensitivity to changes in forecast operating margin and the ability of the buy-side business to achieve its medium-term revenue growth rates.

Our response – Our procedures included testing of the forecast cash flows model and assessing the integrity of the model. We used our own internal valuation specialist to challenge the inputs and methodology used to determine the discount rate in the present value calculation using the cash flow projections, primarily through comparable company analysis. We considered the historical accuracy of key assumptions used in the model by comparing the previous estimates of revenue and cost growth to the actual amounts achieved. We challenged the growth assumptions applied to revenue over the next five years of the cash flow model through consideration of both the order book and also committed revenue from existing contracts. We also performed our own break-even analysis on the assumptions used in the model to assess the need for an impairment charge and considered the likelihood of the assumptions reaching these break-even points. Our assessment included consideration of the potential risk of bias and consideration of the historical accuracy of the directors' forecasts.

We considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions appropriately reflected the risks inherent in the calculation of the recoverable amount of goodwill.

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

Capitalised development costs (£48.1 million) (2015: £45.2m) Risk vs 2015: ◀▶

Refer to Audit Committee's report, accounting policy (note 2j) and notes to the consolidated financial statements (notes 4b and 13).

The risk – The group capitalises eligible employment costs of its software developers, which are incurred on the development of its software products. In order to determine the amount of cost that should be capitalised, including the proportion of cost associated with its software developers on both new products and enhancements to the group's existing products, the group must assess whether the cost meets the capitalisation criteria set out in the accounting standards. This requires significant judgement.

Our response – Our procedures included evaluating the design and effectiveness of controls in place to separately identify the time on development activities which is categorised as meeting the capitalisation criteria set out by the accounting standards. On a sample basis, we agreed capitalised amounts to supporting documentation including timesheet data. We also made enquires of the development board and inspected the minutes of this board throughout the year to support compliance with the relevant accounting standards.

We considered whether any recently launched products or those previously under development had been discontinued or their deployment delayed and, if this had occurred, we evaluated whether any impairment of the capitalised costs was required.

We also considered the adequacy of the disclosures in respect of capitalised development costs.

Income tax expense (£13.1 million) (2015: £9.6m) Risk vs 2015: ◀▶

Refer to Audit Committee's report, accounting policy (note 2h) and notes to the consolidated financial statements (notes 4c and 9).

The risk – Tax provisions require the group to make judgements and estimates in relation to tax issues and exposures. This is one of the key judgemental areas that our audit is concentrated on due to the group carrying out contracts across a number of tax jurisdictions, the complexities of transfer pricing and other international tax legislation and the time taken for tax matters to be agreed with tax authorities.

Our response – Our procedures included the use of our own tax specialists to assess the accuracy of any provisions for uncertain tax positions. In making our assessment, we considered correspondence with the relevant tax authorities to challenge the assumptions used to determine tax provisions based on our knowledge and experience of the application of the international and local legislation by the relevant authorities and courts.

We also considered the adequacy of the tax disclosures including any uncertainties relating to recognised tax liabilities and assets.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £2.0 million (2015: £1.7 million), determined with reference to a benchmark of group profit before income tax, of £48.8 million (2015: £39.1 million), of which it represents 4.1% (2015: 4.3%).

We reported to the Audit Committee any corrected or uncorrected misstatements exceeding £0.1 million (2015: £0.1m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's four (2015: four) reporting components, we subjected three (2015: three) to audits for group reporting purposes. These were carried out in the UK, North America and Hong Kong components (2015: the same). The UK audit team performed the work in the UK and North America and the work in Hong Kong was completed by a component auditor. These procedures covered 91% (2015: 93%) of total revenue; 87% (2015: 96%) of profit before taxation; and 94% (2015: 93%) of total assets. For the remaining component, a review for group reporting was performed on the operations in Japan by a local review team.

The audits undertaken for group reporting purposes at the key reporting components were all performed to local materiality levels set by, or agreed with, the group audit team. These local materiality levels were set individually for each component and ranged from £0.5 million to £1.5 million (2015: £0.4 million to £1.0 million). The review work in Japan was completed using a materiality set by the group audit team.

Detailed audit and review instructions were sent to each auditor in these locations. These instructions covered the significant areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team. Telephone meetings were held with the auditor in Hong Kong and the team performing the review in Japan. On these calls the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditors.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' remuneration report to be audited, being the sections entitled Remuneration details and Directors' shareholdings, have been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

5 We have nothing to report on the disclosures of principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention to in relation to:

- the directors' statement of going concern and longer-term viability, concerning the principal risks, their management, and, based on that, the directors' assessment and expectations of the group's continuing in operation over the three years to 31st December 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

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

6 We have nothing to report to you in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy; or
- the Audit Committee's report does not appropriately address matters communicated by us to the Audit Committee.

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.

Under the Listing Rules we are required to review:

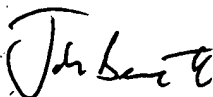
- the directors' statements in relation to going concern and longer-term viability; and
- the part of the corporate governance report relating to the company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' responsibilities statement in respect of the Annual Report and the financial statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

John Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
RH11 9PT



10th February 2017

Consolidated income statement

for the year ended 31st December 2016

	Note	2016 £'000	2015 £'000
Revenue	5	331,935	295,479
Operating expenses	6	(283,919)	(257,081)
Other operating income		454	367
Operating profit		48,470	38,765
Finance income		350	320
Profit before income tax		48,820	39,085
Total income tax expense	9	(13,066)	(9,563)
Profit for the year attributable to owners		35,754	29,522
Basic earnings per share	10	93.5p	77.6p
Diluted earnings per share	10	92.3p	76.5p

Consolidated statement of comprehensive income

for the year ended 31st December 2016


	2016 £'000	2015 £'000
Profit for the year from the income statement	35,754	29,522
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	4,778	1,485
Total comprehensive income for the year	40,532	31,007

Consolidated balance sheet

at 31st December 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	20,570	23,203
Intangible assets	13	93,465	91,283
Deferred tax assets	14	9,925	7,919
Other receivables	15	2,000	2,405
Total non-current assets		125,960	124,810
Current assets			
Trade and other receivables	15	83,132	71,885
Cash and cash equivalents		95,152	78,314
Total current assets		178,284	150,199
Total assets		304,244	275,009
Equity			
Issued capital	16	3,858	3,827
Share premium		34,153	31,825
Merger reserve	16	17,938	17,938
Cumulative translation adjustment	16	7,243	2,465
Retained earnings		101,885	97,395
Total equity		165,077	153,450
Liabilities			
Non-current liabilities			
Other payables	17	10,557	8,486
Provisions	18	2,078	1,990
Deferred tax liabilities	14	6,314	7,109
Total non-current liabilities		18,949	17,585
Current liabilities			
Trade and other payables	17	113,169	96,374
Provisions	18	1,309	947
Current income tax liabilities		5,740	6,653
Total current liabilities		120,218	103,974
Total liabilities		139,167	121,559
Total equity and liabilities		304,244	275,009

The consolidated financial statements were approved by the Board of directors on 10th February 2017 and were signed on its behalf by

A Skelton 

Fidessa group plc (registered number 03234176)

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
Balances at 1st January 2015		3,817	31,017	17,938	980	97,747	151,499
Total comprehensive income for the year							
Profit for the year		-	-	-	-	29,522	29,522
Other comprehensive income		-	-	-	1,485	-	1,485
		-	-	-	1,485	29,522	31,007
Transactions with owners							
Issue of shares - exercise of options	16	10	808	-	-	-	818
Employee share incentive charges	6	-	-	-	-	2,744	2,744
Current tax recognised direct to equity		-	-	-	-	249	249
Deferred tax recognised direct to equity		-	-	-	-	(598)	(598)
Purchase of shares by employee share trusts		-	-	-	-	(630)	(630)
Sale of shares by employee share trusts		-	-	-	-	16	16
Dividends paid	11	-	-	-	-	(31,655)	(31,655)
Balances at 1st January 2016		3,827	31,825	17,938	2,465	97,395	153,450
Total comprehensive income for the year							
Profit for the year		-	-	-	-	35,754	35,754
Other comprehensive income		-	-	-	4,778	-	4,778
		-	-	-	4,778	35,754	40,532
Transactions with owners							
Issue of shares - exercise of options	16	31	2,328	-	-	-	2,359
Employee share incentive charges	6	-	-	-	-	1,740	1,740
Current tax recognised direct to equity		-	-	-	-	695	695
Deferred tax recognised direct to equity		-	-	-	-	(194)	(194)
Purchase of shares by employee share trusts		-	-	-	-	(1,012)	(1,012)
Dividends paid	11	-	-	-	-	(32,493)	(32,493)
Balances at 31st December 2016		3,858	34,153	17,938	7,243	101,885	165,077

Consolidated cash flow statement

for the year ended 31st December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit before income tax for the year		48,820	39,085
Adjustments for:			
Staff costs – share incentives	6	1,740	2,744
Depreciation of property, plant and equipment	6	12,085	10,732
Amortisation of product development	6	27,477	27,844
Research and development expenditure grant	6	(1,650)	-
Amortisation of acquired intangibles	6	730	730
Amortisation of other intangible assets	6	219	283
Profit on sale of property, plant and equipment	6	(48)	(5)
Finance income		(350)	(320)
Cash generated from operations before changes in working capital		89,023	81,093
Movement in trade and other receivables		(10,842)	(6,627)
Movement in trade and other payables		14,250	5,889
Cash generated from operations		92,431	80,355
Income tax paid		(12,065)	(4,895)
Net cash generated from operating activities		80,366	75,460
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(6,948)	(13,290)
Proceeds from sale of property, plant and equipment		94	57
Purchase of other intangible assets	13	(157)	(269)
Product development capitalised	13	(30,424)	(30,305)
Interest received on cash and cash equivalents		350	320
Net cash used in investing activities		(37,085)	(43,487)
Cash flows from financing activities			
Proceeds from shares issued		2,359	818
Purchase of shares by employee share trusts		(1,012)	(630)
Proceeds from sale of shares by employee share trusts		-	16
Dividends paid	11	(32,493)	(31,655)
Net cash used in financing activities		(31,146)	(31,451)
Net increase in cash and cash equivalents		12,135	522
Cash and cash equivalents at 1st January		78,314	76,756
Effect of exchange rate fluctuations on cash held		4,703	1,036
Cash and cash equivalents at 31st December		95,152	78,314

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 2017.

The consolidated financial statements consolidate those of the Company and its subsidiaries.

Fidessa's business activities and position in its market are described in the Overview, Business Model and Strategy, Market Review, Outlook and Risks and Uncertainties sections of the Strategic Report. The financial position, cash flows and liquidity position are described in the Finance Review and the notes to the financial statements. In addition, the notes to the financial statements include Fidessa'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, the principal risks that could impact on Fidessa's liquidity and solvency over the next 12 months and its current financial position, the Board believes that Fidessa is well placed to manage its business risks successfully. Therefore, the Board has a reasonable expectation that Fidessa 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.

The consolidated 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 IAS39 *Financial Instruments: Recognition and Measurement*. The following standards and amendments have been adopted for the first time in these financial statements, none of which had an impact on the consolidated or Company's financial statements:

- IFRS11 *Accounting for Acquisitions of Interests in Joint Operations* (amendments).
- IAS16 and IAS38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (amendments).
- IAS16 and IAS41 *Agriculture: Bearer Plants* (amendments).
- IAS27 *Equity Method in Separate Financial Statements* (amendments).
- Annual Improvements to IFRSs 2012–2014 Cycle – various standards.
- IFRS10, IFRS12 and IAS28 *Investment Entities: Applying the Consolidation* (amendments).
- IAS1 *Disclosure Initiative* (amendments).

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

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.

Subsidiaries are entities where the parent company has control over when it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred 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.

Notes to the consolidated financial statements continued

2 Significant accounting policies (continued)

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 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.

(iii) Key foreign exchange rates

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

Currency	2016		2015		% change	
	Closing	Average	Closing	Average	Closing	Average
United States dollar	1.24	1.35	1.47	1.53	16%	12%
Japanese yen	144.12	146.98	177.30	184.56	19%	20%

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

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.

Goodwill is initially measured at cost, being the excess of the fair value of the consideration transferred at the acquisition date over the net recognised amount of the identifiable assets acquired and liabilities assumed. When the excess is negative, a 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 are incurred 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 prior to 1st January 2010, transaction costs that were incurred in connection with a business combination were capitalised as part of the cost of the acquisition.

d Revenue

Revenue represents the fair value for consideration received or receivable from customers for software services or product and related manpower, net of discounts and 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.

2 Significant accounting policies (continued)

Recurring revenue is derived from the provision of software either as a managed service or as a product. Managed services are charged on a subscription basis and the revenue is recognised pro-rata over the period that the service is provided. Software products are provided as a rental licence and revenue is recognised pro-rata over the period of the licence. Non-recurring revenue is the provision of manpower services for implementation, consultancy, reconfiguration support and training, in all cases being entirely related to Fidessa's software services and products. When the non-recurring items are chargeable on time and materials terms the relevant revenue is recognised as the work is performed. When the non-recurring items are chargeable on fixed price terms the relevant revenue is recognised over the duration of the work in accordance with the estimated percentage complete, based on the anticipated number of days of effort for the implementation. Full allowance is made for all known or expected losses. Recurring and non-recurring services can be separately identified from the contracts and the fair value determined respectively.

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

e Share-based payments

A number of equity-settled share plans are operated. The fair value of the awards is recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value of the awards is measured using a Black-Scholes model or binomial model simulation model, taking into account the terms and conditions of the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest except where forfeiture is only due to the share price not achieving the threshold for vesting.

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.

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 that are expected to apply in the periods in which the temporary differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the consolidated financial statements continued

2 Significant accounting policies (continued)

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.

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

i Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. 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 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:

• Furniture and equipment	3 – 5 years
• Leasehold improvements	5 – 10 years or remainder of lease if shorter
• Long leasehold buildings	25 years
• Computer equipment	2 – 3 years

j Intangible assets

Research and product 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 features in the product suite and the support and issue resolution of features already in the product suite. There is a regular programme of releases that form part of a continual process of enhancements to and expansion of the overall product suite. Product development expenditure relating to new and enhanced features is capitalised as an intangible asset so long as it is probable that the development will provide economic benefits, considering its commercial and technological feasibility, and resources are expected to be available for the development to complete. The expenditure capitalised is the direct labour cost and it is managed and controlled centrally. Product development expenditure relating to the support and issue resolution of features already in the product suite is recognised as an expense as incurred.

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

Goodwill

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

2 Significant accounting policies (continued)

Acquisition intangibles

Intangible assets acquired as part of 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 impairments. An intangible asset acquired as part of a business combination is recognised outside of 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

Other intangible assets

Other purchased intangible assets are stated at cost less accumulated amortisation and impairments. 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

All non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, except for indefinite life intangible assets and goodwill which are reviewed annually. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less costs to sell and its value in use.

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 more frequently when events or changes in circumstances indicate that it might be impaired.

In an impairment test, the recoverable amount of the cash generating unit or asset is estimated to determine the extent of an impairment. The recoverable amount is the higher of fair value less costs to sell and the value in use. An impairment 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.

Except for goodwill impairments, a review is made at each reporting date of any previous impairment losses to assess whether they no longer exist or may have decreased. If such indication exists, the asset's recoverable amount is estimated and any previously recognised impairment loss is reversed only if there has been a change in the estimates used to assess the recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased, subject to a limit of the asset's net book value had no previous impairment loss been recognised. Such reversal is recognised in the Income Statement. Future depreciation or amortisation is then adjusted to allocate the asset's revised carrying amount over its remaining useful economic life. Impairments to goodwill cannot be reversed.

l Leased assets

Where an operating lease is entered into 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.

Notes to the consolidated financial statements continued

2 Significant accounting policies (continued)

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.

A financial instrument is recognised if Fidessa becomes a party to the contractual provisions of the instrument.

A financial asset is derecognised when contractual rights to the cash flows from the financial asset expire or if the

financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

A financial liability is derecognised when obligations specified in the contract expire or are discharged or cancelled.

Where financial guarantee contracts are created to guarantee the indebtedness of subsidiaries, they are considered to be insurance arrangements and are accounted for as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that a payment will be required under the guarantee.

n Trade receivables

Trade receivables are recognised initially at fair value and subsequently 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 recognised initially at fair value and subsequently stated at amortised cost.

q Employee share trusts

The trusts and share plan trustees, which purchase and hold shares in connection with employee share plans, are included in the financial statements and presented as a deduction from equity. Any consideration paid or received by them for the purchase or sale of the shares is shown as a movement in equity.

r Provisions and contingent liabilities

A provision is recognised in the balance sheet when a present legal or constructive obligation exists 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 and amendments were issued but not yet mandatory and early adoption has not been applied.

- IAS7 *Disclosure Initiative* (amendments).
- IAS12 *Recognition of Deferred Tax Assets for Unrealised Losses* (amendments).
- IFRS15 *Revenue from Contracts with Customers*.
- IFRS9 *Financial Instruments*.
- IFRS16 *Leases*.
- IFRS2 *Classification and Measurement of Share-based Payment Transactions* (amendments).
- IFRS10 and IAS258 *Sale of Contribution of Assets between an Investor and its Associate or Joint Venture* (amendments).

3 Recent accounting developments (continued)

With the exception of IFRS15 and IFRS16 it is considered that the above standards and amendments will not have a significant effect on the consolidated or Company results or net assets.

IFRS15 is effective for annual periods beginning on or after 1st January 2018, with early adoption permitted. It establishes a comprehensive framework for determining whether, how much and when revenue should be recognised and it replaces existing revenue recognition guidance, including IAS 18 *Revenue*. Under IFRS15, revenue earned from contracts with customers will be recognised based on a five-step model which requires, for each contract, the transaction price to be apportioned to the separate performance obligations arising under the contract on a relative standalone selling price basis, and recognised as revenue at the point at which control of goods or services is transferred to the customer. The transaction price will be the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer. The incremental costs of obtaining a contract and contract fulfilment costs will be recognised as an expense consistent with the transfer of the related goods or services to the customer. Depending on the particular contractual arrangements in place, application of the new standard may change the amount of revenue recognised on a contract and/or its timing, and the timing of the recognition of contract costs compared with current accounting policies. The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS15 and will disclose additional information before it adopts IFRS15.

IFRS16 was published in January 2016 and will become effective in January 2019. IFRS16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard. The Group has not started to assess the potential impact of the adoption of IFRS16 on its consolidated financial statements.

4 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make estimates and judgements that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions take account of the circumstances and facts at the period end, historical experience of similar situations and other factors that are believed to be reasonable and relevant, the results for which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may ultimately differ from these estimates. The principal estimates and judgements are summarised below. This summary is not a list of all uncertainties, estimates and judgements encountered and others could arise that cause a material adjustment to the carrying value of assets or liabilities.

a Revenue

Fidessa's recurring revenue model means that the majority of revenue is recognised on a systematic basis over the life of the licence. However, at any time there is likely to be a limited number of implementations and contract amendments underway where there is uncertainty over the value of revenue to recognise or defer. In these situations a range of factors relevant to the situation are considered in order to determine the value of revenue recognised or deferred. These factors typically include the contractual terms, delivery progress and anticipated remaining effort required,

Notes to the consolidated financial statements continued

technical complexity and risk, uncertainties still to be resolved and the customer's circumstances.

4 Accounting estimates and judgements (continued)

b Product development expenditure

Fidessa invests on a continual basis in the development of new and enhanced features in the product suite. There is a regular programme of releases that form part of a continual process of enhancements to and expansion of the overall product suite. Therefore, judgement is required in determining the practice for capitalising development costs. Judgement is required in assessing whether the development costs meet the criteria for capitalisation and in determining that amounts capitalised continue to be supported by future net cash flows. These estimates and judgements have been applied consistently year to year. The accounting policy for research and product development is in note 2j and the carrying value of product development capitalised and the amounts capitalised and amortised in the year are detailed in note 13.

c Income taxes

Fidessa operates internationally and therefore spans a number of tax jurisdictions. 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. The circumstances to which the estimates and judgements apply and their application has been consistent year to year. In determining the level of accruals and provisions to be recognised in respect of any potential exposures for various tax liabilities, the directors make estimates of the level of taxes payable, particularly in relation to transfer pricing, non-deductible items and outcomes of tax disputes. The tax obligations, if audited by the tax authorities at a future date, may differ as a result of alternative interpretations. These differences may also impact the level of accruals and provisions recognised.

d Fair values

IFRSs require many assets, liabilities and expenses to be recognised at fair value. This includes intangible assets (note 13) and share-based payments (note 19). Where open market values are not available the fair values are estimates and therefore subject to assumptions and a wide range of interpretation.

e Impairment of goodwill

The determination of whether or not goodwill has been impaired requires a calculation to be made of the value in use of the cash generating unit to which goodwill has been allocated and this calculation to be compared to the carrying value of the cash generating unit. The value in use calculation includes estimates of the future financial performance of the cash generating unit, the discount rate to apply to projected future cash flows, long-term operating margins and long-term growth rates (note 13). Variations in these estimates could result in a material variance in the value in use resulting from the calculation.

f Expected useful lives

The carrying value of intangible assets and property, plant and equipment and the respective amortisation and depreciation of these assets is affected by the assumptions made in determining the expected useful lives of the assets. A judgement has been made of the useful life of each category of asset and this judgement has been applied consistently year to year. The amortisation and depreciation periods are detailed in notes 2i and 2j and the carrying value of the assets along with the amounts capitalised, amortised and depreciated in the year are detailed in notes 12 and 13.

5 Segment reporting

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

The Operating Board monitors the performance of the business units and the overall group. It monitors operating profit adjusted to exclude amortisation of acquired intangibles, product development capitalisation and amortisation and research and development expenditure credits, which is not an IFRS measure. Finance income and assets and liabilities are not reported by business unit.

No single customer accounts for more than 5% of revenue. Recurring revenue reflects the periodic fees for software and related services that is charged on a rental or subscription basis. Non-recurring revenue comprises the consultancy fees for implementation, configuration and ongoing support activity.

For the year ended 31st December 2016	Sell-side £'000	Buy-side £'000	Total £'000
Recurring revenue	269,211	18,594	287,805
Non-recurring revenue	39,649	4,481	44,130
Total revenue from customers	308,860	23,075	331,935
Inter-business unit revenue	-	6,282	6,282
Operating profit as monitored by the Operating Board	39,588	5,015	44,603
Amortisation of acquired intangibles			(730)
Product development capitalised			30,424
Product development amortised			(27,477)
Research and development expenditure credit			1,650
Operating profit			48,470
Finance income			350
Profit before income tax			48,820
For the year ended 31st December 2015	Sell-side £'000	Buy-side £'000	Total £'000
Recurring revenue	235,779	16,752	252,531
Non-recurring revenue	37,810	5,138	42,948
Total revenue from customers	273,589	21,890	295,479
Inter-business unit revenue	-	6,576	6,576
Operating profit as monitored by the Operating Board	33,707	3,327	37,034
Amortisation of acquired intangibles			(730)
Product development capitalised			30,305
Product development amortised			(27,844)
Operating profit			38,765
Finance income			320
Profit before income tax			39,085

Notes to the consolidated financial statements continued

5 Segment reporting (continued)

Other segmental disclosures:

Depreciation of property, plant and equipment and amortisation of product development have been apportioned to the operating segments as follows:

	Sell-side £'000	Buy-side £'000	Total £'000
Year ended 31st December 2016	34,915	4,866	39,781
Year ended 31st December 2015	33,840	5,749	39,589

No information is provided for segment assets and liabilities as these measures are not provided to the Operating Board.

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

	2016 £'000	2015 £'000
Europe	120,031	113,960
Americas	142,575	124,350
Asia	69,329	57,169
Total revenue	331,935	295,479

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

	2016 £'000	2015 £'000
UK	120,031	113,960
USA	125,347	109,476
Hong Kong	42,814	37,849

6 Operating expenses

	2016 £'000	2015 £'000
Staff costs – salaries	142,113	128,287
Staff costs – social security	11,121	10,390
Staff costs – pension	6,117	5,441
Staff costs – share incentives	1,740	2,744
Staff costs – medical insurance	8,112	6,487
Staff costs – other benefits	503	479
Total staff costs	169,706	153,828
Subcontractors	1,661	2,058
Depreciation of property, plant and equipment	12,085	10,732
Amortisation of other intangible assets	219	283
Amortisation of acquired intangible assets	730	730
Capitalisation of product development	(30,424)	(30,305)
Amortisation of product development	27,477	27,844
Research and development expenditure grant	(1,650)	-
Communications and data	53,474	43,145
Operating lease rentals – property	21,298	18,382
Operating lease rentals – plant and machinery	142	80
Profit on sale of property, plant and equipment	(48)	(5)
Exchange (gain)/loss	(1,149)	1,075
Other operating expenses	30,398	29,234
Total operating expenses	283,919	257,081

Other operating income of £454,000 (2015: £367,000) represents income from sublet office space.

Included in total staff costs are the direct costs of research and development of £39,726,000 (2015: £37,674,000), which includes the amount capitalised above.

7 Auditor's fees

The following table shows an analysis of fees payable to the auditor:

	2016 £'000	2015 £'000
Audit of these financial statements	53	53
Audits of subsidiaries pursuant to legislation	155	154
Reviews of subsidiaries	87	67
Review of the interim report	44	44
Total audit related activity	339	318
Tax compliance services	27	17
Total fees paid to the auditor	366	335

The non-audit fees represented 7% (2015: 5%) of the audit related fees.

Fees paid during 2016 included £10,000 for audit related expenses and £5,000 for tax compliance services provided during 2015.

Notes to the consolidated financial statements continued

8 Staff numbers

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

	2016 Number	2015 Number
Europe	851	851
The Americas	554	562
Asia	334	328
Total average staff numbers in the year	1,739	1,741

The number of people employed (including directors) at 31st December each year was as follows:

	2016 Number	2015 Number
Delivery	497	538
Support	325	334
Core development and research	519	479
Operations	152	153
Sales	56	60
Marketing	37	41
Management and administration	150	152
Total staff numbers at 31st December	1,736	1,757

9 Income tax expense

	2016 £'000	2015 £'000
Current tax		
Current year domestic tax	5,411	2,376
Current year foreign tax	7,802	7,602
Adjustments for prior years	1,219	(870)
Total current tax	14,432	9,108
Deferred tax		
Origination and reversal of temporary differences	(238)	366
Benefit and utilisation of tax losses	109	-
Adjustments for prior years – tax rate change	(205)	(36)
Adjustments for prior years – other	(1,032)	125
Total deferred tax	(1,366)	455
Total income tax in income statement	13,066	9,563

9 Income tax expense (continued)

Reconciliation of the effective tax rate:

	2016	2016 £'000	2015	2015 £'000
Profit before tax		48,820		39,085
Income tax using the domestic corporation tax rate	20.0%	9,764	20.3%	7,915
Effective tax rates in foreign jurisdictions		3,134		3,189
Expenses not deductible for tax purposes		169		471
Unutilised losses		98		451
Tax incentives		(23)		(1,664)
Non-taxable items		(13)		(18)
Adjustment relating to prior years		(63)		(781)
Total income tax and effective tax rate for the year	26.8%	13,066	24.5%	9,563

The UK corporation tax rate for the year was 20% (2015: 20.25%).

The effective tax rate is higher than the UK's headline tax rate due to the geographic mix of countries in which Fidessa operates. Several of these countries have headline tax rates that are greater than that in the UK, the two resulting in the greatest variance for Fidessa being the US and Japan. Fidessa continues to recognise certain provisions and accruals in respect of tax which involve a degree of estimation and uncertainty, including those related to transfer pricing, when the tax treatment cannot finally be determined until accepted by the relevant tax authority. Adjustments relating to prior years arise from the resolution of specific uncertainties and the remaining risks are appropriately reflected in the recognised provisions and accruals.

The primary influences on Fidessa's effective tax rate are changes in headline tax rates and tax disallowances or incentives in the countries operated in. This is reflected by the correlation between Fidessa's effective tax rate and the UK headline tax rate over the last five years. From 2010 through 2016 Fidessa's effective tax rate has reduced from 30.1% to 26.8% and in the same time the UK headline tax rate has fallen from 28.0% to 20.0%. These are expected to continue to be the primary influences on the effective tax rate into the future.

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

The new treatment has been adopted with effect from 1st January 2015 and in the year ended 31st December 2016, grants totalling £1,650,000 (of which £1,357,000 relates to 2015) have been credited to income as a reduction to operating expenses (note 6). The adoption of RDEC is also reflected in the income tax expense for 31st December 2016 and the majority of the 2.3% movement in the effective tax rate for the year ended 31st December 2016 when compared to the previous year reflects the tax impact of adopting RDEC for 2015 and 2016.

The UK government has reduced the UK corporation tax rate to 19% with effect from 1st April 2017 and to 17% with effect from 1st April 2020.

Notes to the consolidated financial statements continued

9 Income tax expense (continued)

	2016 £'000	2015 £'000
Tax recognised direct to equity		
Current tax credit relating to equity-settled share incentives	(695)	(249)
Deferred tax debit relating to equity-settled share incentives	194	598

10 Earnings per share

Earnings per share have been calculated by dividing profit attributable to owners by the weighted average number of shares in issue during the year, details of which are below. The diluted earnings per share have been calculated using an average share price of 2299p (2015: 2143p) for the year.

	2016 £'000	2015 £'000
Profit attributable to owners	35,754	29,522

	2016 Number '000	2015 Number '000
Weighted average number of shares in issue	38,455	38,224
Weighted average number of shares held by employee share trusts	(220)	(200)
Number of shares used to calculate basic earnings per share	38,235	38,024
Dilution due to share incentives	519	559
Number of shares used to calculate diluted earnings per share	38,754	38,583

	2016 Pence	2015 Pence
Basic earnings per share	93.5p	77.6p
Diluted earnings per share	92.3p	76.5p

11 Dividends paid and proposed

	2016 £'000	2015 £'000
Declared and paid during the year		
Interim 2016 dividend of 14.3 pence per share (interim 2015 dividend of 13.1 pence per share)	5,489	4,991
Final 2015 dividend of 25.4 pence per share (final 2014 dividend of 25.0 pence per share)	9,742	9,523
Special 2015 dividend of 45.0 pence per share (special 2014 dividend of 45.0 pence per share)	17,262	17,141
	32,493	31,655

The directors propose a final dividend of 28.2 pence per share, amounting to an expected final dividend payment of £10,881,000 and a special dividend of 50.0 pence per share, amounting to an expected special dividend payment of £19,292,000. These will be payable on 8th June 2017 to shareholders on the register at the close of business on 12th May 2017, with an ex-dividend date of 11th May 2017. 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 and leasehold improvements £'000	Long leasehold buildings £'000	Computer equipment £'000	Total £'000
Cost				
Cumulative cost at 1st January 2015	39,133	815	40,006	79,954
Exchange adjustment	889	-	918	1,807
Additions	3,435	-	9,855	13,290
Disposals	(667)	-	(3,826)	(4,493)
Cumulative cost at 1st January 2016	42,790	815	46,953	90,558
Exchange adjustment	4,105	-	6,495	10,600
Additions	771	-	6,177	6,948
Disposals	(3,353)	-	(16,354)	(19,707)
Cumulative cost at 31st December 2016	44,313	815	43,271	88,399
Depreciation				
Cumulative depreciation at 1st January 2015	30,329	100	29,124	59,553
Exchange adjustment	783	-	727	1,510
Charged in year	3,068	33	7,631	10,732
Disposals	(667)	-	(3,773)	(4,440)
Cumulative depreciation at 1st January 2016	33,513	133	33,709	67,355
Exchange adjustment	3,276	-	4,779	8,055
Charged in year	3,367	33	8,685	12,085
Disposals	(3,341)	-	(16,325)	(19,666)
Cumulative depreciation at 31st December 2016	36,815	166	30,848	67,829
Carrying value				
At 31st December 2016	7,498	649	12,423	20,570
At 1st January 2016	9,277	682	13,244	23,203
At 1st January 2015	8,804	715	10,882	20,401

Notes to the consolidated financial statements continued

13 Intangible assets

	2016 £'000	2015 £'000
Carrying value at 31st December		
Goodwill	44,897	44,897
Acquired intangible assets	243	973
Product development	48,105	45,158
Software purchased for internal use	220	255
	93,465	91,283

Goodwill

	Total £'000
Carrying value at 1st January 2015, 1st January 2016 and 31st December 2016	44,897

Goodwill acquired in a business combination is allocated to cash generating units which can be no larger than an operating segment. Annual impairment tests are conducted on the carrying value of goodwill, based on the estimated recoverable amount of the cash generating units to which goodwill has been allocated. Value in use calculations are used to estimate 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 the operating margin. These take into account the existing customer base and expected revenue commitments from it, anticipated additional sales to existing and new customers, planned expansion of the product and service offerings to the marketplace and the specific market trends that are currently seen and those expected in the future.

The whole of the goodwill carrying value is allocated to the Buy-side business unit and arose from the acquisition of LatentZero in 2007. It 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 operations into the buy-side.

A cash flow forecast is prepared for the following year which is extended to subsequent years based on the estimated growth rate which reflects a reasonable future rate for the business after considering recent trading experience, the benefits of the recurring revenue model, assessing the market opportunities and threats and the potential expansion of the addressable market. The cash flow forecast is discounted by the discount rate which is arrived at after estimating the general risk premium and the specific risk premium for the cash generating unit, current gilt rates and the business's beta factor.

The value in use calculation used the anticipated results from the detailed forecast for the first year followed by 4% (2015: 5%) per annum growth for the next ten years and concluded with a terminal growth rate of 2% (2015: 2%). The expected useful life is materially greater than ten years and the growth rates applied are considered to reflect a likely average long-term growth rate for the products and services in the addressable market. A discount rate of 9.5% pre-tax (2015: 8.0%) was applied to the cash flow forecast. The discount rate included increased estimates of the general and specific risk premiums, an increase in the beta factor and a fall in gilt rates. The value in use calculation resulted in an estimated recoverable amount that was 40% (2015: 30%) greater than the carrying value and exceeded it by £21.6 million (2015: £17.0 million). Revised calculations of the estimated recoverable amount were undertaken to consider sensitivities for lower growth rates and lower operating margin. The lower growth rate sensitivity calculation showed that with the growth rate for the whole period set to lower than the terminal rate the value in use remained greater than the carrying value. The results of these sensitivity calculations supported the conclusion that the goodwill had not been impaired.

13 Intangible assets (continued)**Acquired intangible assets**Customer
relationships
£'000

Cost	
Cumulative cost at 1st January 2015, 1st January 2016 and 31st December 2016	7,300
Amortisation	
Cumulative amortisation at 1st January 2015	5,597
Charged in year	730
Cumulative amortisation at 1st January 2016	6,327
Charged in year	730
Cumulative amortisation at 31st December 2016	7,057
Carrying value	
At 31st December 2016	243
At 1st January 2016	973
At 1st January 2015	1,703

Notes to the consolidated financial statements continued

13 Intangible assets (continued)

Product development capitalised and software purchased for internal use

	Product development £'000	Software purchased £'000
Cost		
Cumulative cost at 1st January 2015	81,372	1,658
Exchange adjustment	-	40
Additions	30,305	269
Fully expensed	(24,983)	(48)
Cumulative cost at 1st January 2016	86,694	1,919
Exchange adjustment	-	223
Additions	30,424	157
Fully expensed	(28,781)	(1,064)
Cumulative cost at 31st December 2016	88,337	1,235
Amortisation		
Cumulative amortisation at 1st January 2015	38,675	1,391
Exchange adjustment	-	38
Charged in year	27,844	283
Fully expensed	(24,983)	(48)
Cumulative amortisation at 1st January 2016	41,536	1,664
Exchange adjustment	-	192
Charged in year	27,477	219
Fully expensed	(28,781)	(1,060)
Cumulative amortisation at 31st December 2016	40,232	1,015
Carrying value		
At 31st December 2016	48,105	220
At 1st January 2016	45,158	255
At 1st January 2015	42,697	267

Product development relates to the design, programming and testing of new and enhanced inter-related features in the product suite. There is a regular programme of releases that form part of a continual process of enhancements to and expansion of the overall product suite.

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net assets/(liabilities)	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Property, plant and equipment	4,610	3,572	(336)	(445)	4,274	3,127
Intangible assets	-	-	(9,308)	(9,227)	(9,308)	(9,227)
Employee benefits	1,343	1,840	-	-	1,343	1,840
Employee compensation	3,007	2,611	-	-	3,007	2,611
Trade and other payables	2,010	1,778	-	-	2,010	1,778
Other temporary differences	2,285	681	-	-	2,285	681
Tax assets/(liabilities)	13,255	10,482	(9,644)	(9,672)	3,611	810
Tax set off	(3,330)	(2,563)	3,330	2,563	-	-
Net tax assets/(liabilities)	9,925	7,919	(6,314)	(7,109)	3,611	810

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

Fidessa has unrecognised tax losses of £1.5 million (2015: £0.5 million) arising in subsidiaries that are at early stage development. The tax losses may be available for use by offset against future taxable profits in the subsidiaries in which the losses arise. Deferred tax assets have not been recognised in respect of these tax losses as the availability and timing of future profits in these subsidiaries cannot be determined with sufficient certainty.

There are temporary differences which arise in relation to the unremitted earnings of overseas subsidiaries. Since Fidessa is able to control dividend distributions from these companies it is unlikely that further UK tax on repatriation of these earnings will be payable in the foreseeable future. Consequently no deferred tax liability has been provided.

Movement in deferred tax balances:

	Balance at 1st January 2016 £'000	Translation adjustment £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2016 £'000
Property, plant and equipment	3,127	355	792	-	4,274
Intangible assets	(9,227)	-	(81)	-	(9,308)
Employee benefits	1,840	197	(500)	(194)	1,343
Employee compensation	2,611	452	(56)	-	3,007
Trade and other payables	1,778	429	(197)	-	2,010
Other temporary differences	681	196	1,408	-	2,285
	810	1,629	1,366	(194)	3,611

Notes to the consolidated financial statements continued

14 Deferred tax assets and liabilities (continued)

	Balance at 1st January 2015 £'000	Translation adjustment £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2015 £'000
Property, plant and equipment	3,748	83	(704)	-	3,127
Intangible assets	(8,992)	-	(235)	-	(9,227)
Employee benefits	2,161	83	194	(598)	1,840
Employee compensation	2,432	128	51	-	2,611
Trade and other payables	1,399	22	357	-	1,778
Other temporary differences	781	18	(118)	-	681
	1,529	334	(455)	(598)	810

15 Trade and other receivables

	2016 £'000	2015 £'000
Current assets		
Trade receivables	66,747	60,711
Prepayments	10,698	8,892
Accrued revenue	1,573	1,328
Other receivables - RDEC (note 9)	3,056	-
Other receivables	1,058	954
Total trade and other receivables	83,132	71,885

	2016 £'000	2015 £'000
Non-current assets		
Other receivables - deposits	2,000	2,405

16 Share capital and reserves

	2016 Number	2015 Number	2016 £'000	2015 £'000
Issued share capital at 1st January	38,267,128	38,170,433	3,827	3,817
Issued for share incentives exercised	317,800	96,695	31	10
Issued share capital at 31st December	38,584,928	38,267,128	3,858	3,827

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. All shares rank equally with regard to residual assets.

Merger reserve

The merger reserve arises from the acquisition of LatentZero Limited in 2007. The merger reserve represents the excess of the fair value over the nominal value of shares issued 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, a premium was not recorded on the shares issued but a merger reserve was recognised in the consolidated balance sheet.

16 Share capital and reserves (continued)**Cumulative translation adjustment**

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

Employee share trusts

The holdings of the employee share trusts utilised to satisfy share plan awards are as follows:

	As at 31st December 2016 Number of shares	As at 31st December 2016 Percentage of issued share capital	As at 31st December 2015 Number of shares	As at 31st December 2015 Percentage of issued share capital
Employee Benefit Trust	167,283	0.4%	145,011	0.4%
Share Incentive Plan	75,052	0.2%	63,796	0.2%

The Fidessa group plc Employee Benefit Trust is a discretionary trust established for the benefit of employees. It has an independent, professional trustee, RBC cees Trustee Limited, and is financed by advances from Fidessa. 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 trust can satisfy awards and grants from any share plan operated by Fidessa.

The Fidessa group plc Share Incentive Plan is established for the benefit of participants in the SIP. It has an independent, professional trustee, Equiniti Share Plan Trustees Limited, and is financed by advances from Fidessa. The share plan purchases shares to match purchases of ordinary shares by participants in the SIP at the same time as the participants acquire their participating shares.

The costs of administering the above trusts are charged to the income statement as incurred.

17 Trade and other payables

	2016 £'000	2015 £'000
Current liabilities		
Trade payables	6,814	4,615
Accrued expenses	34,532	29,766
Other liabilities	3,518	2,436
Deferred revenue	61,812	54,646
Deferred income - RDEC (note 9)	1,878	-
Other taxes and social security	4,615	4,911
Total current trade and other payables	113,169	96,374
Non-current liabilities		
Accrued expenses	1,260	698
Deferred income - RDEC (note 9)	2,336	-
Other liabilities - operating lease incentives	6,961	7,788
Total non-current trade and other payables	10,557	8,486

Notes to the consolidated financial statements continued

18 Provisions

	Property £'000	Other £'000	Total £'000
At 1st January 2016	2,005	932	2,937
Exchange adjustment	243	104	347
Released during the year	(528)	(94)	(622)
Arising during the year	946	242	1,188
Utilised during the year	(352)	(111)	(463)
At 31st December 2016	2,314	1,073	3,387

	2016 £'000	2015 £'000
Current liabilities	1,309	947
Non-current liabilities	2,078	1,990
Total provisions	3,387	2,937

The property provision brought forward and arising in the year is in respect of office space surplus to Fidessa's short-term 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 eight years.

19 Share-based payments

Fidessa has share plans whereby employees are granted awards over ordinary shares that are subject to the vesting terms of each plan. The PSP, DABP and 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. The MSPP and, in the UK, the award of matching shares under the SIP were implemented in 2012 and are relevant to the majority of employees. The first award under the DABP was made in 2012 and the first award under the PSP was made in 2014. These plans replaced the CSOP, EGRIP and SBP from which the last awards were in 2010. The final awards from the CSOP expire in 2017.

Performance Share Plan (PSP)

This is structured as a grant of conditional shares with a zero exercise price. The maximum for an employee in any year are awards over shares with a total market value of £500,000. The vesting period is four years from the date of grant. The adjustment to basic earnings per share adds back the post-tax amortisation charge for acquisition intangibles to the profit attributable to owners. In both 2016 and 2015, the adjustment amounted to £584,000 and the adjusted basic earnings per share for 2016 was 95.0p (2015: 79.2p). 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.

19 Share-based payments (continued)

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%

In addition to the earnings per share based performance condition, in the event that the total shareholder return is below that of the FTSE techMARK Index over the performance period, the Remuneration Committee reserves the right to scale back awards if it feels the level of vesting based on the earnings per share performance is, in the opinion of the Remuneration Committee, inappropriate.

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. However, in some jurisdictions the awards have to be exercised on vesting. The shares can be satisfied by either new issue or market purchases. A clawback provision applies to the plan for reasons of financial misstatement.

The PSP allows early vesting where a participant's employment ceases due to death, injury, disability, the participant's employer no longer being part of the Fidessa group or the Remuneration Committee so decides due to a reason similar in nature to those stated. Pro-rating rules apply to restrict the number of shares in early vesting situations.

The duration of the plan is 10 years from approval at the 2011 Annual General Meeting and a mid-term review took place in 2016.

Deferred Annual Bonus Plan (DABP)

Under Part A of this plan, participants receive a proportion of their annual bonus in the form of deferred shares instead of cash. Under Part B of this plan, participants are only eligible to receive a one-off conditional award to acquire shares on or shortly following their joining Fidessa. The market value of shares over which a Part B award is granted may not exceed 200% of annual salary. The shares vest to the employee after three years subject to continued employment with Fidessa through the period and, in the case of Part B, subject to the satisfaction of any performance conditions applied by the Remuneration Committee. A clawback provision applies to the plan for reasons of financial misstatement.

The DABP allows early vesting where a participant's employment ceases due to death, injury, disability, the participant's employer no longer being part of the Fidessa group or the Remuneration Committee so decides due to a reason similar in nature to those stated.

The duration of the plan is 10 years from approval at the 2011 Annual General Meeting and a mid-term review took place in 2016.

Share Incentive Plan (SIP)

The plan is only available to participants who are resident in the UK for tax purposes due to the tax incentives associated with the SIP. Relevant employees are able to purchase up to £125 per month. 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. In the event that a participant ceases to be a Fidessa employee prior to the third anniversary of each purchase the matching shares that have not yet reached their third anniversary of purchase are forfeited.

Notes to the consolidated financial statements continued

19 Share-based payments (continued)

Monthly Share Purchase Plan (MSPP)

The MSPP follows principles similar to the UK tax approved SIP and applies to the majority of employees across multiple countries. The MSPP operates alongside the SIP in the UK with the MSPP being used for any higher levels of monthly purchase. Employees 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 in September of the third calendar year following the employee's contribution an equal number of matching free shares are applied so long as there has been continued employment throughout.

The MSPP allows early vesting where a participant's employment ceases due to death, injury, disability, the participant's employer no longer being part of the Fidessa group or the Board so decides due to a reason similar in nature to those stated.

The duration of the plan is 10 years from approval at the 2011 Annual General Meeting and a mid-term review took place in 2016.

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.

Dilution limits

The total permitted dilution across the PSP, DABP, MSPP and SIP is 10% in the 10 years commencing 6th May 2011 or 7% in the first five years of operation of these plans. In addition, the potential dilution from awards granted in a calendar year cannot exceed 1.6%. As at 31st December 2016 the maximum potential dilution from awards granted across these plans to date is 2.1%.

The total permitted dilution under the CSOP was 8% during the life of the plan; as at 31st December 2016 the maximum potential dilution is 3.5%, with the outstanding share options element of this representing 0.2%.

Fair values and awards outstanding

All share plan awards are over ordinary shares. The fair value of awards is recognised as an expense with a corresponding increase in equity. The expense is recognised equally over the time from grant until vesting.

For share awards under the DABP, MSPP, SIP and PSP the fair value has been measured using a Black-Scholes 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:

DABP	Granted in 2012	Granted in 2013	Granted in 2014	Granted in 2015	Granted in 2016
Fair value	1645p	1941p	2517p	1934p to 2303p	2333p
Share price at grant	1645p	1941p	2517p	1934p to 2303p	2333p
Expected volatility	30%	28%	28%	28%	31%
Expected life	3 years	3 years	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%	4.5%	4.0%

19 Share-based payments (continued)

MSPP	Granted in 2012	Granted in 2013	Granted in 2014	Granted in 2015	Granted in 2016
Fair value	1176p to 1505p	1356p to 1952p	1823p to 2283p	1585p to 2071p	1551p to 2286p
Share price at grant	1305p to 1719p	1554p to 2160p	2088p to 2660p	1801p to 2435p	1824p to 2563p
Expected volatility	30%	28%	28%	28%	31%
Expected life	3 years	3 years	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%	4.5%	4.0%
SIP	Granted in 2012	Granted in 2013	Granted in 2014	Granted in 2015	Granted in 2016
Fair value	1330p to 1664p	1587p to 2262p	2089p to 2590p	1791p to 2405p	1876p to 2490p
Share price at grant	1330p to 1664p	1587p to 2262p	2089p to 2590p	1791p to 2405p	1876p to 2490p
Expected volatility	30%	28%	28%	28%	31%
Expected life	3 years	3 years	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%	4.5%	4.0%
PSP			Granted in 2014	Granted in 2016	
Fair value			1940p to 2126p	1921p	
Share price at grant			2555p	2415p	
Expected volatility			28%	31%	
Expected life			4-6 years	4-6 years	
Expected dividends per annum			4.6%	4.0%	

Awards under the CSOP subsisting at 31st December 2016 were:

Grant year	Options at at 1st January 2016	Exercised in year	Expired in year	Options at 31st December 2016	Exercised price p	Vested at 31st December 2016	Remaining life
2009	93,284	(91,584)	(1,700)	–	1154p	–	0 years
2010	171,356	(89,259)	(1,700)	80,397	1421p	80,397	1 year

For CSOP options exercised in 2016 the weighted average share price at the time of exercise was 2402p (2015: 2226p).

Notes to the consolidated financial statements continued

19 Share-based payments (continued)

Awards under the DABP subsisting at 31st December 2016 were:

Award year	Outstanding at 1st January 2016	Granted in year	Dividend shares applied in in year	Exercised in year	Expired in year	Outstanding at 31st December 2016	Vested at 31st December 2016	Remaining life
2012	12,058	-	-	(5,212)	-	6,846	6,846	3 years
2013	181,595	-	-	(134,353)	(15,126)	32,116	-	4 years
2014	48,358	-	1,490	-	(2,477)	47,371	-	5 years
2015	92,893	-	3,022	-	(5,036)	90,879	-	6 years
2016	-	95,780	2,656	-	(3,567)	94,869	-	7 years

For DABP awards exercised in 2016 the weighted average share price at the time of exercise was 2370p (2015: 2249p).

Matching share awards under the MSPP subsisting at 31st December 2016 were:

Award year	Outstanding at 1st January 2016	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2016	Vested at 31st December 2016	Remaining life
2013	21,963	-	(10,160)	(1,061)	10,742	-	0 years
2014	19,516	-	(214)	(1,207)	18,095	-	1 year
2015	24,371	-	-	(1,577)	22,794	-	2 years
2016	-	27,044	-	(926)	26,118	-	3 years

For MSPP awards exercised in 2016 the weighted average share price at the time of exercise was 2520p (2015: 1879p).

Matching share awards under the SIP subsisting at 31st December 2016 were:

Award year	Outstanding at 1st January 2016	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2016	Vested at 31st December 2016	Remaining life
2012	15,620	-	(1,119)	(52)	14,449	14,449	0 years
2013	15,072	-	(728)	(537)	13,807	-	0 years
2014	14,022	-	(193)	(948)	12,881	-	1 year
2015	17,970	-	(212)	(1,474)	16,284	-	2 years
2016	-	18,636	(43)	(962)	17,631	-	3 years

For SIP awards exercised in 2016 the weighted average share price at the time of exercise was 2322p (2015: 2019p).

Awards under the PSP subsisting at 31st December 2016 were:

Award year	Outstanding at 1st January 2016	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2016	Vested at 31st December 2016	Remaining life
2014	259,000	-	-	(16,500)	242,500	-	3-6 years
2016	-	358,250	-	-	358,250	-	3-6 years

20 Related party transactions

There are no transactions with related parties who are not members of the Fidessa group.

The total remuneration of the directors was £1,766,000 (2015: £1,735,000). The remuneration of directors and other members of key management during the year was as follows:

	2016 £'000	2015 £'000
Short-term employee benefits	5,622	4,994
Post-employment benefits	47	36
Equity compensation benefits	402	493
Total remuneration of directors and key management	6,071	5,523

21 Financial risk management

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

Credit risk

Financial instruments which potentially expose Fidessa 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. The largest customer accounts for less than 5% of revenue and the 10 largest customers account for less than 30% of revenue.

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

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

	2016 £'000	2015 £'000
Not due	49,097	46,935
Not more than three months past due	12,954	11,311
More than three months but not more than six months past due	2,346	1,256
More than six months past due	2,350	1,209
Total trade receivables	66,747	60,711

Material trade receivable balances relate to sales transactions with financial institutions. Credit to customers is provided 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. Allowances are made when the settlement of a receivable becomes doubtful and the potential exposure is not covered by a related amount in deferred revenue. The movement in the allowance for doubtful receivables is in the table below.

Notes to the consolidated financial statements continued

21 Financial risk management (continued)

	2016 £'000	2015 £'000
Allowance for doubtful receivables at 1st January	1,089	1,555
Exchange adjustment	212	46
Allowances released in the period	(376)	(1,109)
New allowances made in the period	423	597
Allowance for doubtful receivables at 31st December	1,348	1,089

Liquidity risk

The following are the contractual maturities of financial liabilities.

	Trade payables		Accrued expenses	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
3 months or less	5,493	4,481	31,415	27,777
3 to 12 months	1,321	134	3,117	1,989
Greater than one year	-	-	1,260	698
Carrying value	6,814	4,615	35,792	30,464

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

Interest receivable and payable

Fidessa holds net funds and hence its interest risks are associated with short-term cash deposits. The 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.

There are no borrowings due to the cash reserves and strong cash generation of the business.

Foreign currency risk

Fidessa 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 the United States dollar and the Japanese yen. Revenue is split 57% in US dollars, 28% in sterling, 6% in yen and 9% in other currencies. The trade debtor currency exposure is consistent with the split of revenue by currency.

In managing currency risks the aim is to reduce the impact of short-term fluctuations on the cash inflows and outflows in a foreign currency. There are both cash inflows and outflows in these currencies that create a high level of natural hedge. Hedging contracts have not been entered into 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 profit before tax by approximately £227,000 for the year ended 31st December 2016 (2015: £208,000).

21 Financial risk management (continued)**Capital management**

The Board monitors the total equity, distributable reserves and the cash and cash equivalents balance in considering its retained capital along with when and how a return of capital to shareholders is appropriate. A strong capital base is maintained so as to provide employee, customer, market, investor and creditor confidence in the business and to ensure that it continues to operate as a going concern. Fidessa has strong cash generation due to being consistently profitable and non-acquisitive in nature. The annual dividends paid during 2016 represented 42.9% (2015: 49.2%) of the profit for the year attributable to shareholders. This provides a reasonable return to shareholders whilst also providing funds for potential acquisitions and replenishing the cash balance. However, in the absence of acquisitions, Fidessa has a track record of returning the additional cash to shareholders in the form of special dividends.

Fair values

Unless otherwise disclosed, there is no significant difference between the carrying values shown in the balance sheet and the fair values of the 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. Fidessa does not have any derivative financial instruments and therefore no analysis is required in respect of financial instruments not measured at fair value.

22 Operating leases

At 31st December the outstanding commitments under non-cancellable operating leases were as follows:

	2016 £'000	2015 £'000
Less than one year	19,976	17,415
Between one and five years	54,228	50,987
More than five years	68,408	42,487
Total commitment under operating leases	142,612	110,889

Office space and data centre facilities are leased 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 to a rent review during the term.

Part of the office space was sublet to entities outside of the Fidessa group and the rent from this is reflected as other operating income in the consolidated income statement. The two subleases expire in 2018 and 2024 respectively.

At 31st December the outstanding minimum rental receivables under non-cancellable operating leases were as follows:

	2016 £'000	2015 £'000
Less than one year	839	356
Between one and five years	2,004	431
More than five years	1,154	-
Total receivable under operating leases	3,997	787

Company balance sheet

at 31st December 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Investments	4	65,818	65,818
Deferred tax assets	5	13	13
Total non-current assets		65,831	65,831
Current assets			
Trade and other receivables	6	15,305	1,834
Income tax receivable		2,788	1,515
Cash and cash equivalents		41,642	46,526
Total current assets		59,735	49,875
Total assets		125,566	115,706
Equity			
Issued capital	8	3,858	3,827
Share premium		34,153	31,825
Merger reserve	8	17,938	17,938
Retained earnings		67,038	59,634
Total equity		122,987	113,224
Liabilities			
Non-current liabilities			
Other payables	7	310	19
Total non-current liabilities		310	19
Current liabilities			
Trade and other payables	7	2,269	2,463
Total current liabilities		2,269	2,463
Total liabilities		2,579	2,482
Total equity and liabilities		125,566	115,706

The financial statements were approved by the Board of directors on 10th February 2017 and were signed on its behalf by

A Skelton 

Fidessa group plc (registered number 03234176)

Company statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balances at 1st January 2015		3,817	31,017	17,938	50,351	103,123
Total comprehensive income for the year						
Profit and total comprehensive income for the year		-	-	-	38,815	38,815
Transactions with owners						
Issue of shares - exercise of options	8	10	808	-	-	818
Employee share incentive charges - subsidiaries		-	-	-	2,744	2,744
Deferred tax recognised direct to equity		-	-	-	(7)	(7)
Purchase of shares by employee share trusts		-	-	-	(630)	(630)
Sale of shares by employee share trusts		-	-	-	16	16
Dividends paid	8	-	-	-	(31,655)	(31,655)
Balances at 1st January 2016		3,827	31,825	17,938	59,634	113,224
Total comprehensive income for the year						
Profit and total comprehensive income for the year		-	-	-	39,165	39,165
Transactions with owners						
Issue of shares - exercise of options	8	31	2,328	-	-	2,359
Employee share incentive charges - subsidiaries		-	-	-	1,740	1,740
Deferred tax recognised direct to equity		-	-	-	4	4
Purchase of shares by employee share trusts		-	-	-	(1,012)	(1,012)
Dividends paid	8	-	-	-	(32,493)	(32,493)
Balances at 31st December 2016		3,858	34,153	17,938	67,038	122,987

Company cash flow statement

for the year ended 31st December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Profit before income tax for the year		38,979	38,334
Adjustments for:			
Finance income		(233)	(283)
Cash generated from operations before changes in working capital		38,746	38,051
Movement in trade and other receivables		(11,731)	1,041
Movement in trade and other payables		97	(12,812)
Cash generated from operations		27,112	26,280
Income tax (paid)/refunded		(1,083)	1,556
Net cash generated from operating activities		26,029	27,836
Cash flows from investing activities			
Interest received on cash and cash equivalents		233	283
Net cash generated in investing activities		233	283
Cash flows from financing activities			
Proceeds from shares issued		2,359	818
Purchase of shares by employee share trusts		(1,012)	(630)
Proceeds from sale of shares by employee share trusts		-	16
Dividends paid	8	(32,493)	(31,655)
Net cash used in financing activities		(31,146)	(31,451)
Net decrease in cash and cash equivalents		(4,884)	(3,332)
Cash and cash equivalents at 1st January		46,526	49,858
Cash and cash equivalents at 31st December		41,642	46,526

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 Section 408 of the Companies Act 2006 not to present its individual income statement and related notes when the consolidated income statement has been presented. The 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 2017.

The directors believe that the Company is well placed to manage its business risks successfully despite macroeconomic and geopolitical uncertainties. It 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 there are 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 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 IAS39 *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 financial statements.

3 Auditor's fees

	2016 £'000	2015 £'000
Audit of these financial statements	53	53
Review of the interim report	11	12
Total fees paid to the auditor	64	65

Notes to the Company financial statements continued

4 Investments

	2016 £'000	2015 £'000
Investments in subsidiaries at 1st January	65,818	65,818
Employee share incentive charges – subsidiaries	1,740	2,744
Employee share incentive reimbursements – subsidiaries	(1,740)	(2,744)
Investments in subsidiaries at 31st December	65,818	65,818

The subsidiary undertakings at 31st December 2016, 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.

Name of the undertaking	Registered office or principal place of business	Country of incorporation	Proportion of ordinary share capital held
Fidessa plc	Dukes Court, Duke Street, Woking, Surrey GU21 5BH	England and Wales	100%
Fidessa Buy-side Limited	Dukes Court, Duke Street, Woking, Surrey GU21 5BH	England and Wales	100%
Fidessa Software Limited	Dukes Court, Duke Street, Woking, Surrey GU21 5BH	England and Wales	100%
Fidessa Investments Limited	Dukes Court, Duke Street, Woking, Surrey GU21 5BH	England and Wales	100%
Fidessa SAS	8/10 rue Lamennais, 75008 Paris	France	100%
Fidessa Corporation	17 State Street, Floor 42, New York, NY 10004	USA	100%
Fidessa US Corporation	17 State Street, Floor 42, New York, NY 10004	USA	100%
Fidessa Buy-side Incorporated	One Financial Center, Suite 800, Boston	USA	100%
Fidessa Canada Corporation	100 Wellington Street West, Suite 1920, Toronto, ON M5K 1E7	Canada	100%
Fidessa Pte Limited	36 Robinson Road #10-01, City House, Singapore 068877	Singapore	100%
Fidessa Pty Limited	MLC Centre Level 22, 19-29 Martin Place, Sydney NSW 2000	Australia	100%
Fidessa kk	2-1-1 Marunouchi, Chiyoda-Ku Tokyo	Japan	100%
Fidessa Limited	69th Floor, The Center, 99 Queen's Road Central, Hong Kong	Hong Kong	100%
Fidessa Trading Systems Private Limited	No. 35, 4th Floor, Nanik Niwas, Kartar Premises Cooperative Soc, Ltd, 30/34, D.D Sathe Marg, Girgaum, Mumbai- 400004	India	100%
Fidessa Soluções Em Software Limitada	Rua Ministro Jesuino Cardoso, 454 3º andar, 04544-051, São Paulo – SP	Brazil	100%

5 Deferred tax assets

	Balance at 1st January 2016 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2016 £'000
Employee benefits	13	(4)	4	13
	13	(4)	4	13

	Balance at 1st January 2015 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2015 £'000
Employee benefits	20	-	(7)	13
	20	-	(7)	13

6 Trade and other receivables

	2016 £'000	2015 £'000
Amounts due from subsidiaries	15,019	1,622
Other receivables	286	212
Total trade and other receivables	15,305	1,834

Amounts due from subsidiaries are interest bearing and repayable on demand.

7 Trade and other payables

	2016 £'000	2015 £'000
Current liabilities		
Trade payables	45	99
Accrued expenses	767	585
Other liabilities	5	5
Other taxes and social security	1,452	1,774
Total trade and other payables	2,269	2,463
Non-current liabilities		
Accrued expenses	289	-
Other liabilities	21	19
Total trade and other payables	310	19

Notes to the Company financial statements continued

8 Share capital, reserves and dividends

The movements in share capital are set out in note 16 to the consolidated financial statements. The movement in reserves is set out in the Company statement of changes in shareholders' equity. Details of dividends paid and proposed are set out in note 11 to the consolidated financial statements.

9 Share-based payments

A full description of the share plans operated for employees is in note 19 to the consolidated financial statements. All share plan awards are over ordinary shares. The fair value of awards is recognised as an expense with a corresponding increase in equity. The expense is recognised equally over the time from grant until vesting.

For share awards under the SIP, PSP and DABP the fair value has been measured using a Black-Scholes 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:

SIP	Granted in 2012	Granted in 2013	Granted in 2014	Granted in 2015	Granted in 2016
Fair value	1330p to 1664p	1587p to 2262p	2089p to 2590p	1791p to 2405p	1876p to 2490p
Share price at grant	1330p to 1664p	1587p to 2262p	2089p to 2590p	1791p to 2405p	1876p to 2490p
Expected volatility	30%	28%	28%	28%	31%
Expected life	3 years	3 years	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%	4.5%	4.0%

PSP	Granted in 2014	Granted in 2016
Fair value	1940p	1921p
Share price at grant	2555p	2415p
Expected volatility	28%	31%
Expected life	6 years	6 years
Expected dividends per annum	4.6%	4.0%

DABP	Granted in 2015	Granted in 2016
Fair value	1975p	2333p
Share price at grant	1975p	2333p
Expected volatility	28%	31%
Expected life	3 years	3 years
Expected dividends per annum	4.5%	4.0%

9 Share-based payments (continued)

Matching share awards under the SIP subsisting at 31st December 2016 were:

Award year	Outstanding at 1st January 2016	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2016	Vested at 31st December 2016	Remaining life
2012	273	-	(91)	-	182	-	0 years
2013	231	-	(77)	-	154	-	0 years
2014	189	-	(63)	-	126	-	1 year
2015	219	-	(71)	-	148	-	2 years
2016	-	194	-	-	194	-	3 years

Awards under the PSP subsisting at 31st December 2016 were:

Award year	Outstanding at 1st January 2016	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2016	Vested at 31st December 2016	Remaining life
2014	15,000	-	-	-	15,000	-	4 years
2016	-	30,000	-	-	30,000	-	6 years

Awards under the DABP subsisting at 31st December 2016 were:

Award year	Outstanding at 1st January 2016	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2016	Vested at 31st December 2016	Remaining life
2015	10,000	358	-	-	10,358	-	6 years
2016	-	585	-	-	585	-	7 years

Notes to the Company financial statements continued

10 Related party transactions

Fidessa group plc 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 Fidessa 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 6 and 7 to these financial statements.

Fidessa group plc leases office premises and provides treasury management on behalf of the Fidessa group. Rent and services have been charged at cost and in 2016 totalled £1,292,000 (2015: £1,302,000).

11 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 being faced, which primarily relate to credit, interest and liquidity, which arise in the normal course of business.

Credit risk

Financial instruments which potentially expose Fidessa 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 Fidessa'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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
3 months or less	45	99	1,056	585
Carrying value	45	99	1,056	585

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

Interest receivable and payable

Fidessa holds net funds and hence its interest risks are associated with short-term cash deposits. The 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.

There are no borrowings due to the cash reserves and strong cash generation of the Fidessa group.

11 Financial risk management (continued)**Capital management**

The Board monitors the total equity, distributable reserves and the cash and cash equivalents balance in considering its retained capital along with when and how a return of capital to shareholders is appropriate. A strong capital base is maintained so as to provide employee, customer, market, investor and creditor confidence in its subsidiaries' businesses and to ensure that it continues to operate as a going concern. Fidessa has strong cash generation due to being consistently profitable and non-acquisitive in nature. The annual dividend has a pay-out ratio of approximately 45% which provides a reasonable return to shareholders whilst also providing funds for potential acquisitions and replenishing the cash balance. However, in the absence of acquisitions, Fidessa has a track record of returning the additional cash to shareholders in the form of special dividends.

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 financial instruments. For receivables and payables the directors consider that the carrying amount approximates their fair value.

12 Operating leases

At 31st December the outstanding commitments under non-cancellable operating leases were as follows:

	2016 £'000	2015 £'000
Less than one year	4,354	4,314
Between one and five years	18,766	20,338
More than five years	26,867	33,642
Total commitment under operating leases	49,987	58,294

Office space is leased 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 to a rent review during the term.

Part of the office space was sublet to entities outside of the Fidessa group. The subleases expire in 2018 and 2024 respectively.

At 31st December the outstanding minimum rental receivables under non-cancellable operating leases were as follows:

	2016 £'000	2015 £'000
Less than one year	839	356
Between one and five years	2,004	431
More than five years	1,154	-
Total receivable under operating leases	3,997	787

Financial calendar**13th February 2017**

2016 annual results announced

21st March 20172016 Annual Report and
Accounts circulated**26th April 2017**

Annual General Meeting

8th June 2017Final 2016 dividend and special
dividend paid**July/August 2017**

2017 interim results announced

September 2017

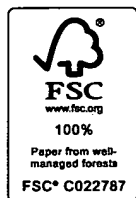
2017 interim dividend paid

February 2018

2017 annual results announced

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