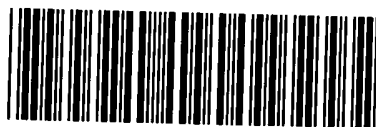


F Annual report and accounts 2017

Fidessa group plc
Company Number: 03234176

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Fidessa
Trade / Invest / Inform

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

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

It's also why \$26 trillion worth of transactions flow across our global network each year. Because we're a market leader, we can also offer access to one of the world's largest and most valuable trading communities of buy-side and sell-side professionals, from global institutions and investment banks to boutique brokers and niche hedge funds.

Fidesa is a global business with scale, resilience, ambition and expertise. We're recognised as a thought leader in our space. We set the benchmark with our unrivalled set of mission-critical products and services and, uniquely, serve both the buy-side and sell-side communities. Ongoing investment in our leading-edge, integrated solutions ensures Fidesa remains the industry's number one choice.

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

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Strategic report

Results at a glance

Highlights for the period ended 31st December 2017:

- Solid revenue growth across all regions.
- Good international spread with 66% of total revenue accounted for outside of Europe.
- Continued strong growth in multi-asset revenue with 10 new derivatives deals signed.
- Recurring revenue representing 88% of total revenue.
- Increasing capacity for investment in new opportunities or raised margin.
- Constant currency adjusted profit before tax increased 5%.
- Strong cash generation with £92.4 million cash balance after net outflows in the year of £10.1 million associated with the Jersey City office move and dividend payments of £36.0 million.
- Final and special dividends totalling 79.7 pence proposed, bringing the total 2017 payout to 95.0 pence per share, a total value of £36.6 million.

	2017	2016	Change	At constant currencies*
Revenue	£353.9m	£331.9m	+7%	+3%
Profit before tax	£50.0m	£48.8m	+2%	-2%
Adjusted profit before tax**	£54.3m	£49.5m	+10%	+5%
Profit after tax	£35.7m	£35.7m	-	
Adjusted profit after tax**	£40.4m	£36.3m	+11%	
Diluted earnings per share	91.7p	92.3p	-1%	
Adjusted diluted earnings per share**	103.9p	93.7p	+11%	
Final dividend per share	29.7p	28.2p	+5%	
Special dividend per share	50.0p	50.0p	-	
Cash	£92.4m	£95.2m	-3%	

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

** Adjusted measures are based on reported profit numbers excluding one-time and duplicate costs associated with the Jersey City office move, provisions in respect of property leases and a downward revaluation of US deferred tax assets following recent US tax changes. Reconciliations between the reported and adjusted measures are included in the Finance review on pages 2 to 4. Adjusted results are presented showing the performance of the business before the costs noted above as the Board believes this gives a more comparable year on year indication of the underlying performance of the Group.

Strategic report continued

In 2017 Fidessa achieved revenue of £353.9 million which represents growth on a reported basis of 7%

Overview

2017 has been an important year for the financial markets as they prepared for the new MiFID II regulations which are finally coming into force after many years of discussion and debate. This change is likely to result in a significant transformation to the way in which financial markets operate, with requirements for increased transparency and efficiency creating greater need for automation of global workflow and much tighter integration across a range of technologies. Fidessa has worked hard during 2017 to position itself to benefit from these changes. This is reflected in a solid financial performance for 2017 as a whole with a strong and developing pipeline, combined with increasing capacity as we move into 2018/19. This increased capacity results from a gradual reduction in the amount of work required to support regulatory changes and also the improved contribution of Fidessa's derivatives business. We will adopt the new IFRS15 accounting standard in 2018 and expect it will have less than a 1% impact on reported revenue for 2018. Overall, we expect to see similar levels of constant currency growth in 2018 to those seen during 2017. For 2019, the increased capacity is expected to result in a greater ability to invest in further opportunities as the markets develop,

or if the right opportunities are not clear, deliver an increase in margin.

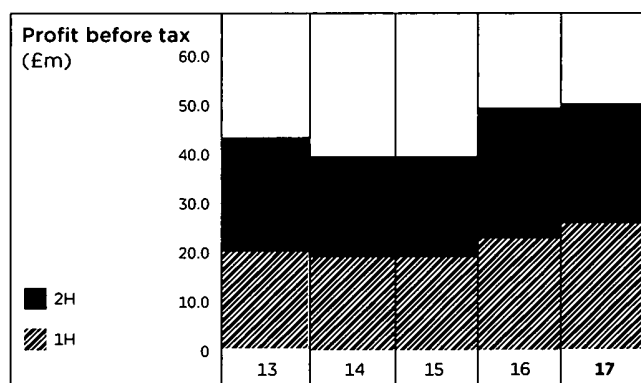
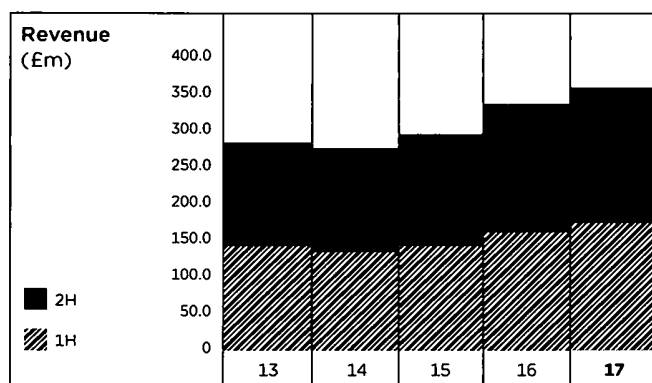
Looking further ahead, it is clear that technology will play a greater role in financial markets as the impact of new regulation takes effect. It is also clear that increasing numbers of firms are going to need assistance in building out the platforms of the future and Fidessa is already seeing evidence of this within its pipeline. We believe that there are few vendors who have the expertise and scale of infrastructure, coupled with the technology focus required to support this activity. As a result, we believe Fidessa is well positioned for this new environment and able to benefit by replacing in-house platforms, other weaker vendors and also through specific small consolidation opportunities.

Finance review

In 2017 Fidessa achieved revenue of £353.9 million which represents growth on a reported basis of 7% (2016: £331.9 million and 12%). On a constant currency basis, revenue growth of 3% was at a similar level to 2016.

Recurring revenue of £312.3 million grew 8% and represents 88% of total revenue (2016: £287.8 million, 87% of total revenue).

Revenue for the sell-side business of £330.2 million grew 7% (2016: £308.8 million and 13% growth). Within the sell-side business, equities revenue of £286.1 million grew 7% (2016: £267.5 million) and derivatives revenue of £44.1 million grew 7% (2016: £41.3 million) and for the buy-side business, revenue of £23.7 million grew 3% (2016: £23.1



million and 5% growth). Derivatives revenue represents 12% of total revenue (2016: 12%) and also accounts for 12% of recurring revenue.

Foreign currency exchange rates continued to be volatile during 2017. During the first half Fidessa reported a currency tailwind with sterling 12% weaker against the US dollar and currencies pegged to the US dollar and 14% weaker against the Japanese yen. During the second half, as sterling strengthened, there was a currency headwind with sterling 2% stronger against the US dollar and currencies pegged to the US dollar and 9% stronger against the Japanese yen. At current rates of exchange, Fidessa expects a headwind for 2018 as a whole. During 2017, 74% of revenue was denominated in foreign currencies, with the majority of this in US dollars which accounted for 58% of revenue in the period.

As anticipated, the impact from consolidation and closures across the customer base reduced to 2% during 2017 (from 4% in 2016). During 2017 there have continued to be further consolidations and closures and Fidessa's current expectation is that these will have a similar impact on revenue in 2018.

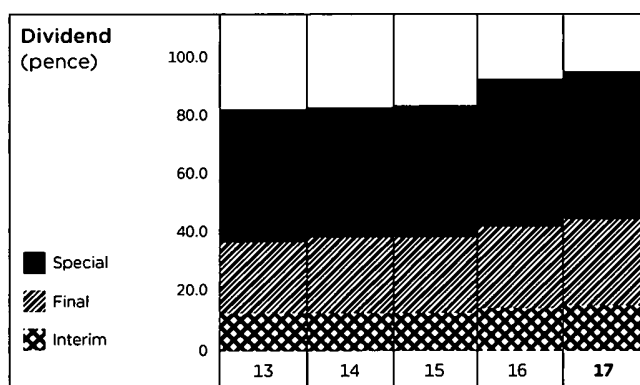
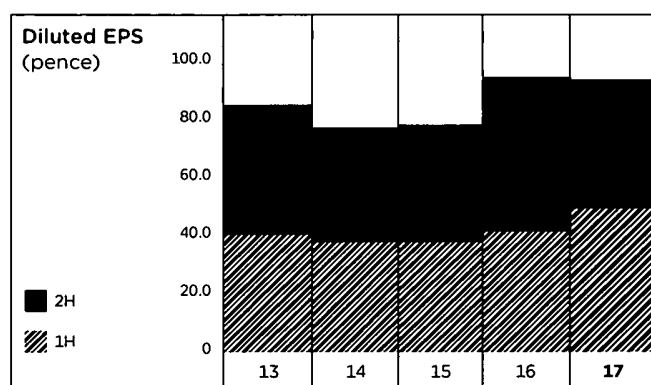
On a regional basis, 66% of total revenue was accounted for outside of Europe. The Americas grew 11% on a reported basis and 5% on a constant currency basis and continues to be the largest region, accounting for 45% of total revenue. Asia grew 7% on a reported basis and 2% on a constant currency basis and accounted for 21% of total revenue. Europe grew 1% on a reported basis, was flat on a constant currency basis and accounted for 34% 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 £57.1 million and represents 16% of current year revenue (2016: £61.8 million and 19% of revenue) with the majority of it expected to be recognised as revenue during the first half of 2018. The reduction in deferred revenue primarily reflects movements in the balance sheet currency exchange rates. Consistent with previous years, the accrued revenue balance was minimal.

Effective from the 1st January 2018, Fidessa will implement IFRS15 'Revenue from contracts with customers'. Fidessa will adopt the modified retrospective transition method with the cumulative effect of initially applying the standard reflected as an adjustment to the opening balance of retained earnings as of 1st January 2018. Comparative prior periods will not be adjusted. Overall, Fidessa expects that the adoption of IFRS15 will have less than a 1% impact on reported revenue for 2018.

Total operating expenses for 2017 grew 7% to £305.1 million (2016: £283.9 million) with almost half of the increase attributable to foreign currency exchange rate movements. Included in total operating expenses are one-time and duplicate costs associated with the Jersey City office move and property lease provisions. The average number of people employed during 2017 of 1,728 was broadly unchanged from 1,739 in 2016.



Strategic report continued

Development expenditure capitalised of £33.0 million increased from £30.4 million in 2016 while net capitalisation of development expenditure of £4.9 million increased from £2.9 million in 2016.

Profit before tax for 2017 increased 2% to £50.0 million (2016: £48.8 million), being a margin of 14.1% (2016: 14.7%). On a constant currency basis, profit before tax for 2017 has decreased 2%.

Adjusted profit before tax grew 10% to £54.3 million (2016: £49.5 million) being an adjusted margin of 15.3% (2016: 14.9%). Adjusted profit before tax can be reconciled to profit before tax as follows:

	2017	2016	Change	At constant currencies*
Profit before tax	£50.0m	£48.8m	+2%	-2%
One-time and duplicate				
Jersey City move costs	£2.6m	-		
Property lease provisions	£1.7m	£0.7m		
Adjusted profit before tax**	£54.3m	£49.5m	+10%	+5%

For 2018, Fidessa expects a small increase in profit before tax margin as the absence of the Jersey City move costs and property lease provisions seen in 2017 are partially offset by the profit before tax impact of expected currency headwinds.

Looking further ahead to 2019, the gradual reduction in the amount of work required to support regulatory changes and the anticipated improved contribution from the derivatives business is expected to increase Fidessa's ability to invest in further opportunities as the markets develop. If the right opportunities are not clear Fidessa expects that margin would further increase in 2019.

The US Tax Cuts and Jobs Act was enacted on 22nd December 2017, reducing the statutory rate of US federal corporate income tax from 35% to 21% with effect from 1st January 2018. The immediate impact in 2017 was a downward revaluation of US deferred tax assets of £1.7 million as a result of the reduced tax rate. Excluding this revaluation, the effective rate of tax for 2017 of 28.6% would reduce to 25.2% (2016: 26.8%). Fidessa expects the

95.0p

total dividend per share for the year

US Tax Cuts and Jobs Act to be the primary driver of a reduced effective rate of tax of approximately 23% for 2018.

Profit after tax of £35.7 million for 2017 was unchanged from 2016. Adjusted profit after tax grew 11% to £40.4 million (2016: £36.3 million). Adjusted profit after tax can be reconciled to profit before tax as follows:

	2017	2016	Change
Profit after tax	£35.7m	£35.7m	-
One-time and duplicate			
Jersey City move costs, net of tax	£1.6m	-	
Property lease provisions, net of tax	£1.4m	£0.6m	
Downward revaluation of US deferred tax assets	£1.7m	-	
Adjusted profit after tax**	£40.4m	£36.3m	+11%

Diluted earnings per share have reduced by 1% to 91.7 pence (2016: 92.3 pence). Based on the adjusted profit after tax as reconciled above, adjusted diluted earnings per share grew 11% to 103.9 pence.

Fidessa continued to be strongly cash generative, closing the period with a cash balance of £92.4 million (2016: £95.2 million) and no debt. The net outflow in the year associated with the Jersey City office move was £10.1 million, with a further outflow of £1.5 million to come in 2018 in respect of 2017 capital purchases.

Cash generated from operations increased by 4% to £95.9 million (2016: £92.4 million). During the period, dividends of £36.0 million (2016: £32.5 million) have been paid.

The final dividend, if approved by shareholders, will be 29.7 pence and payable on 7th June 2018 to shareholders on the register on 11th May 2018, with an ex-dividend date of 10th May 2018. In addition, a special dividend of 50.0 pence (2016: 50.0 pence) is proposed and, if approved by

* Refer to page 1.

** Refer to page 1.

shareholders, will be paid at the same time as the final dividend and bring total dividends for the year to 95.0 pence, a 3% increase from 92.5 pence in 2016.

Business model, purpose 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. Historically, the solutions were delivered on a highly configured, enterprise basis, but for a number of years the predominant delivery mechanism has been as a managed service through Fidessa's own global connectivity network and data centres.

Fidessa's sell-side solutions focus on cash equities and listed derivatives, whereas its buy-side solutions operate across all asset classes. 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 with only one significant acquisition in the last 20 years. Providing tailored products and services to a broad range of customers on both the sell-side and buy-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 high levels of cash, and with the limited 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 and as a result, over the last eight years, Fidessa has returned over 98% of earnings to shareholders.

Market review

Throughout 2017 much of the European industry's focus has been on preparation for MiFID II which came into force across the EU on 3rd January 2018 with the principal aim of making trading in financial markets more transparent.

In line with its long-term commitment to its customers, Fidessa has invested considerable resources in its MiFID II development programme, ensuring that it continues to be seen as a thought leader within the market and making sure that its customers are best placed to benefit from the changing environment. As mentioned in previous results announcements, Fidessa believes that the MiFID II regulation will result in a long tail of work moving into 2018, although this will be at a lower level of intensity to that seen in 2017. This long tail is a result of both the delayed introduction of some areas of regulation as well as the delayed enforcement of other areas. In addition, it will clearly take some time before the new market structures and practices are fully evolved and the technology required to operate successfully within these new structures becomes clear and established. Throughout its MiFID II programme, Fidessa has maintained its pricing commitment to its customers, only charging additional fees for new services and covering other costs through its normal service fees. This ensures that Fidessa continues to be seen as a key partner to its customers, able to balance out the long-term cost of operating these complex platforms and providing its customers with certainty over their budgets.

Whilst MiFID II is a European initiative, the demands for greater transparency and accountability through better reporting and performance measurement are increasingly global themes. One of the key principles is the separation of research payments from trading commissions and a focus on best execution that now extends to the buy-side for the first time. As a result, there is increased demand across all the regions for automation and workflow

Strategic report continued

products that provide greater control and visibility, including metrics that allow firms to prove how well they have performed. The best execution regime that applies to cash equities is also starting to apply to other asset classes, including derivatives, which is fuelling the requirement for equity-like algos and analytical tools that enable derivatives traders to both improve and demonstrate their execution capabilities.

Across the markets there is an increasing desire to create a transparent trading environment, with MiFID II in particular seeking to limit the activities of dark pool trading and prohibit broker dealers from running their own internal crossing networks. In practice, the effect of this has been to introduce new trading constructs such as block trading venues and Systematic Internalisation. This means that market participants now need to monitor and interact with a more complex range of trading destinations in addition to their traditional sources of liquidity.

In addition to regulatory change, Fidessa continues to see further structural changes within the market, such as those caused by the large inflow of investment into Exchange Traded Funds (ETFs) and the growing use of more complex instruments. These changes are fuelling demand for increasingly sophisticated program trading platforms as well as support for correlated assets and tighter integration of electronic execution. As a result, Fidessa is seeing evidence that many of the top-tier firms believe themselves to be in need of assistance in these areas as a new arms race develops. This is driving a requirement for third party solutions that can be used as part of an overall programme which also leverages the power of their in-house teams, and means that a new platform can be brought into play far more quickly and with greater precision than is possible for either party alone. This is particularly suited to Fidessa's platform-based approach which manages the core functionality for its customers whilst allowing them to deploy their own unique intellectual property (IP) and integrate with other in-house systems.

Fidessa has continued to develop its global infrastructure to ensure that it meets the stringent performance, cybersecurity and regulatory requirements of the industry. As well as powering the majority of Fidessa's trading applications, this infrastructure acts as a network for

Fidessa believes that it is uniquely placed to deliver and power the trading platforms of the future as the markets continue to evolve

customers that wish to distribute algos or other pieces of discrete functionality within the financial community. Looking ahead Fidessa believes this distribution network can be leveraged by other third parties looking to sell into the capital markets space.

Overall, Fidessa believes that the trends now clearly visible within the marketplace show the extent to which participants are continuing to move towards Fidessa's core vision of a highly automated, global and scalable electronic workflow and that regulation is driving a greater convergence in the way in which different asset classes are traded. As a result, Fidessa believes that it is uniquely placed to deliver and power the trading platforms of the future as the markets continue to evolve.

Sell-side trading

Whilst the primary focus for many of Fidessa's European sell-side customers during 2017 was the introduction of MiFID II, Fidessa has continued to make steady progress across all regions. The emphasis on improving the quality and measurement of execution, dealing with a more complex market landscape and handling increased reporting and compliance requirements is global in scope. Furthermore, this all has to be handled within the context of a tightly cost constrained environment. These pressures are particularly evident within the larger sell-side firms where Fidessa has seen a marked increase in activity. These firms are evaluating their market position and looking for partners that can assist them to quickly and cost effectively re-position in the most strategic areas of their business. For Fidessa, this represents an underpenetrated segment of the market and one where it is continuing to develop its pioneering ideas for a service-based platform which addresses the customisation needs of the largest firms. In its work with these larger firms, Fidessa is seeing specific opportunities in the areas of electronic execution, program trading and support for correlated assets and expects that this will result in significant contracts during 2018.

Electronic execution continues to be an active area with many firms searching for a new approach. Buy-side firms are now under much stricter requirements to measure execution outcomes and this results in these firms automating more of their order flow. As a result, Fidessa has seen increased requirements across sell-side firms for

globally consistent yet very fast market access. In addition, a generic management capability is required to operate and, just as importantly, measure in-house and third party developed algos. Fidessa's approach has been to meet these needs whilst allowing its customers to share common infrastructure with their other higher touch business lines. This provides operational efficiency and also allows orders to "change lanes" between high and low touch so as to achieve the best possible execution outcomes. Fidessa has continued to sign further deals and deploy this platform at a number of sell-side firms in the US, Asia and Europe.

Across the markets there has been a continued shift into passive investment either directly via ETFs or through smart beta products. ETFs now represent over \$5 trillion of Assets Under Management (AUM) and attracted \$69 billion in the first 11 months of 2017, the fastest growth since 2009 (source: ETFGI). As a result, this has increased the need for large scale program trading capabilities that can automate the trading of large baskets, containing a variety of different asset types, in a systematic fashion, globally. Fidessa already has the execution platforms that firms need in order to succeed in this space and is now working with strategic partners to develop the next generation of workflow automation for program trading. This provides the scale, performance and operational precision to successfully trade hundreds of baskets, containing thousands of global stocks and other assets daily. The growth of ETFs represents just one facet of an increase in the use of a range of equity correlated products including swaps, convertibles, corporate bonds and options. As these products grow, large customers, who have historically been equipped for manual trading, are needing to re-think their infrastructure as the need for automation becomes more pressing. These requirements map well against Fidessa's multi-asset vision and Fidessa continues to work with partner customers to develop its workflow automation in some of these areas.

For the large number of specialist brokers who do not have the scale of the tier 1 firms, the challenge is to demonstrate their relevance in the new trading landscape. Fidessa has helped these firms through the continued roll-out of its advanced order handling tools such as the Order Performance Monitor (OPM) and Prospector.

Fidessa has also developed the Block Shadow suite of algos that enable customers to trade concurrently across the new Large in Scale (LIS) dark pools that have emerged. In developing this functionality, Fidessa has worked with a number of innovative specialist brokers who have moved quickly to take advantage of the changed landscape.

Fidessa's MiFID II programme successfully delivered in time for the scheduled commencement on 3rd January 2018. The scope of the programme affected all of Fidessa's European and global customers, providing support for the new compliance rules as well as handling the upgrade programmes of over 40 exchanges across nearly 30 countries. This incorporated over 1,400 change requests, 900 separate software releases and culminated in running over 40,000 separate integration checks the weekend before go-live. Upgrades were also made across Fidessa's entire connectivity network affecting thousands of connections. In addition, new services were rolled out to support Assisted Trade Reporting for the buy-side, Systematic Internaliser (SI) auto-quoting and enhanced risk management functionality.

Fidessa's unparalleled track record in providing the innovative solutions that firms of all sizes need within the equity trading space was recognised with a number of awards. These included Best Front-Office Execution Platform in the Waters Sell-side Technology Awards, Best Sell-side Order Management System (OMS) in the Markets Choice Awards, Best Sell-side OMS and Best Cross Asset Trading System in the 2017 Intelligent Trading Technology Awards and Equity Trading System of the Year at the FOW and Global Investor Asia Capital Markets Awards.

Despite the significant gains on many stock markets, levels of volatility remained unusually subdued in 2017, with the Cboe Volatility Index (VIX) reaching a record low in July. This negatively affected the level of derivatives trading around the world. The derivatives industry also faced further regulatory uncertainty as European regulators delayed the introduction of Open Access which will allow greater competition between trading venues. Despite these challenges, Fidessa continued to make good progress with its derivatives programme, signing 10 new deals during 2017. These deals were focussed amongst smaller regional brokers and demonstrate that the benefits

Strategic report continued

of workflow automation are now being felt across all tiers of the industry. Furthermore, the growing deployment of Fidessa's platform means that its derivatives business remains on track to make a positive contribution to Fidessa's overall profitability on a run-rate basis by the end of 2018.

The derivatives market is set to continue to mature into 2018 with growing requirements around algo certification, more comprehensive trade reporting and the extension of the best execution obligation from equities into derivatives. In addition, during the first few weeks of 2018, there has been a substantial increase in volatility with the VIX hitting its highest level since 2011. Fidessa expects that this market backdrop will drive the need for workflow solutions and Fidessa continues to have a strong pipeline for its derivatives platform. In addition to providing workflow solutions, Fidessa plans a range of extensions for its derivatives workstation that has already established a base of around 1,000 users. In particular, Fidessa believes that there is a need for a next generation multi-broker solution which will allow larger Futures Commission Merchants (FCMs) to deploy their own best execution algos and other IP both to their buy-side customers and also to other smaller brokers. Fidessa has facilitated this within its workstation and plans to add further tools to automate downstream processing within this platform. This allows larger FCMs to distribute a 'self-service' workstation to their customers offering greater convenience to the user whilst reducing the operational overhead within the FCM itself. Two deals were announced during 2017 by FCMs planning to use the workstation in this way and the product has already won awards from CTA Intelligence in Europe and the US as Best Trading and Execution Technology.

In Asia, Fidessa has continued to deliver solid growth helped by a robust performance from Japan. New deals have included the signing of a derivatives platform as well as two additional Chinese brokers looking to operate their international business out of Hong Kong. With 14 Chinese brokers now using the platform in this way, Fidessa has a strong position in this market providing it with the opportunity to develop its relations into mainland China in the future. The Chinese market continues to open up slowly for international business, as illustrated by the record northbound and southbound

flows through the Shanghai and Shenzhen Stock Connect links to Hong Kong, and the inclusion of Chinese stocks in the MSCI index during the year. Fidessa has also focussed on meeting the growing customer and regulatory demands across the region surrounding electronic flow. This is helping the market to understand the benefits of using true workflow automation for their electronic flow rather than more piecemeal approaches, and has resulted in a large Chinese broker signing for this service during 2017.

Japan is also reflecting the global trends towards passive investment and electronic execution. This is shown by the Tokyo Stock Exchange's recent outreach for electronic market makers to help grow its domestic ETF market. This fits well with Fidessa's overall strategy and has resulted in growing interest in Japan for Fidessa's low latency platform. Fidessa has also seen interest in its Japanese low latency platform as a means of accessing some of the other markets within the region, where those markets use similar technology to that used by the Japanese central markets. In addition to Fidessa's strong presence with Japanese domestic customers, there has also been increased interest from foreign brokers looking to develop a local market presence as part of their global offering.

Buy-side trading

Across all regions, regulations such as MiFID II have placed new obligations on Fidessa's asset management customers requiring them to implement new audit trails, take greater responsibility for execution quality and more formally delineate the services they receive from brokers. Under the new MiFID II rules, buy-side firms are now required to provide enhanced trade data to Approved Publication Arrangement (APA) service operators to create an audit trail. To enable this, Fidessa has expanded its network, via partnerships with regulation reporting vendors, to allow key transactional events to be recorded down to the microsecond so as to support forensic investigation by regulators. To ensure accuracy, all systems are synchronised to UTC time over the Fidessa Express connectivity network.

Fidessa has also seen increasing interest in advanced trading automation as buy-side firms face more pressure to take ownership of their execution. The new environment

pushes firms to take a more prescriptive approach to delivering and measuring execution outcomes. As result of this, Fidessa is now seeing areas where some of its sell-side trading automation software can be directly relevant to help buy-side firms meet these requirements. As part of this move, the buy-side is also exploring the new electronic sources of fixed income liquidity that have emerged. This creates challenges, however, in terms of efficiency and also with compliance as traders grapple with multiple screens. To address this, Fidessa has expanded its integration with some of these venues so that liquidity can be accessed directly from within its buy-side OMS. This means that there is a single audit trail that can be used to demonstrate adherence to a firm's best execution policy. As a result, Fidessa has added feeds from Neptune, TradeWeb, and MarketAccess and implemented direct order routing to LiquidNet and ITG Posit.

Buy-side compliance teams continue to be challenged to do more with limited resources. Nevertheless, they still need to implement new controls driven by regulation and client mandates both at a firm and a fund level. In response to this, Fidessa has made its rules engine simpler to modify, and added Liability Risk Limits to support the Solvency II requirements and Mortgage Settlement Dates to support FINRA's rule 4210 for margin requirements.

A growing number of firms are also using their compliance systems to proactively control trading operations as well as their fund positions. This can present a real challenge when multiple trading solutions are spread geographically across different asset classes. Sentinel is well suited to meet this need especially in terms of achieving a consistent level of oversight and reporting. Additionally, the Department of Labor (DOL) Fiduciary Rule places new demands on private wealth investors who increasingly need to evidence that they are trading in the best interests of their customers. As a result, further customers have signed to use Fidessa's Sentinel Trading Compliance to monitor and control their trading operations in this way.

Fidessa is also seeing increasing levels of interest in the new Incident Approval Matrix built into the Sentinel compliance service as buy-side firms look to better monitor and manage positions whilst minimising erroneous alerts. In response, Fidessa is exploring the application of machine learning techniques in this area to intelligently identify, manage and oversee the compliance function.

Fidessa has continued its development in the post-trade space using its unique partnership across tier-one asset managers, clearing brokers and executing brokers to extend its award winning AMS service to support exchange traded derivatives (ETDs). Originally slated to go live in Q4 2017, the launch was postponed to Q1 2018 in the light of ongoing MiFID II development work. AMS replaces the current manual process with true exceptions based workflow and so provides much needed structure, rigour and control. This utility is particularly suited to brokers that wish to reduce their own operational workload whilst, at the same time, offering a more precise service to their own customers in the post-trade arena. This service has a strong pipeline to develop over the next year and was recently recognised by the Fund Technology & WSL Awards as Best Utilities Technology.

As buy-side firms continue to adjust to the new environment, many are looking for a full service approach to their execution, custody and clearing operations. Fidessa has recognised this trend and already supports a number of firms that operate outsourced trading desks, security services and post-trade services. Fidessa believes that its service based model is well positioned to capitalise on this trend and will seek to work with additional industry partners to expand this into a full business-process-as-a-service model.

Regulation

Regulation continues to be a key focus across Fidessa's customer base, with attention centred on the effects from the recent introduction of MiFID II in Europe and some degree of regulatory uncertainty in America.

In Europe, Fidessa has worked closely with its customers to deliver an extensive MiFID II upgrade programme. The programme provided enhanced controls, increased transparency, regulatory order and trade data, compliance monitoring and SI quoting capabilities. Fidessa believes that the introduction of MiFID II is a landmark event for the financial markets and the impact is already being seen as trading shifts from the Over the Counter (OTC) market to more transparent platforms including some of the new block trading venues or routing through to SIs. Whilst the regulation went live as planned on 3rd January 2018, there are still some significant elements that have either not gone live or are not currently being enforced. These include SI

Strategic report continued

registration, the implementation of dark pool caps, currently delayed until March, and Open Access for derivatives trading, currently delayed until the middle of 2020. Fidessa expects that, as a result, the MiFID II programme will have a long tail and that additional elements will continue to be required well into 2018. This is expected to provide further opportunities for Fidessa to deploy new services to assist its customers in meeting their MiFID II obligations over this period.

As reported in the 2017 interim report, the US is currently seeing a period of regulatory uncertainty. Fidessa noted in previous announcements that despite unanimous approval by the Commodity Futures Trading Commission (CFTC), work on the definition of RegAT was not finalised before the US election. The new administration has indicated a desire to review regulation generally and make significant structural alterations to the Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") and, at this point, RegAT is still pending and will almost certainly be revised from its original form. As expected, there has also been a slowdown in the drafting of new regulations, whilst others that are already in progress, such as the Consolidated Audit Trail (CAT), are continuing but have been subject to increased scrutiny, particularly regarding security and Personally Identifiable Information (PII).

The challenges faced by participants who are subject to overlapping regulation from different regions are still to be fully worked out. One such concern is MiFID II and its stipulations over research unbundling. In light of this, Fidessa believes that most large firms will look to standardise on a single best practice approach when managing their risk and workflow and may adopt principles from a number of different regulatory regimes as their global standard.

It is also clear that increasing numbers of firms are going to need assistance in building out the platforms of the future and Fidessa is already seeing evidence of this within its pipeline

Outlook

The gradual reduction in the amount of work required to support regulatory changes and also the improved contribution of Fidessa's derivatives business mean that Fidessa has increasing capacity as it moves into 2018/19.

Fidessa will adopt the new IFRS15 accounting standard in 2018 and expects it will have less than a 1% impact on reported revenue for 2018. Overall, Fidessa expects to see similar levels of constant currency growth in 2018 to those seen during 2017. For 2019, the increased capacity is expected to result in a greater ability to invest in further opportunities as the markets develop, or if the right opportunities are not clear, deliver an increase in margin.

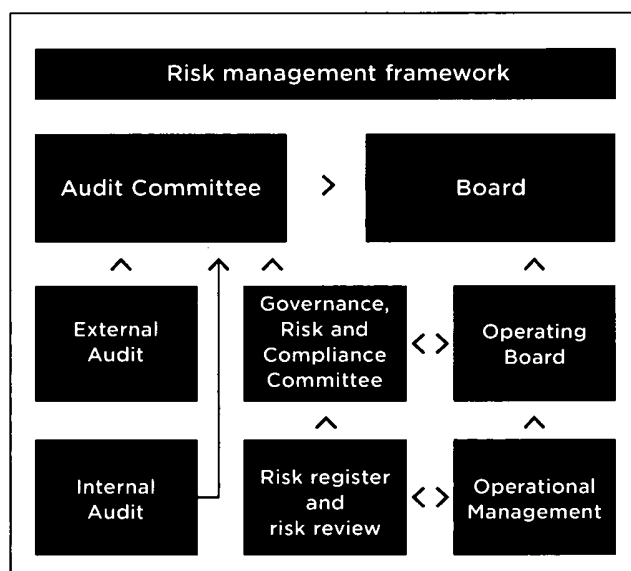
Looking further ahead, it is clear that technology will play a greater role in financial markets as the impact of new regulation takes effect. It is also clear that increasing numbers of firms are going to need assistance in building out the platforms of the future and Fidessa is already seeing evidence of this within its pipeline. Fidessa believes that there are few vendors who have the expertise and scale of infrastructure, coupled with the technology focus required to support this activity. As a result, Fidessa believes it is well positioned for this new environment and able to benefit by replacing in-house platforms, other weaker vendors and also through specific consolidation opportunities.

Approach to risk management

Overall responsibility for ensuring the effectiveness of the internal controls and risk management systems across the Fidessa group rests with the Board. The primary method by which risks are monitored and managed is through the Operating Board, which comprises the Chief Executive, Chief Financial Officer and seven other regional, service line and business function heads. Each risk is formally owned and managed by a member of the Operating 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 the Chief Financial Officer and other senior managers from across Fidessa. The Governance, Risk and Compliance Committee reports on its activities to the Audit Committees as depicted in the chart that follows.

The Operating Board meets ten times a year with the risk register being reviewed at least three times a year. The subject of risk is also included in the Board's papers with the Board being notified as to whether there are any significant new risks or changes in status of existing risks. In addition there are regular formal reviews of the risks facing the business conducted by the Audit Committee on behalf of the Board. The Audit Committee reports its findings in relation to risk to the Board.

Fidessa's approach to risk management includes the identification, analysis, management and mitigation of those risks that might threaten Fidessa's operations, financial results, the value and liquidity of its securities or its reputation. Each risk is weighted based on its likelihood and impact of occurrence and in considering the degree to which a risk is to be mitigated Fidessa takes into account its statutory and contractual obligations.



Strategic report continued

Risk factors and uncertainties

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 risks; the table is not intended to be exhaustive and the principal risks are not listed in any particular order. Whilst there has been no material change to Fidessa's risk profile from previous years, the appearance of the principal risks in this Annual Report have been revised to reflect more closely the underlying risk register and risk management processes. As was the case last year, continued focus has been given during the year to the dynamic nature of cyber threats faced by businesses. Consideration has also been given to the risks arising from regional changes such as Brexit and the change in the US administration in 2017. The Board believes that the global nature of trading processes and infrastructure and of Fidessa's trading platforms make it less susceptible to the effects of such regional changes. 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 robust and comprehensive. Further details of its internal control and risk management systems are set out in the Directors' and Corporate Governance Report.

Principal risk	Type	Description	Potential impact on Fidessa	How the risk is mitigated
Operational risk	Cybersecurity risk	Fidessa relies upon the confidentiality, integrity and availability of its IT systems both internally and as part of its hosted service offering to customers. Cybersecurity events are occurring more frequently and attacks are designed with greater complexity.	A major cybersecurity event causing loss of availability or loss of customer data could limit Fidessa's operations, expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	<p>Fidessa reviews and improves its systems and processes in order to mitigate the risk of a cybersecurity event. These systems and processes include:</p> <ul style="list-style-type: none"> • management of cybersecurity controls and governance. • periodically commissioning independent consultants to carry out threat assessments. Results are reported to the Audit Committee together with progress in implementing any key recommendations. • awareness programmes designed to educate staff on cybersecurity risk and controls. • annual penetration testing with an accredited independent consultant. • managing the patching of IT system assets as part of the Technical Vulnerability Management processes. • incident management processes to deal with cybersecurity events. • annual testing of business continuity plans for each business unit and major sites. • security controls to mitigate the risk of a malware outbreak. <p>Assurance over mitigating cybersecurity controls is provided in part through the existing external annual SSAE16(18) audit.</p> <p>Fidessa has cybersecurity insurance in place to mitigate the risk of a cybersecurity event.</p>

Principal risk	Type	Description	Potential impact on Fidessa	How the risk is mitigated
Operational risk	Compliance with information security requirements	General compliance with regulatory and contractual information security requirements.	Non-compliance could expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	Fidessa reviews the impact of new information security regulations and legislations on Fidessa and its customers. The output of these reviews influences the design of Fidessa's products, services and controls. Fidessa delivers awareness programmes to staff to highlight the potential impacts arising from these changes with business units.
	Employee action	Fraud, theft or other disruptive actions by employees.	Could limit Fidessa's operations, expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	New employees are subject to background checks. Employees are requested to complete an annual compliance training programme. Access controls and reviews are in place. Systems and processes are in place to protect against data loss. Any incidents are managed in accordance with the incident management processes.
	Data loss	Loss of sensitive customer or employee data.	Could expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	Systems and processes are in place to protect against data loss, including data loss prevention technology. Measures are in place that are designed to ensure logical segregation to protect applicable data.
	Software or algorithm errors or lack of service availability causing trading loss	Software bugs or lack of availability of hosted services including loss of market access or loss of market data may cause trading loss.	Could expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	Fidessa designs its systems and infrastructure to provide both resilience and an uninterrupted service. Fidessa's software development lifecycle includes following coding practices, quality assurance and testing and are audited as part of Fidessa's ISO9001 accreditation. Critical incident and problem management processes are in place and are audited as part of Fidessa's ISO9001 accreditation. Professional indemnity insurance is in place.
	Service deployment delays or non-compliance with requirements	Inability to deploy customer requirements for services to comply with contractual requirements in a timely manner.	Could expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	Fidessa has a proven track record of delivering successful projects and applies the resources and expertise to meet contractual requirements in a timely manner.

Strategic report continued

Principal risk	Type	Description	Potential impact on Fidessa	How the risk is mitigated
Operational risk	Risk of loss of key employees	Loss of key employees who carry out critical activities across the business.	Could harm Fidessa's ability to provide products and services, expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	Fidessa endeavours to ensure that key employees are remunerated appropriately and has programmes in place designed to ensure key talent is appropriately managed including career and succession planning.
	Natural disaster	An earthquake, hurricane or other natural disaster could impact Fidessa's ability to provide its services.	Could expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	Fidessa has business continuity plans for its business units and each major site. These plans are tested annually. In certain locations Fidessa has insurance in place to mitigate the potential impact should a natural disaster occur.
Strategic risk	Intellectual property infringement and/or litigation	Fidessa's intellectual property (IP) is centred around the software and services it develops for customers. Fidessa has to manage the risk of infringing a third party's intellectual property rights in its development of software and services. If a third party infringes Fidessa's intellectual property rights it can expose the Group to competitive or security risk.	If Fidessa infringes a third party's intellectual property rights it could, expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	Fidessa's staff are made aware of client confidentiality requirements and continued training reinforces it. Fidessa monitors the use of third-party software. Fidessa engages external legal advice where necessary. Fidessa seeks, wherever possible, to put in place its own patent portfolio for reasons including defensive purposes in the event of an allegation of intellectual property infringement. Insurance is in place to mitigate the risk of intellectual property infringement. Access and security controls are in place to protect intellectual property. Employment and consultancy contracts have clauses to protect intellectual property. Background checks are performed on employees.
	Investment decisions	Fidessa's investment decisions may not be satisfactory.	Could negatively impact profit and cash flow in the short term and cause reputational damage.	Fidessa undertakes strategic reviews using customer and market intelligence to support its decision making processes.

Principal risk	Type	Description	Potential impact on Fidessa	How the risk is mitigated
Macroeconomic risk	Events occurring that are outside of Fidessa's control	<p>Instability of the financial system, market disruptions or suspensions.</p> <p>Material downturn in the financial markets or economic recession.</p> <p>The insolvency, closure, consolidation or rationalisation of parts of Fidessa's customer base.</p>	<p>Could harm Fidessa's revenue, profit, growth and cash flow over a sustained period.</p> <p>Could result in cost and disruption to Fidessa's business.</p> <p>Could result in damage to Fidessa's reputation or financial loss if customers do not renew their contracts.</p>	<p>Fidessa's business model generates a high level of recurring revenue, which lessens the immediate effect of downturns in end markets or competitor 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 regular dialogue with customers and research and marketing activities help provide focus to maintain a competitive advantage.</p>
Financial risk	Risk of fraud or theft	Unauthorised access or misuse of Fidessa's bank accounts leads to loss of funds.	Could harm Fidessa's revenue, profit, growth and cash flow.	System and review controls are in place relating to the 'purchase to pay' process and access is restricted to bank accounts and is regularly monitored.
	Exchange rate fluctuations	Material detrimental movements in foreign exchange rates.	Could harm Fidessa's revenue, profit, growth and cash flow over a sustained period.	There is a documented treasury policy which is reviewed and approved annually to mitigate currency risk.
Legal and compliance risk	Non-compliance with laws and regulations	Fidessa has to comply with laws and regulations applicable to the Fidessa group and design its products and services to meet laws and regulations applicable to its customers.	Non-compliance could, expose Fidessa to liability, negatively impact profit and cash flow in the short term and cause reputational damage.	<p>Fidessa has a dedicated compliance team that has established relationships with industry applicable regulators. This team reviews new draft and current regulatory and legislative requirements, including, for example, MiFID II, and provides an impact assessment for the products and services that the Group delivers to customers.</p> <p>Fidessa's internal processes and systems are monitored with a view to ensuring compliance with applicable laws and regulations.</p> <p>Processes are in place designed to ensure awareness of regulatory requirements and the relevant information is appropriately disseminated. There are well established training and awareness activities.</p> <p>In relation to bribery and corruption, Fidessa has an established set of anti-bribery policies a regular training and awareness programme and background checking.</p>

Strategic report continued

Employees

Fidessa considers its employees as key stakeholders in the business and critical to its success and growth. It therefore aims to maintain an attractive place to work, where employees can develop successful and rewarding careers.

Fidessa endeavours to ensure that its Values of teamwork and collaboration, service, commitment and dedication, excellence and innovation run throughout the business. Fidessa's recognition scheme, the 'Extra Mile Award' rewards nominated employees for exceeding expectations, and is aligned to specific Fidessa Values. More information on Fidessa's Values can be found at www.fidessa.com/careers/company-culture/values

To recognise employees who have accrued a number of years' service Fidessa introduced its long service awards in 2008. This year 31% of employees have reached 10 or more years' service with Fidessa.

Recruitment, learning and development

Identifying talent and employee development continue to be key priorities for Fidessa. In addition to the traditional methods for recruitment, referrals from existing employees are also a valuable source of talent as they can often be a closer cultural fit. During 2017 11% of new employees were introduced through the Fidessa referral scheme.

The recruitment of graduates continues to be a strong pipeline of talent, with 40 graduates being employed in 2017. Upon joining Fidessa, graduates undertake a detailed structured training programme, based on Fidessa's Values, to help them develop the skills required to succeed at Fidessa. The graduate recruitment programme is currently being expanded globally.

To support and promote Fidessa's graduate pipeline, there is an established summer intern programme in both the US and the UK. This programme has resulted in a number of permanent offers being made. Drawing on this success, the summer intern programme will be expanded and developed to include the Asia-Pacific region in the summer of 2018.

During the year, Fidessa began operating an apprenticeship scheme with the first apprentices expected to join Fidessa in 2018. It is hoped that this programme will become a key source of acquiring new and diverse talent.

Fidessa's comprehensive suite of learning and development provides ongoing professional development opportunities for employees. Fidessa has an extensive induction programme for new joiners giving them the opportunity to understand Fidessa, its Values, history, business and customers. This programme also includes required local and global governance training.

For existing employees Fidessa has regulatory compliance training together with department and role specific training courses covering both technical and professional development that support employee development throughout their career at Fidessa. Additionally, Fidessa offers coaching to employees at key stages in their career, in most instances facilitated by internally trained coaches.

During 2017 Fidessa rolled out its 'Managers@Fidessa' programme. This in-house programme is designed to establish a set of consistent, best practice management behaviours to support and challenge the continuous improvement of employees and teams across the organisation. This is one of a number of global training programmes whose aims are to build a consistent approach across Fidessa's global operations.

Fidessa also has policies, procedures and 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, physical security and IT. Fidessa reviews its policies on a regular basis with a view to ensuring that they continue to be fit for purpose.

Diversity and equality

Fidessa continues to focus on building a diverse and inclusive culture throughout the Group and as an equal opportunities employer its employment policies are designed to attract, retain and motivate the very best employees regardless of educational or professional background, culture, nationality, race, religion, gender, gender identity, disability, sexual orientation or age 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 support fully employees with hidden or visible disabilities, reinforced by Fidessa's membership of the Business Disability Forum.

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	1,355	350

Fidessa's apprenticeship programme not only helps build internal talent, but can also further increase the diversity amongst employees as apprentices do not typically follow the traditional educational path.

In the countries that permit the monitoring of race and ethnicity of employees, as at 31st December 2017 Fidessa had 44 nationalities working across its locations, further supporting Fidessa's position as a diverse employer.

Although Fidessa does not monitor LGBT data, its policies are designed to ensure that those who recognise themselves as LGBT are protected against any form of victimisation. In 2017, Fidessa joined Stonewall (Europe's largest LGBT charity) as part of Stonewall's Diversity Champions Programme. That programme aims to help employers create a workplace that enables LGBT employees to reach their full potential.

Employee engagement

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 last conducted in 2016 helped provide some valuable feedback. The next survey will be conducted in 2018. The 2016 Annual Report provides further details of the outcome of that survey.

Employee benefits

Based on external benchmarking within the key regions, Fidessa offers remuneration and benefits packages consistent with similarly placed technology employers in the countries in which Fidessa operates. In addition,

Fidessa encourages employees to own shares in the Company through their participation in the Share Incentive Plan (SIP) in the UK and the Monthly Share Purchase Share (MSPP) (across the Group). As at 31st December 2017, 91% (2016: 91%) of employees are eligible to participate in the SIP and/or MSPP. Regulations in certain jurisdictions prohibit Fidessa from offering the MSPP to 100% of employees. Further details of the SIP and MSPP can be found in note 20 to the consolidated financial statements.

Fidessa also offers flexible working arrangements, supporting part time working and reduced hours to allow its employees, where compatible with their responsibilities, flexibility.

Health and safety

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. To help achieve this, health and safety audits and risk assessments are carried out regularly and any remediation recommendations are acted upon. Additionally, appropriate information, training and supervision are provided in support of this policy.

Throughout the year the Board received updates on health and safety matters including any steps taken to remediate any identified risks.

Corporate social responsibility

Fidessa recognises the importance of meeting globally recognised corporate responsibility standards. Fidessa seeks, through its policies, to promote a culture which recognises and encourages support for good causes; contributes positively to communities of which Fidessa is part; donates to charities in line with its policies; considers local, national and international causes; and, encourages our employees to participate in initiatives that positively influence the local, national or global communities.

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. Specific examples of community outreach projects include providing backpacks and school supplies to children in need and help to those in homeless shelters; running coding clubs at a local school; and, holding open days for pre-university pupils to learn about finance, technology and business. Additionally, around 25 employees in the UK became STEM (science, technology, engineering and mathematics) ambassadors

Strategic report continued

during the year. STEM ambassadors are a free of charge resource for teachers and others with the aim of bringing a new and inspiring perspective to STEM lessons and career opportunities.

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 £27,000 (2016: £30,000) to charities through direct donation or matched funding.

Fidessa's website provides further details on Fidessa's corporate social responsibility policies.

Human rights

Fidessa is committed to respecting the human rights of individuals in the UK and internationally. Fidessa does not have complicated supply chains (or complex relationships with businesses) based in higher-risk regions of the world, where labour laws are non-existent or are not properly enforced and as such Fidessa has determined that there is a low risk of slavery, human trafficking or other human rights breaches in its business and supply chains. That said, Fidessa recognises that it has a role to play in ensuring that human rights are understood and observed in the areas in which it operates and Fidessa's human rights policy recognises Fidessa's support of 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 is committed, and expects its business partners to be committed to:

- prohibiting any form of child labour
- prohibiting forced or compulsory working for any employees
- providing working environments which are healthy and safe and free from inhumane treatment
- respecting employees' right to participate in trade union arrangements and freedom to join an organisation of their choice
- paying not less than that required by local law or, in the absence of a law, the level paid generally within that industry

Fidessa also believes that employee awareness of its policies relating to diversity, equality, equal opportunities and anti-corruption helps avoid causing or contributing to negative human rights impacts. Employees are responsible for ensuring that their own actions do not impair the human rights of others, and are encouraged to bring forward, in confidence, any concerns they may have about human rights.

In addition to Fidessa requiring its suppliers to confirm respect for human rights, Fidessa also monitors whether there have been any changes in its business practices that might require a reassessment of its conclusions that there is a low risk of slavery, human trafficking or other human rights breaches in its business and supply chains.

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

Anti-bribery, anti-corruption and whistleblowing

Fidessa has a zero tolerance approach to bribery and corruption and this is reflected in its anti-bribery policy, which forbids bribery or corruption of any type. Fidessa also has a gifts and hospitality policy that sets out the limits within which employees can give or receive gifts and hospitality together with the internal reporting obligations. The gifts and hospitality policy is designed to prevent corrupt activities by raising awareness and adding monitoring controls. Finally, there is a whistleblowing policy which allows employees the opportunity to report matters of significant concern to the Chairman of Audit Committee and Company Secretary.

Those policies are periodically reviewed and updated where necessary so that they remain fit for purpose. The review includes identifying any new regions in which Fidessa operates, changes in business practices and any recommendations received from local counsel or internal audit that might require specific processes or procedures to be put in place to mitigate any actual or perceived increased risk.

Fidessa provides training and awareness raising programmes designed to ensure that employees understand the anti-bribery, gifts and hospitality and whistleblowing policies. Training on these policies is compulsory.

The Audit Committee receives a report on the effectiveness of the anti-bribery, gifts and hospitality and whistleblowing policies together with a summary of any known instances of bribery or corruption.

Environmental

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 monitored and is published on its website and intranet.

As an office-based software and services provider, Fidessa's activities do not 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. Other factors include encouraging the use of energy efficient electrical and electronic equipment, reducing any unnecessary use of water and paper and the proper disposal of waste.

Fidessa's policy and approach includes:

- purchasing the most energy efficient computer hardware that achieves the required performance specification
- generally seeking to reduce energy consumption
- reuse and recycling of equipment and materials, where possible
- using licensed and appropriate organisations to dispose of waste

As part of Fidessa's recent office move from New York to Jersey City, environmental considerations were taken into account when fitting out the new office. Measures taken included the installation of energy efficient lights and lighting management systems and the use of recycled materials wherever possible.

Fidessa seeks to locate its major offices close to public transport infrastructure thereby reducing reliance on personal cars and the associated pollution generated.

More generally, Fidessa encourages employees to reduce their usage of finite resources and its environmental policy assists in this whilst ensuring 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.

	2017	2016
Carbon emissions (tonnes of CO₂e)	6,674	9,384

In order to determine our carbon emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard and have reported on Greenhouse Gas.

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 (as it relates to one small vehicle). 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 business's activity. Fidessa has identified four such intensity ratios as set out in the table below.

Intensity ratios (tonnes of CO₂e per unit)

Ratios of carbon emissions to:

	2017	2016
Total revenue	0.02	0.03
Recurring revenue	0.02	0.03
Operating profit	0.13	0.21
Employees	3.86	5.41

Fidessa has reduced the number of intensity ratios reported as it does not consider those previously reported as providing a meaningful understanding of Fidessa's energy use.

Approved by the Board and signed on its behalf by

Andy Skelton
Director



16th February 2018

Directors' and corporate governance report

Chairman's introduction

On behalf of the Board I am pleased to present Fidessa's directors' and corporate governance report. This report is intended to provide readers with an understanding of Fidessa's management structure and its governance and control framework.

Despite the ongoing economic and political uncertainty, we are pleased to announce that the strength of Fidessa's business model delivered revenue of £353.9 million and, subject to shareholder approval, Fidessa will pay a final and special dividends totalling 79.7p per share.

The Board remains committed to maintaining high standards of corporate governance and agrees that good governance is essential in promoting the long-term success of Fidessa. This section of the Annual Report sets out how we have applied the main principles of the UK Corporate Governance Code (Code) as well as providing a summary of how each of the Board's Committees function.

The composition and stability of the Board have continued to be a key focus during 2017 with Richard Longdon joining the Board on 1st March as Senior Independent Director and Ishbel Macpherson joining the Board on 1st May 2017. Both Richard and Ishbel became members of the Audit, Remuneration and Nominations Committees. As previously announced, Elizabeth Lake retired from the Board on 31st December 2017 after serving just over nine years as a non-executive director, and on behalf of the Board I would like to thank Elizabeth for her wise counsel and support during that time.

Following an internal evaluation and review process, I am pleased to confirm that no significant issues were raised and our conclusion was that the governance structure, together with the Board and its Committees, all continue to operate effectively in a positive and open environment.

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

Introduction

The directors present their report and the audited financial statements for Fidessa group plc (company number 03234176) for the year ended 31st December 2017. These will be laid before the shareholders at the Annual General Meeting to be held on 26th April 2018. 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.

Corporate governance statement

The following sections explain how the Company applies the main provisions of the Code set out in the 2016 Code as required by the Listing Rules of the Financial Conduct Authority. The sections cover:

- Board composition and its effectiveness
- Board committee reports (including the Directors' Remuneration Report)
- relations with shareholders
- risk management and internal controls (details of the principal risks and uncertainties are described in the Strategic Report)
- diversity

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 April 2016 and is available on the FRC website.

In respect of the year ended 31st December 2017 Fidessa has complied with all of the provisions of the Code.

The Board of directors

For the majority of 2017, the Board comprised a Chairman, six independent non-executive directors and two executive directors. Currently there are five independent non-executive directors following the retirement of Elizabeth Lake on 31st December 2017. 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 58), 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 54), 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.

Andy Skelton (age 46), 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.

Richard Longdon (age 62), Senior Independent Director

Richard Longdon was appointed to the Board in March 2017. Richard has had a highly successful executive career in the technology sector having spent 33 years with AVEVA Group plc (AVEVA). 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 senior independent non-executive director at Alfa Financial Software PLC, Chairman of Process Systems Enterprises Ltd and a non-executive director of Prometheus Group Enterprises LLC.

Ron Mackintosh (age 69), 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.

Directors' and corporate governance report continued

John Worby (age 67), 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 66), 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.

Ishbel Macpherson (age 57), Independent Non-Executive Director

Ishbel Macpherson joined the Board as a non-executive director in May 2017. She has a background in investment banking and a broad range of non-executive plc board experience. Ishbel is currently senior independent director and chairman of the remuneration committee at both Dechra Pharmaceuticals plc and Bonmarché Holdings plc (where she also chairs the audit committee). She has previously served as a non-executive director and chaired various board committees at Galliford Try plc, Dignity plc, Synthomer plc, Speedy Hire Plc, May Gurney Integrated Services plc, Hydrogen Group plc, Game Group plc and Mitie Group plc. Prior to her non-executive directorships, Ishbel worked for over 20 years in investment banking specialising in UK mid-market corporate finance with Dresdner Kleinwort Wasserstein, Hoare Govett and Barclays.

Board independence

The Board formally reviews non-executive directors' independence on an annual basis to determine whether they are independent in character and judgement and whether there are relationships or circumstances that are likely to affect, or could appear to affect, a director's judgement. Following such review the Board concluded that Richard Longdon, John Worby, Ken Archer and Ishbel Macpherson are independent in accordance with provision B.1.1 of the Code.

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. Prior to the publication of this Annual Report, 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.

Re-election to the Board

The directors are appointed and removed in accordance with the Articles of Association of the Company and the provisions of the Companies Act. In accordance with provision B.7.1 of the Code all the directors offer themselves for election or re-election (as appropriate) at the forthcoming Annual General Meeting. The Board recommends all such elections or re-elections.

Interests in shares

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

Indemnification of directors

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.

Annual General Meeting

The Notice convening the Annual General Meeting can be found in the separate Notice of Annual General Meeting accompanying this Annual Report, and can also be found on Fidessa's website at www.fidessa.com.

Board and committee attendance

At 31st December 2017 the Board comprised the Chairman, two executive directors and five 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	-	-	-
Richard Longdon	Senior Independent Non-Executive Director	Member	Member	Member	Member
Ron Mackintosh	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
Ishbel Macpherson	Independent Non-Executive Director	Member	Member	Member	Member

* As previously announced Elizabeth Lake retired from the Board and its Committees on 31st December 2017.

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 2017 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.

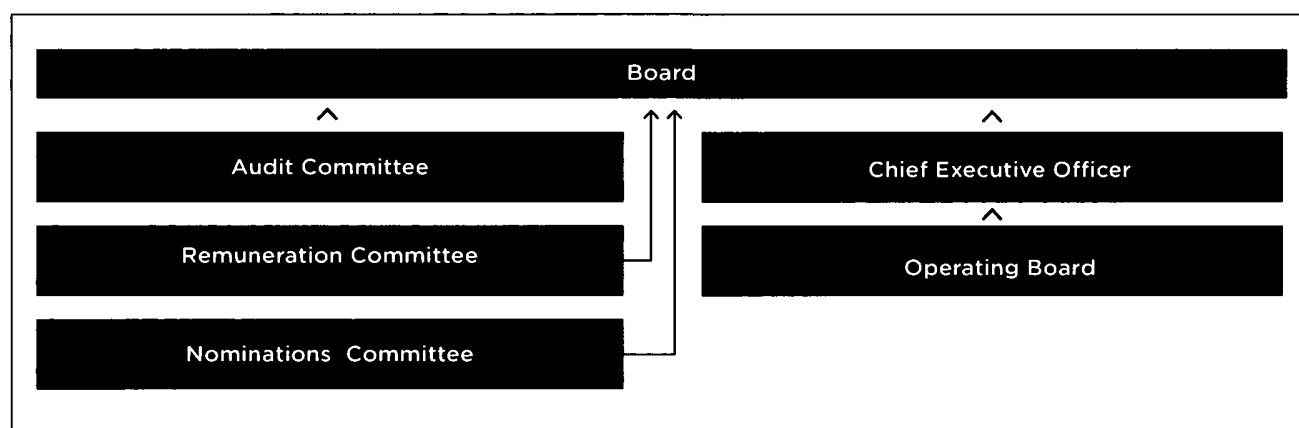
Directors' and corporate governance report continued

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	-	-	-
Richard Longdon*	9/9	2/3	2/2	2/2
Ron Mackintosh	10/10	-	-	-
John Worby	10/10	4/4	3/3	2/2
Elizabeth Lake	8/10	2/4	3/3	2/2
Ken Archer	10/10	4/4	3/3	2/2
Ishbel Macpherson*	7/7	3/3	1/1	2/2

* As previously announced, Richard Longdon and Ishbel Macpherson joined the Board on 1st March and 1st May 2017 respectively.

Absences were due to illness or prior commitments.



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.

The Board is ultimately responsible for risk management and internal controls, maintaining adequate processes to identify and manage the principal risks facing Fidessa.

There is a formal schedule of matters reserved for the decision of the Board which 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, recommending the payment of dividends, material investments and financial commitments and the release of inside information. Certain matters require Board approval and other matters may be approved by senior management, but notification to the Board is required. The schedule of matters reserved for the Board is reviewed annually. A procedure exists to allow the directors to seek independent legal advice in respect of their duties at 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.

In addition to the delegation of responsibilities to Board committees, the Board has also delegated authority of the day-to-day management of the business to Chris Aspinwall, Chief Executive Officer, who delegates specific responsibilities to members of the Operating Board.

The Operating Board is responsible for the development and implementation of strategy. Its responsibilities also include: day-to-day running of the business; recommending budgets for approval by the Board; reviewing capital expenditure; reviewing operational and financial performance; and the identification and management of risks.

The Operating Board has ten formal meetings each year with numerous ancillary meetings throughout the year to discuss specific matters.

Board evaluation

There was a thorough and formal internal evaluation of the performance of the Board during 2017. The review was 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 the combined feedback was reviewed at a Board meeting to give the 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.

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, Richard Longdon, 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.

Division of responsibilities and management structure

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.

Training and development

Directors undergo a thorough, formal and tailored induction process on joining and have access to training both within Fidessa and through external providers.

The Company Secretary is responsible for advising the Board and updating it on governance and regulatory matters.

Directors' and corporate governance report continued

Conflicts of interest

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.

Risk management and internal controls

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 Audit Committee which then reports its conclusions to the Board.

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

- The Board's and Audit Committee's agenda included a review of risk and risk management with the Audit Committee also reviewing 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 Board and Audit Committee reviewed reports on the activities of the Governance, Risk and Compliance Committee. The Governance, Risk and Compliance Committee, which comprises the Chief Financial Officer and other senior managers across Fidessa and is chaired by the Group General Counsel, has day-to-day responsibility for cybersecurity and oversight of the risk management activities and reports regularly to the Operating Board.
- The Audit 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 18). The ISAE 3402/SSAE 18 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.

As part of Fidessa's testing of internal controls, reports on cybersecurity and penetration testing were conducted by accredited bodies and the Audit Committee received a summary of those reports. 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.

Whistleblowing

Fidessa has a 'whistleblowing procedure' by which employees may report suspicion of fraud, financial irregularity or other malpractice confidentially outside the line management structure. The Audit Committee receives an annual report on the whistleblowing and anti-bribery policies.

Diversity

In relation to Board appointments and diversity, the Board continues to believe that the Nominations Committee's conclusions of 2012 still apply, namely that whilst 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.

As reported in the Strategic Report section of this Annual Report (and as required under DTR 7.2.8AR), Fidessa's policy on diversity is that it remains an equal opportunities employer and is committed to both the principle and realisation of equality at all levels within Fidessa. When recruiting or promoting employees, Fidessa will make its decisions based on merit and regardless of educational or professional background, culture, nationality, race, religion, gender, gender identity, disability, sexual orientation or age.

The Board and the Nominations Committee believe diversity in all senses has a positive effect on the working environment and it monitors the employment practices across Fidessa through annual updates from the Global Head of Human Resources. The Board notes that Fidessa's policy regarding diversity means there exists the opportunity to succeed at any level at Fidessa regardless of educational or professional background, culture, nationality, race, religion, gender, gender identity, disability, sexual orientation or age. This commitment to being an equal opportunities employer is further reinforced by Fidessa's participation in Stonewall's Diversity Champions Programme (Europe's largest LGBT charity). The programme aims to help employers create a workplace that enables LGBT employees reach their full potential.

The Strategic Report provides further information on diversity within Fidessa.

The Board and the Nominations Committee note the recommendations of the Hampton-Alexander Review in November 2016 to increase female board representation to at least 33% by 2020 and the recommendations of the Parker Review on board ethnic diversity. The Nominations Committee continues to note that achieving diversity (particularly gender 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 there is one female member of the Board, representing 13% of Board membership.

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

On behalf of the Board, I am pleased to introduce the Directors' Remuneration Report for the year ended 31st December 2017.

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.

The Committee undertook a review of the remuneration policy in 2016 leading to a new policy receiving the support of over 99.5% of shareholders at our 2017 Annual General Meeting. The Committee remains comfortable that no structural changes are considered necessary to the policy or its implementation for the forthcoming year, save that during the year the Committee has proposed the introduction of relative Total Shareholder Return (TSR) as an additional measure for the 2018 and future Performance Share Plan (PSP) grants.

For 2017, the Committee reviewed executive director remuneration levels taking into account market conditions, the financial performance of Fidessa and the Group's UK employees. Following that review, Andy Skelton's basic salary was increased by 3.3% (which was consistent with the Group's UK employee salary increases) with Chris Aspinwall's remaining unchanged from 2016. The Committee agreed that 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 2017, the Committee increased the operating profit threshold by 10%.

For 2018, 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. There will be no change in benefits save that Andy Skelton has elected to make contributions to the Company's pension scheme and will receive a 3% matching contribution in line with other employees. Additionally, Chris Aspinwall's and Andy Skelton's annual variable pay will continue to be aligned to operating profit performance consistent with the approach taken since 2013.

The Committee is aware of the latest developments surrounding executive pay, particularly those from institutional shareholders. In late 2017, we engaged with major shareholders to outline proposed changes to how we operate our policy, specifically the introduction of a relative total shareholder return measure for one third of our 2018 and future PSP grants. The shareholders consulted were generally supportive of this change and therefore, beginning with the next PSP grant later in 2018, relative TSR will be introduced as a measure for one third of the award, with cumulative growth in adjusted EPS continuing to be used as a measure for the remaining two thirds.

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 which became effective on 26th April 2017 and is intended will remain in place until the AGM in 2020, and an Annual Report on Remuneration, which discloses the directors' remuneration for the year ended 31st December 2017. Fidessa will be seeking shareholders' support for the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) in an advisory vote at the forthcoming Annual General Meeting.

Directors' remuneration policy

The document below is an extract of the Directors' Remuneration Policy that was approved by shareholders at the 2017 Annual General Meeting. The complete version of the Directors' Remuneration Policy is available in the 2016 Annual Report which may be found at www.fidessa.com/investor-relations/reports. Extracts included below are: the remuneration policy for the executive and non-executive directors, metrics used in variable pay, Committee discretions, payments for loss of office for future directors and remuneration policy for new directors.

Up to date details of the long-term incentives granted to the executive directors are set out in the Annual Report on Remuneration.

Executive directors' remuneration policy**Salary**

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.

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.

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 set 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 executive directors are normally unable to sell vested awards, other than to settle any tax or NICs due on vesting of awards.</p> <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 strategic 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 was chosen as the performance measure for the 2016 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 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.

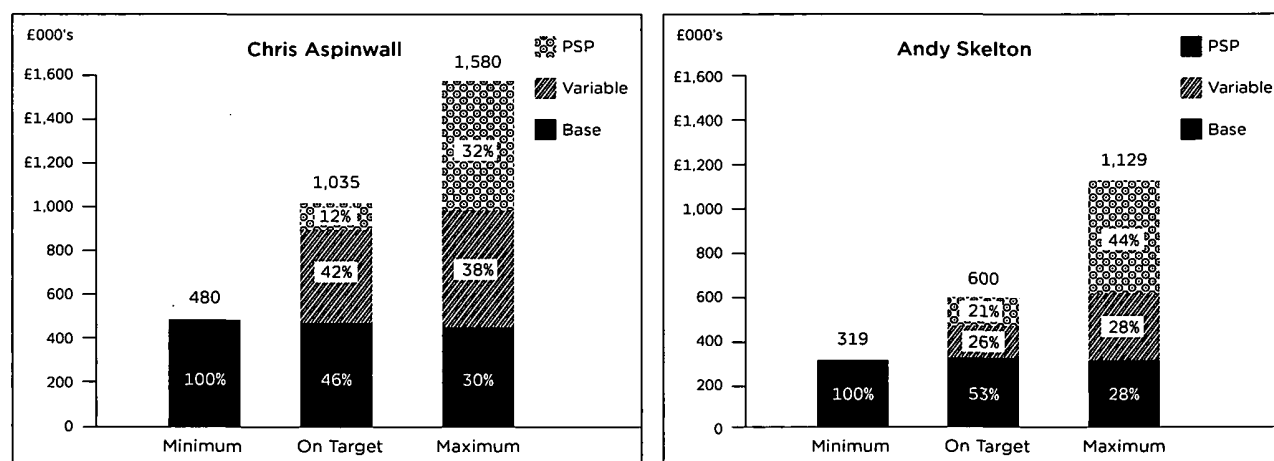
Committee discretions

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.

The chart below illustrates the levels of remuneration that would be received by each executive director at different levels of performance for 2018.



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 and, in the case of Andy Skelton, a pension contribution equal to £9,000 (Chris Aspinwall does not participate in the Fidessa pension plan);
- on target remuneration comprises fixed remuneration, annual variable pay (including any deferred amount) for the year calculated on principles similar to those applied in 2017 (with an on target variable pay value of 90% and 50% 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, do 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 the 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 interest of the Company.

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 in 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, John Worby, Richard Longdon and Ishbel Macpherson. 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 2nd January 2018, Elizabeth Lake retired from the Board and all committees on 31st December 2017.

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, part of Aon plc. Aon 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. Aon provided advice on general remuneration matters. Aon does not provide other services to Fidessa. The Aon group provides other services to Fidessa, namely insurance broking and pensions provision, but the Committee is comfortable that this additional relationship does not create a conflict of interest.

Aon was appointed in 2008 following a selection process involving other remuneration advisors. The Committee regularly monitors the effectiveness of the advice received from Aon and is comfortable that the advice given during the year under review is objective and independent.

For the year under review, Aon received fees of £59,000 in connection with its work for the Committee.

Single figure of director total remuneration

The table below sets out a single figure for the total remuneration received by each executive and non-executive director for the financial year ended 31st December 2017.

£'000		Salary/Fees	Benefits ¹	Annual variable pay	Long-term incentives vested	Other ²	Total
Executive directors							
Chris Aspinwall	2017	480	1	396	-	2	879
	2016	480	1	529	-	1	1,012
Andy Skelton	2017	310	2	143	-	2	456
	2016	300	9	172	-	1	482
Non-executive directors							
John Hamer	2017	147	2	-	-	2	151
	2016	147	1	-	-	2	150
Richard Longdon ³	2017	43	-	-	-	-	43
	2016	-	-	-	-	-	-
Ron Mackintosh	2017	51	-	-	-	-	51
	2016	51	-	-	-	-	51
Elizabeth Lake	2017	45	-	-	-	-	45
	2016	45	-	-	-	-	45
John Worby	2017	51	-	-	-	-	51
	2016	51	-	-	-	-	51
Ken Archer	2017	51	-	-	-	-	51
	2016	51	-	-	-	-	51
Ishbel Macpherson ³	2017	34	-	-	-	-	34
	2016	-	-	-	-	-	-

1. Benefits: Taxable value of benefits received in the year by directors includes private health insurance, death in service cover, ill health income protection and mobile phone stipend.

2. Other: This figure includes awards of SIP shares.

3. Richard Longdon and Ishbel Macpherson were appointed to the Board on 1st March 2017 and 1st May 2017 respectively.

Directors' and corporate governance report continued

Annual variable pay

Fidessa's approach to variable pay for 2017 was consistent with the remuneration policy approved by shareholders and the approach used since 2013 and 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	2017	42,394	22,000	1.94%	396	66%
	2016	44,603	20,000	2.15%	529	88%
Andy Skelton	2017	42,394	22,000	0.70%	143	46%
	2016	44,603	20,000	0.70%	172	57%

* Operating profit as monitored by the Operating Board (disclosed in note 6 to the consolidated financial statements).

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 6 to the consolidated financial statements). The Committee can, if it deems appropriate, exclude items that it considers to be exceptional or inappropriate. No such items were excluded 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.

2014 PSP

On 27th March 2014, awards were granted under the Fidessa PSP to Chris Aspinwall. The performance measurement period ended on 31st December 2017, with the following outcome:

Award	Measure	Weighting	Vesting scale	Performance achieved	% of award vesting
2014	EPS	100%	No vesting if EPS growth below 8% p.a., 25% vests if EPS growth equal 8% p.a., 100% vests if EPS growth exceeds 15%. Straight-line pro rata basis from 25% to 100% if EPS growth exceeds 8% p.a. but is less than 15%.	2.2% EPS	0%

	Number of shares granted	% vested	Number of shares vested	Number of shares lapsed	Share price at end of performance period	Value at vesting
Chris Aspinwall	15,000	0	0	15,000	2382p*	0p

* Value estimated as not fully vested until 27th March 2018 and is based on the three month average share price to 31 December 2017 of 2382p per share.

Awards under current share plans

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

Andy Skelton received an award on 21st March 2017 under Part A of the DABP, representing the deferred element of annual variable pay for the year ended 31st December 2016, details of which were disclosed in Fidessa's 2016 Annual Report. 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. No awards were made under the PSP during the year.

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	21st March 2017	3,427	50% of annual bonus	87	3 years from the date of grant	100%

* Based on the share price of 2534p 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	63	1:1 match for partnership shares acquired	2	3 years from the date of grant	100%
Andy Skelton	63		2		
John Hamer	63		2		

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 20 to the consolidated financial statements.

No director received any pension benefit or entitlement from Fidessa.

Directors' and corporate governance report continued

Directors' shareholdings

Following approval by shareholders of the new Directors' Remuneration Policy, the shareholding guidelines from 2017 onwards changed to 200% of salary for the Chief Executive Officer and 150% for the Chief Financial Officer, with progress towards the new 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. In addition, the guidelines also permit executive directors discretion to nominate such other of their reportable holdings to count towards the minimum shareholding requirement. The interests of the directors and their connected persons in Fidessa's ordinary shares as at 31st December 2017 were as follows:

	Reportable Shareholding	Shareholding to count towards shareholding guideline	Performance against shareholding guideline	Deferred shares	Vested performance shares	Unvested performance shares
Chris Aspinwall	124,979	20,969*	106%**	430	-	15,000
Andy Skelton	1,642	1,642	13%**	15,054	-	15,000
John Hamer	90,386	-	-	430		
Richard Longdon	-					
Ron Mackintosh	5,000					
Elizabeth Lake	-					
John Worby	2,000					
Ken Archer	1,500					
Ishbel Macpherson	-					

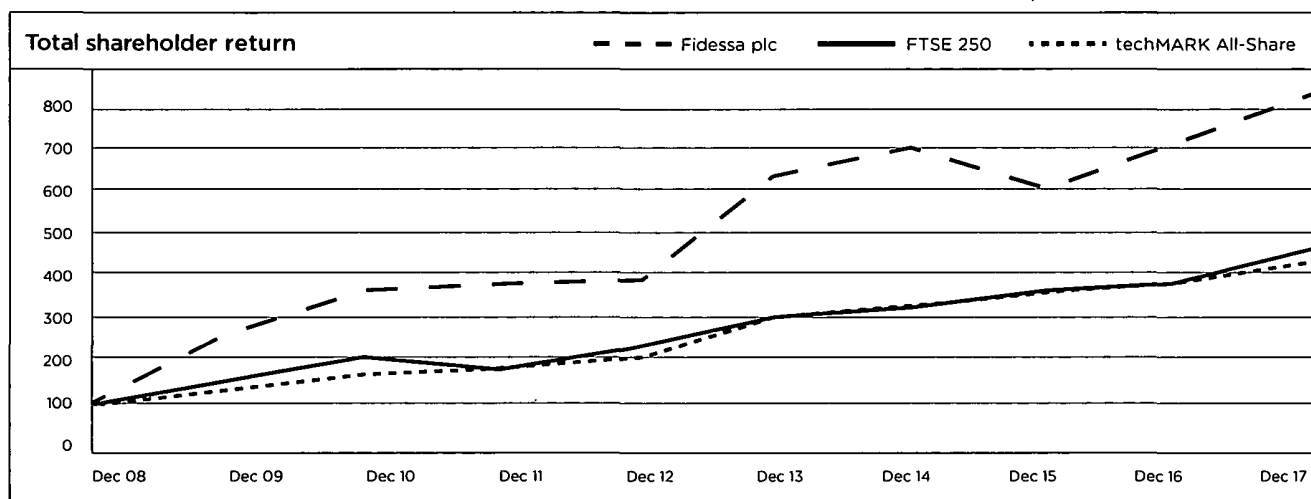
* Chris Aspinwall elected for a shareholding equivalent to 100% of his base salary (as at 1st January 2017) to count towards his progress in meeting the shareholding guidelines. For the purposes of calculating compliance with the guidelines, these pledged shares are valued based on the closing price of 2289p on 31st December 2016.

** based on a closing share price of 2531p on 31st December 2017.

Between 31st December 2017 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.

Total shareholder return performance

The graph below illustrates, for statutory purposes, the total shareholder return (TSR) of Fidessa's shares against the techMARK All-Share Index and the FTSE 250 Index (excluding investment trusts) for the period from 1st January 2009 to 31st December 2017. TSR is derived from the movements in the share price plus dividends reinvested on the ex-dividend date. TSR provides a useful, widely used benchmark to illustrate Fidessa's performance over the last nine years. Specifically, it illustrates the value of £100 invested in Fidessa's shares and in techMARK All-Share Index and FTSE 250 Index over that period.



The techMARK All-Share Index was previously chosen as the comparator because Fidessa was, and continues to be, a constituent of that index and it was the index used for the purposes of measuring relative performance in the underpin of PSP awards previously granted. From 2018 the Committee considers it to be more appropriate to use the FTSE 250 Index, due to Fidessa's closer correlation with that index, for the purpose of comparing TSR performance and accordingly this will be used as the criteria applied to 33% of the PSP awards to be granted in March 2018. Further details of the proposed performance conditions for the 2018 PSP awards are set in the table titled 'Directors' remuneration for the year commencing 1st January 2018'.

Total remuneration for the Chief Executive

The table below shows 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 nine 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%
2017	879	-	879	66%	0%

Directors' and corporate governance report continued

Percentage change in Chief Executive remuneration

The table below shows the percentage change in the sum of salary, benefits and variable pay of the Chief Executive and all UK employees for recent years. Fidessa considers the comparator group of all UK employees (excluding the Chief Executive) to be representative of Fidessa as a whole and a global comparator group would not result in a material variance.

	Percentage annual change for Chief Executive's salary	Percentage annual change for UK employees' salary	Percentage annual change 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
2016	0.0%	+2.8%	+40.3%	+7.2%	0.0%	0.0%	+17.8%	+3.4%
2017	0.0%	+3.5%	-25.3%	+4.0%	0.0%	0.0%	-13.0%	+3.7%

Relative importance of spend on pay

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
2016	142,113	48,820	13,066	26.8%	32,493	91%
2017	150,813	49,965	14,282	28.5%	35,994	101%

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 AGM.

Director	Date of original appointment	Date of re-appointment	Approximate unexpired term as at 31st December 2017	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
Richard Longdon	1st March 2017	-	2 years 3 months	1 month
Ron Mackintosh	1st June 2004	1st June 2017	5 months	1 month
John Worby	1st May 2014	1st May 2017	2 years 4 months	1 month
Ken Archer	25th November 2014	25th November 2017	2 years 11 months	1 month
Ishbel Macpherson	1st May 2017	-	2 years 5 months	1 month

Gender Pay Gap Reporting

During the first quarter of 2018 Fidessa will publish its 2017 gender pay gap data for its UK subsidiary, Fidessa plc. That data will be prepared in accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. The Committee and the Board will review and consider the data at that time and will report more fully in the 2018 Directors' Remuneration Report.

Annual General Meeting of 26th April 2017 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 2016	30,827,763 (97.4%)	61,117 (0.2%)	750,000 (2.4%)	31,638,880

Directors' remuneration for the year commencing 1st January 2018**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 with a view to ensuring 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 lead to an element of annual variable pay being deferred under DABP. However, the precise level of increases has not yet been decided and therefore any increase will be set out in the 2018 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.

Directors' and corporate governance report continued

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 2017. 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 2018 Annual Report. 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 2018 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 2018 Annual Report.

Long-term incentives

It is proposed that the Committee may approve the granting of awards to the executive directors under the PSP in accordance with the Policy.

Following a consultation with major shareholders during 2017, the 2018 awards will be subject to two performance measures; two thirds of the award will continue to be subject to EPS growth targets and the remaining one third will be subject to TSR targets against the constituents of the FTSE 250 (excluding investment trusts). Vesting will be as follows:

Compound annual growth in Adjusted EPS ¹	% of award subject to EPS vesting
Less than 4%	0%
4%	25%
Between 4% and 10%	Between 25% and 100%
Greater than 10%	100%

TSR rank	% of award subject to TSR vesting
Below median	0%
Median	25%
Between median and upper quartile	Between 25% and 100%
Above upper quartile	100%

¹ The Committee considers these targets to be stretching in light of current analysts' forecasts.

Pension

The executive directors have not participated in the pension scheme in the past. Andy Skelton is intending to commence participation in the pension scheme during 2018 on the same terms as 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.

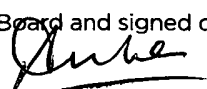
In relation to the Chairman and non-executive directors, it is proposed that their fees will be reviewed to take into account fees paid by listed companies with a similar market capitalisation and also their time commitment and responsibilities.

Approved by the Board and signed on its behalf by

Ken Archer

Chairman of the Remuneration Committee

16th February 2018



Audit Committee's report

Introduction

As Chairman of the Audit Committee, I am pleased to introduce to shareholders the Audit Committee Report for the year ended 31st December 2017. The Audit Committee is a key part of Fidessa's governance framework to which the Board has delegated oversight of the accounting, financial reporting and internal control processes and the relationship with external auditor.

The purpose of this report is to highlight the areas that the Committee has reviewed and considered during the year in order to show that it has effectively discharged its responsibilities. The Committee has focused particularly on the integrity, completeness and clarity of financial reporting as well as the effectiveness of audit processes and other risk management activities.

During the year the Committee commenced the external audit tender process, including the identification of the proposed participant firms. Further details of the external audit tender process are set out in this report.

As Chairman of the Committee, I will be available at the Annual General Meeting to respond to any questions that might be raised on the Committee's activities during the year.

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 three non-executive directors Ken Archer, Richard Longdon and Ishbel Macpherson, who have experience in technology and financial services businesses. Accordingly, the Committee as a whole has experience in financial matters and competence relevant to the sectors in which Fidessa operates.

At the invitation of the Committee, the Chief Financial Officer and Group Financial Controller attend 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 at least once a year without management being present.

The Committee met four times during the year and has met once since the end of the financial year to consider the results and the Annual Report for the year ended 31st December 2017.

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 key responsibilities include:

- to make recommendations to the Board, for it to put to the shareholders for their approval in a general meeting, relating to the appointment, re-appointment, removal and remuneration of the external auditor and terms of engagement of the external auditor;
- to 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 formal announcements relating to financial performance (including any significant financial reporting judgements contained within them) and to advise the Board that the Annual Report is fair, balanced and understandable;

Directors' and corporate governance report continued

- to monitor the appropriateness of accounting policies and practices and consistency of their application year to year;
- to monitor and review the effectiveness of internal financial controls and the internal control and risk management systems;
- to monitor and review the work and effectiveness of the internal audit function and review operational audit work undertaken by independent third parties; and
- to monitor the provision of non-audit services by the external auditor.

Key matters considered in relation to the financial statements

During 2017, 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 2017. In February 2018 the Committee reviewed the 2017 Annual Report, including the financial statements contained within it and the Preliminary Results Announcement for the year ended 31st December 2017. In undertaking this work, the Committee reviewed and considered reports from the Chief Financial Officer on key estimates and judgements and 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;
- 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
- reviewing and confirming to the Board that the Annual Report taken as a whole was fair balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

The preparation of financial statements requires management to make judgements and estimates. The material judgements and estimates are detailed in note 5 to the consolidated financial statements. The key areas of judgements and estimates that have been reviewed and considered by the Committee were:

- Revenue recognition in relation to significant implementations, particularly those not completed at the year end, 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 carrying value of goodwill and intangible assets and also of investment by the Company 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 assets; the conclusions of that review are then used to consider whether the value of the goodwill and intangible assets and the investment by the Company has been impaired. 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. The Committee reviewed the annual impairment review of the carrying value of goodwill and other intangible assets which was prepared by management and considered the report from the external auditor on the value in use, discount rate and sensitivities applied to the value in use. The Committee also reviewed the proposed disclosures in the Annual Report on sensitivities. After due challenge, the Committee concurred with the judgements associated with these calculations, including that no impairment provisions were necessary, and with the proposed disclosures. The Committee at the same time concluded that the outcome of the annual impairment review of the carrying value of goodwill and other intangible assets supported the valuation of the investment by the Company.
- Transition to IFRS15. The Committee received reports from management and advisors on the implementation of IFRS15 and was satisfied that the methodology and judgements being taken were appropriate. Note 4 to the financial statements provides further detail on the adoption and of transition to IFRS15.

External audit and audit tender

The Committee is responsible for recommending the appointment, reappointment or removal of external auditors and for approval of their remuneration. Following approval by shareholders to re-appoint KPMG at last year's Annual General Meeting, the Committee reviewed and approved the terms of engagement and remuneration of the external auditors for the 2017 audit.

Fidessa's current audit partner is John Bennett, and he has held that role since 2015. 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 (CMA) 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. As reported in the 2016 Annual Report, it is intended that a new external auditor will be appointed at the 2019 Annual General Meeting.

During the year, the Committee commenced its preparations for the audit tender process including consideration of which firms to invite to participate in the tender. After due and proper consideration, the Committee concluded that three firms will be invited to participate in the tender during the second quarter of 2018. KPMG will not be invited to participate in the audit tender.

The Committee's timetable for tendering the external auditor services complies with the CMA and EU auditor rotation requirements.

Audit Quality Review

During the year the FRC's Audit Quality Review (AQR) team completed a review of KPMG's audit of Fidessa's 2016 financial statements. The Committee considered the findings of the review and discussed them with KPMG and the Chairman of the Committee also discussed the findings with the FRC's AQR team. Whilst none of the findings were regarded by the Committee as significant, they noted two areas recommended for improvement in relation to the work on capitalised development costs and sensitivity analysis in relation to goodwill impairment. The Committee noted improvements to the work done by the auditors in the 2017 audit in both these areas. Overall, the Committee concluded that it was satisfied with the results of the review with no issues identified which could cast doubt on the fundamental quality of the audit.

Directors' and corporate governance report continued

Audit effectiveness

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 took into account the satisfactory outcome of the Audit Quality Review referred to above. Having considered all of these factors, the Committee concluded that the audit had been effective and that it was satisfied that the performance of KPMG was effective and efficient.

Auditor independence

In conjunction with its review of the effectiveness of the performance of the external auditor, the Committee considered the independence of the external auditor. 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 Committee confirmed that it was satisfied with KPMG's confirmation that independence has been maintained and that it is appropriate to recommend re-appointment of KPMG as the external auditor.

The Committee therefore recommended to the Board that KPMG be re-appointed as the external auditor for 2017 and a resolution for its appointment will be submitted to the Annual General Meeting.

Non-audit services

The Board has approved the external auditor undertaking very limited non-audit activities where the fees paid do not exceed £10,000 for any individual matter or related matters or £30,000 in total for the year; separate Board approval would be required for non-audit activities to be conducted outside those parameters. The provision of non-audit activities has typically been very low at Fidessa with the vast majority of such work in the past being related to tax advisory services. Following the recent EU regulations on permitted non-audit services KPMG ceased providing tax advisory services to the Company with effect from 1st January 2017.

The fees for non-audit related activity represented 0% of the fees for audit activity. Details of the external auditor's fees including fees for non-audit work are set out in note 8 to the consolidated financial statements.

The Committee believes that Fidessa's approach to non-audit services and demonstrable low levels of non-audit activities safeguards auditor objectivity and independence.

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.

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 and that no significant weaknesses were identified during the Committee's review. Details of the internal controls and risk management and key activities undertaken in that regard are set out in the Directors' and Corporate Governance Report.

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, including assurance that the relevant controls and processes are working effectively. 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 also reviewed reports on compliance risk matters prepared by the Group General Counsel, together with operational audit reports from independent auditors regarding Fidessa's quality management system (ISO 9001:2008) and its service organisation controls (ISAE 3402/SSAE 18). The ISAE 3402/SSAE 18 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.

Financial Reporting Council (FRC)

Fidessa received a letter from the FRC confirming that the Annual Report for the year ended 31st December 2016 had been subject to review by its Conduct Committee, which is responsible for reviewing and investigating the annual accounts, directors' and strategic reports of public companies in the UK. The letter from the FRC communicated that following this review, it had no questions or queries it wished to raise with Fidessa. The FRC noted that the letter provided no assurance that Fidessa's report and accounts were correct in all material respects, and that the FRC's role was not to verify information, but to consider compliance with reporting requirements, and it did not take responsibility for reliance on its letter by any party.

Separately and as noted above, during the year the FRC carried out a quality review of the external auditor's audit of Fidessa's 2016 financial statements. The Committee regarded the conclusions of both reviews as very satisfactory.

Other matters

During the year the Committee also considered and reviewed:

- the Group's treasury policy;
- the appropriateness of the 'whistleblowing' procedures in place whereby staff may confidentially raise concerns about possible improprieties; and
- its terms of reference, and recommended to the Board changes to those terms.

Directors' and corporate governance report continued

Nominations Committee's report

Introduction

On behalf of the Nominations Committee, I am pleased to present this report to shareholders. This year the Committee's main focus was on Board composition with the appointments of both Richard Longdon and Ishbel Macpherson as non-executive directors. Elizabeth Lake retired from the Board on 31st December 2017 following completion of nine years as a non-executive at Fidessa and on behalf of the Committee I would like to thank Elizabeth for her wise counsel and support.

In addition to Board composition the Committee considered the succession plans at executive director and senior management levels.

Details of the other activities undertaken by the Committee during the year are set out in this report. I will be available at the Annual General Meeting to respond to any questions shareholders may raise.

John Hamer

Chairman of the Nominations Committee

Composition, meetings and evaluation

The Committee, which is chaired by John Hamer, also comprises John Worby, Ken Archer, Richard Longdon and Ishbel Macpherson 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.

Role and 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;
- the Board's level of independence and the diversity of skills, knowledge, experience, background and gender required to make it operate effectively;
- succession planning of Board members and other senior executives, taking into account the challenges and opportunities facing by Fidessa;
- the appointment of external consultants where appropriate;
- the appointment of new directors and the re-appointment of existing directors;
- the leadership needs of Fidessa with a view to ensuring that Fidessa remains competitive in the marketplace; and
- the time required from the non-executive directors and the Chairman.

Main activities during the year

The Committee carried out the following activities during 2017:

- recommended to the Board the engagement of independent search consultants, Russell Reynolds Associates, to assist with the appointments of two new non-executive directors;
- recommended the following changes to the Board:
 - in February 2017 the appointment of Richard Longdon as a non-executive director and Ron Mackintosh's successor as Senior Independent Director
 - in March 2017 the appointment of Ishbel Macpherson as a non-executive director
 - that Ron Mackintosh remain on the Board as an independent non-executive director
- reviewed and approved the succession plan for the Board and senior management;
- considered and reported to the Board the recommendations following the 2017 Board evaluation;

- considered and reviewed the Board's size, structure, composition and independence and concluded that following the changes to the Board during 2017 no changes were currently required;
- considered the time commitment of the non-executive directors and Chairman and was satisfied that the non-executive directors are able to commit the required time for proper performance of their duties; and
- reviewed its terms of reference.

Succession planning

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 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.

Diversity

The Committee's and Board's statement on diversity is set out in the Directors' and Corporate Governance Report.

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.

Results and dividends

The profit before income tax for the year is £50.0 million (2016: £48.8 million).

An interim dividend of 15.3p (2016: 14.3p) per ordinary share was paid in respect of the half year on 21st September 2017, to shareholders on the register of members at the close of business on 25th August 2017. The directors are recommending a final dividend of 29.7p (2016: 28.2p) together with a special dividend of 50.0p (2016: 50.0p) per ordinary share be paid on 7th June 2018 to shareholders on the register of members at the close of business on 11th May 2018. The total dividend payable for the year will be 95p (2016: 92.5p) amounting to approximately £36.8 million (2016: £35.6 million).

Research and development

Fidessa has an active programme of research and development covering the expansion and improvement of its products and services. Total expenditure on product development during the year was £44.5 million (2016: £39.7 million), as set out in note 7 to the consolidated financial statements.

Political donations

No political donations were made by Fidessa during 2017 (2016: nil).

Off-balance sheet arrangements

There are no off-balance sheet arrangements (2016: nil).

Shares held in the employee benefit trust

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 17 to the consolidated financial statements.

Directors' and corporate governance report continued

Disclosure of information under Listing Rule 9.8.4C R

Unless identified below, Fidessa has no further disclosures to make in relation to LR9.8.4 R:

Section	Topic	Location
10	Contracts of significance	Directors' report
12	Shareholder waivers of dividends	Note 17 to the consolidated financial statements
13	Shareholder waivers of future dividends	Note 17 to the consolidated financial statements

Directors and their interests

The directors of the Company in office throughout 2017, together with their biographical details, are as set out at the beginning of this Directors' and Corporate Governance Report. All the directors served for the whole of the year under review unless stated. Richard Longdon and Ishbel Macpherson were appointed on 1st March 2017 and 1st May 2017 respectively and Elizabeth Lake retired from the Board on 31st December 2017. Details of directors' interests in shares are set out in the Directors' Remuneration Report.

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 17 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 17, 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 are set out in the Articles of Association, copies of which can be obtained from Companies House. The powers of directors are also set out in the Articles of Association together with applicable legislation. 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 has not been made 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 26th April 2017 shareholders approved a general authority to purchase up to 3,859,275 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.

Relations 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 requested or 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

As at 16th February 2018, the following interests in voting rights over the issued share capital of the Company have been notified.

	Ordinary 10p shares	Percentage of issued share capital
Lindsell Train Limited	6,318,707	16.3
MFS Investment Management	4,240,137	10.9
Liontrust Investment Partners LLP*	1,978,763	5.1
DA Taylor*	1,153,049	3.0
Finsbury Growth & Income Trust PLC*	1,148,500	3.0

* The date of notification was not during 2017 or 2018.

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 2020, 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 change in the US administration; 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 potential impact of foreign exchange movements was considered with the Board noting that a weakness in sterling represents 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 2020. 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



16th February 2018

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

1 Our opinion is unmodified

We have audited the financial statements of Fidessa Group plc ("the Company") for the year ended 31st December 2017 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 the related notes, including the accounting policies in note 2.

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 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors for the year ended 31st December 1997. The period of total uninterrupted engagement is for the 21 financial years ended 31st December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Revenue recognition ◀▶

(£353.9m; 2016: £331.9m)

Refer to Audit Committee Report, note 2d (accounting policy) and note 5b (financial disclosures).

The risk – Subjective estimate:

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.

Our response – Our procedures included:

Control design and operation: 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;

Test of details: We examined a sample of significant contracts to assess whether the group had obtained sufficient evidence, such as obtaining user acceptance, that it has fulfilled the relevant obligations under the deployment phase of the contract;

Test of details: 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 by agreeing a sample to timesheet data;

Personnel interviews: 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;

Historical comparisons/Sector expertise: We challenged the forecast costs to complete based on our knowledge of the service deliverables and the historical accuracy of these forecasts. We assessed the group's forecasting accuracy by assessing its track record of forecasts vs actual cashflows and did the same for the utilisation of contingencies; and

Assessing transparency: 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;

Our results

The results of our testing were satisfactory and we considered the amount of revenue recognised to be acceptable (2016 result: acceptable).

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

Recoverability of goodwill and parent's investment in subsidiaries ◀▶

(Group: £44.9m; 2016: £44.9m; Parent: £65.8m; 2016: £65.8m)

Refer to Audit Committee Report, note 2j (accounting policy) and notes 5e, 14 and 4 (financial disclosures).

The risk – Forecast-based valuation:

Goodwill and the parent company's investment in subsidiaries is significant and at risk of irrecoverability because historical valuations identified that there was significant sensitivity to changes in the ability of the buy-side business to achieve its medium-term revenue growth rates. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows, which form the basis for the assessment of their recoverability.

Our response – Our procedures included:

Our sector experience: Evaluating assumptions used in the revenue forecasts in the context of our business and sector understanding and with consideration of both the order book and committed revenue from existing contracts.

Historical accuracy: Considering the historical accuracy of previous estimates to actual amounts achieved to assess the group's ability to forecast by assessing the track record of forecasts vs actual cash flows achieved;

Valuations expertise: With the assistance of our internal valuation specialists we challenged the inputs and methodology used to determine the discount rate used in the forecasts including through comparable company analysis;

Sensitivity analysis: Performing breakeven analysis on the key assumptions and considering the likelihood that these thresholds would be reached; and

Assessing transparency: Assessing whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Our results

We found the resulting estimate of the recoverable amount of goodwill in the group and the parent company's investment in subsidiaries to be acceptable (2016 result: acceptable).

Capitalised development costs ◀▶

(£53.0m; 2016: £48.1m)

Refer to Audit Committee Report, note 2j (accounting policy) and notes 5a and 14 (financial disclosures).

The risk – Accounting judgement:

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 procedures included:

Control design and operation: Evaluating 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, including their operating effectiveness;

Personnel interviews: We made enquiries of the group's development board and inspected the minutes of this board's meetings throughout the year to support the eligibility of the costs for capitalisation in accordance with the relevant accounting standards;

Test of details: On a sample basis, we agreed capitalised amounts to supporting documentation including timesheet data;

Our sector expertise: 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; and

Assessing transparency: Assessing the adequacy of the disclosures in respect of capitalised development costs.

Our results

The results of our testing were satisfactory and we considered the amount of capitalised development costs to be acceptable (2016 result: acceptable).

We continue to perform procedures over income tax expense. However, following the reduction of this balance, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Materiality for the group financial statements as a whole was set at £2.0m, determined with reference to a benchmark of group profit before tax of £50.0m, of which it represents 4.0% (2016: 4.1%).

Materiality for the parent company financial statements as a whole was set at £1.9m (2016: £1.2m), determined with reference to a benchmark of company total assets, of which it represents 1.8% (2016: 1.0% of total assets).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 4 (2016: 4) reporting components, we subjected 3 (2016: 3) to full scope audits for group purposes. The components within the scope of our work accounted for 91% of total revenue (2016: 91%); 89% of profit before taxation (2016: 87%); and 94% of total assets (2016: 94%).

The remaining 9% of total group revenue, 11% of group profit before tax and 6% of total group assets is represented by 1 reporting component. For this residual component, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within this (2016: the 1 residual component was subject to a review of financial information (including enquiry)).

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

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.7m to £1.9m (2016: £0.5m to £1.5m), having regard to the mix of size and risk profile of the Group across the components. The work on 1 of the 3 components (2016: 2 of the 4 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team.

The Group team visited the UK and US components to perform the audits and visited 1 (2016: 0) component location in Hong Kong to assess the audit risk and strategy. Telephone conference meetings were also held with this component auditor. At these visits and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4 We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in the notes to the consolidated financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

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

- the directors' confirmation within the directors' statement of going concern and longer-term viability that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the directors' statement of going concern and longer-term viability of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the directors' statement of going concern and longer-term viability. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements 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 section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

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.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' 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 including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit, we considered the impact of laws and regulations in the core areas such as financial reporting, and company and taxation legislation.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being tax law and financial reporting (including related company legislation), as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of directors and other management (as required by auditing standards).

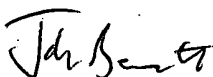
We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level, with a request to report on any indications of potential existence of irregularities in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Bennett (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
16th February 2018



Consolidated income statement

for the year ended 31st December 2017

	Note	2017 £'000	2016 £'000
Revenue	6	353,921	331,935
Operating expenses	7	(305,088)	(283,919)
Other operating income	7	775	454
Operating profit		49,608	48,470
Finance income		357	350
Profit before income tax		49,965	48,820
Total income tax expense	10	(14,282)	(13,066)
Profit for the year attributable to owners		35,683	35,754
Basic earnings per share	11	92.9p	93.5p
Diluted earnings per share	11	91.7p	92.3p

Consolidated statement of comprehensive income

for the year ended 31st December 2017

	2017 £'000	2016 £'000
Profit for the year from the consolidated income statement	35,683	35,754
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	(1,729)	4,778
Total comprehensive income for the year	33,954	40,532

Consolidated balance sheet

at 31st December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	27,138	20,570
Intangible assets	14	98,073	93,465
Deferred tax assets	15	5,651	9,925
Other receivables	16	1,936	2,000
Total non-current assets		132,798	125,960
Current assets			
Trade and other receivables	16	88,370	83,132
Cash and cash equivalents		92,373	95,152
Total current assets		180,743	178,284
Total assets		313,541	304,244
Equity			
Issued capital	17	3,872	3,858
Share premium		35,266	34,153
Merger reserve	17	17,938	17,938
Cumulative translation adjustment	17	5,514	7,243
Retained earnings		104,155	101,885
Total equity		166,745	165,077
Liabilities			
Non-current liabilities			
Other payables	18	11,825	10,557
Provisions	19	2,993	2,078
Deferred tax liabilities	15	6,376	6,314
Total non-current liabilities		21,194	18,949
Current liabilities			
Trade and other payables	18	120,349	113,169
Provisions	19	1,338	1,309
Current income tax liabilities		3,915	5,740
Total current liabilities		125,602	120,218
Total liabilities		146,796	139,167
Total equity and liabilities		313,541	304,244

The consolidated financial statements were approved by the Board of directors on 16th February 2018 and were signed on its behalf by

A. V. Skelton

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 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	17	31	2,328	-	-	-	2,359
Employee share incentive charges	7	-	-	-	-	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	12	-	-	-	-	(32,493)	(32,493)
Balances at 1st January 2017		3,858	34,153	17,938	7,243	101,885	165,077
Total comprehensive income for the year							
Profit for the year		-	-	-	-	35,683	35,683
Other comprehensive income		-	-	-	(1,729)	-	(1,729)
		-	-	-	(1,729)	35,683	33,954
Transactions with owners							
Issue of shares - exercise of options	17	14	1,113	-	-	-	1,127
Employee share incentive charges	7	-	-	-	-	3,246	3,246
Current tax recognised direct to equity		-	-	-	-	204	204
Deferred tax recognised direct to equity		-	-	-	-	(47)	(47)
Purchase of shares by employee share trusts		-	-	-	-	(822)	(822)
Dividends paid	12	-	-	-	-	(35,994)	(35,994)
Balances at 31st December 2017		3,872	35,266	17,938	5,514	104,155	166,745

Consolidated cash flow statement

for the year ended 31st December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit before income tax for the year		49,965	48,820
Adjustments for:			
Staff costs – share incentives	7	3,246	1,740
Depreciation of property, plant and equipment	7	10,842	12,085
Amortisation of product development	7	28,143	27,477
Amortisation of acquired intangibles	7	243	730
Amortisation of other intangible assets	7	231	219
Profit on sale of property, plant and equipment	7	-	(48)
Finance income		(357)	(350)
Cash generated from operations before changes in working capital		92,313	90,673
Movement in trade and other receivables		(5,174)	(10,842)
Movement in trade and other payables		8,749	12,600
Cash generated from operations		95,888	92,431
Income tax paid		(11,614)	(12,065)
Net cash generated from operating activities		84,274	80,366
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(17,286)	(6,948)
Proceeds from sale of property, plant and equipment		-	94
Purchase of other intangible assets	14	(194)	(157)
Product development capitalised	14	(33,045)	(30,424)
Interest received on cash and cash equivalents		357	350
Net cash used in investing activities		(50,168)	(37,085)
Cash flows from financing activities			
Proceeds from shares issued		1,127	2,359
Purchase of shares by employee share trusts		(822)	(1,012)
Dividends paid	12	(35,994)	(32,493)
Net cash used in financing activities		(35,689)	(31,146)
Net increase in cash and cash equivalents		(1,583)	12,135
Cash and cash equivalents at 1st January		95,152	78,314
Effect of exchange rate fluctuations on cash held		(1,196)	4,703
Cash and cash equivalents at 31st December		92,373	95,152

Cash and cash equivalents includes £1,971,000 (2016: £2,157,000) of restricted cash held on deposit as security for property related guarantees.

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 16th February 2018.

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:

- IAS7 *Disclosure Initiative* (amendments).
- IAS12 *Recognition of Deferred Tax Assets for Unrealised Losses* (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	2017		2016		% change	
	Closing	Average	Closing	Average	Closing	Average
United States dollar	1.35	1.29	1.24	1.37	-9%	5%
Japanese yen	152.39	144.84	144.12	146.98	-6%	1%

With the exception of sterling, no currency other than those listed above 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 hosted service or as a product. Hosted 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 with associated maintenance (upgrades, updates, bug fixes and support) and revenue is recognised pro-rata over the period of the licence.

Non-recurring revenue is the provision of manpower services for deployment, 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 deployment. 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.

Revenue arising from the provision of communications lines and market data which is sold as a part of the hosted service or rental licence and maintenance agreement, is recognised pro-rata over the period of the service.

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 for services provided that are 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 | 3 – 5 years |

During the year the estimated useful economic lives for computer equipment and the de minimis limit for capitalising property, plant and equipment have been reviewed and revised. The updated useful economic lives are disclosed above and this change has been reflected within the charge for depreciation in 2017. The impact of this change is an increase in operating costs of £393,000 in the year.

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.

- 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).
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

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. The expected impact of IFRS15 is discussed further in note 4.

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 started to assess the potential impact of the adoption of IFRS16 on its consolidated financial statements.

4 Implementation of IFRS15 'Revenue from contracts with customers'

IFRS15 is effective for annual periods beginning on or after 1st January 2018. The Group will adopt IFRS15 for the first time in the year ending 31st December 2018 and will adopt the modified retrospective transition method with the cumulative effect of initially applying the standard reflected as an adjustment to the opening balance of retained earnings as of 1st January 2018. Comparative prior periods will not be adjusted.

Accounting for revenue

Revenue earned from contracts with customers will be recognised based on a five-step model which requires the transaction price for each identified contract to be apportioned to separate performance obligations arising under the contract and recognised either when the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer. Overall, the Group expects that adoption of IFRS15 will reduce brought forward retained earnings at January 1st 2018 by approximately £6,000,000. This adjustment to brought forward retained earnings will unwind over a number of years.

Deployment revenue

Deployment revenue is currently recognised on an estimated percentage of completion as the work is performed. When identifying performance obligations, IFRS15 focuses on whether the customer can benefit from the service on its own. The Group has assessed that deployment revenue is not a separate performance obligation and as such will be combined with the hosted service or rental licence with maintenance fee revenue and recognised over the term of the contract with the customer. This will result in the Group recognising deployment revenue later and over a longer period, than under the current policy. Revenue arising from deployment recognised in 2017 is £10,241,000.

Accounting for costs

Costs incurred to implement software for customers are currently expensed as incurred. Under IFRS15, contract fulfilment costs will be recognised as an expense consistent with the transfer of the related goods or services to the customer and will be amortised over the life of the initial term of the contract.

Balance sheet

In addition to the impact on the consolidated income statement, the Group expects changes to the consolidated balance sheet, in particular, due to the deferral of deployment revenue, recognition of contract assets and the impact on retained earnings from the initial adoption of IFRS15.

Notes to the consolidated financial statements continued

4 Implementation of IFRS15 'Revenue from contracts with customers' (continued)

Key judgements:

Rental licences and upgrades

Recurring revenue is derived from the provision of software either as a hosted service or as a product. Software products are provided as a rental licence, including the right to regular upgrades. Under IFRS15, judgement is required when assessing whether the rental licence is a separate performance obligation from the provision of upgrades to the customer. The Group has assessed that the ongoing updates and upgrades to the software are fundamental to the value of the software and that without these updates the value of the software will substantially deteriorate over time. Therefore, the rental licence and the updates and upgrades will be combined as one performance obligation and revenue will be recognised over the life of the licence as the service is delivered.

Principal vs agent for data and connectivity

In addition to software, the Group provides communications lines from Fidessa data centres to customer sites and from customers to exchange venues; and static and live market data where a third party is involved in the provision of services to a customer. In assessing whether the Group is the principal or agent for the provision of these services, IFRS15 focuses on the transfer of control. IFRS 15 determines an entity is the principal in a transaction if it obtains control of the specified goods or service before they are transferred to the customer. The data and connectivity services are highly interrelated and integrated with the software, whether as a hosted service or a rental licence with updates and upgrades. As such, the Group has assessed that the provision of these services forms part of a single performance obligation which is managed and provided through the Fidessa software and services and for which Fidessa is the principal.

Term for recognition of implementation revenue and fulfilment costs

Judgement is required to determine the recognition period for deployment revenue and fulfilment costs. IFRS15 requires that fulfilment costs are amortised on a systematic basis consistent with the pattern of the transfer of the goods or services to which the asset relates. Deployments of Fidessa's software and services are tailored to individual customer needs and upon renewal services are often amended to reflect the ongoing requirements of our customers business. Accordingly, the Group has assessed that it is appropriate to recognise both the deployment revenue and fulfilment costs on a straight-line basis over the life of the term of the contract.

5 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.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

5 Accounting estimates and judgements (continued)

a 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 14.

The following are the estimates and assumptions that the directors have made that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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 14) and share-based payments (note 20). 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 14). Variations in these estimates could result in a material variance in the value in use resulting from the calculation.

Notes to the consolidated financial statements continued

5 Accounting estimates and judgements (continued)

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 13 and 14.

6 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 2017	Sell-side £'000	Buy-side £'000	Total £'000
Recurring revenue	293,015	19,252	312,267
Non-recurring revenue	37,239	4,415	41,654
Total revenue from customers	330,254	23,667	353,921
Inter-business unit revenue	-	6,053	6,053
Operating profit as monitored by the Operating Board	37,557	4,837	42,394
Amortisation of acquired intangibles			(243)
Product development capitalised			33,045
Product development amortised			(28,143)
Research and development expenditure credit			2,555
Operating profit			49,608
Finance income			357
Profit before income tax			49,965

Adjusted profit before tax can be reconciled to profit before tax as follows:

Profit before income tax	49,965
One-time and duplicate Jersey City move costs	2,600
Property lease provisions	1,774
Adjusted profit before income tax	54,339

6 Segment reporting (continued)

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 credit			1,650
Operating profit			48,470
Finance income			350
Profit before income tax			48,820
Adjusted profit before tax can be reconciled to profit before tax as follows:			
Profit before income tax			48,820
Property lease provisions			710
Adjusted profit before income tax			49,530

Other segmental disclosures:

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

	Sell-side £'000	Buy-side £'000	Total £'000
Year ended 31st December 2017	33,999	5,225	39,224
Year ended 31st December 2016	34,915	4,866	39,781

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.

	2017 £'000	2016 £'000
Europe	121,583	120,031
Americas	158,236	142,575
Asia	74,102	69,329
Total revenue	353,921	331,935

Notes to the consolidated financial statements continued

6 Segment reporting (continued)

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

	2017 £'000	2016 £'000
UK	121,583	120,031
USA	138,953	125,347
Hong Kong	45,314	42,814

7 Operating expenses

	2017 £'000	2016 £'000
Staff costs – salaries	150,813	142,113
Staff costs – social security	12,032	11,121
Staff costs – pension	6,608	6,117
Staff costs – share incentives	3,246	1,740
Staff costs – medical insurance	7,685	8,112
Staff costs – other benefits	575	503
Total staff costs	180,959	169,706
Subcontractors	2,314	1,661
Depreciation of property, plant and equipment	10,842	12,085
Amortisation of other intangible assets	231	219
Amortisation of acquired intangible assets	243	730
Capitalisation of product development	(33,045)	(30,424)
Amortisation of product development	28,143	27,477
Research and development expenditure grant	(2,555)	(1,650)
Customer communications and data fees	35,902	31,977
Data vendor fixed fees	8,604	8,533
Communications infrastructure costs	13,834	12,964
Operating lease rentals – property	25,316	21,298
Operating lease rentals – plant and machinery	52	142
Profit on sale of property, plant and equipment	-	(48)
Exchange loss/(gain)	1,081	(1,149)
Other operating expenses	33,167	30,398
Total operating expenses	305,088	283,919

Other operating income of £775,000 (2016: £454,000) represents income from sublet office space.

Included in total staff costs are the direct costs of research and development of £44,527,000 (2016: £39,726,000), which includes the amount capitalised above.

In 2016, the Group 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.

Included in total operating expenses are one-time and duplicate costs associated with the relocation of Fidessa's main US office from New York to Jersey City of £2,600,000 (2016: £nil) and one-time property lease provisions of £1,774,000 (2016: £710,000).

8 Auditor's fees

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

	2017 £'000	2016 £'000
Audit of these financial statements	70	53
Amounts receivable by the Company's auditor and its associates in respect of:		
Audits of subsidiaries of the Company	225	242
Other assurance services – interim report	44	44
Total audit related activity	339	339
Tax compliance services	-	27
Total fees paid to the auditor	339	366

No non-audit work was undertaken by the Group auditor in 2017. In 2016 non-audit fees represented 7% of audit related fees.

The 2016 fees paid included £10,000 for audit related expenses and £5,000 for tax compliance services provided during the year which related to the 2015 audit.

9 Staff numbers

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

	2017 Number	2016 Number
Europe	856	851
The Americas	544	554
Asia	328	334
Total average staff numbers in the year	1,728	1,739

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

	2017 Number	2016 Number
Delivery	478	497
Support	325	325
Core development and research	511	519
Operations	157	152
Sales	53	56
Marketing	37	37
Management and administration	144	150
Total staff numbers at 31st December	1,705	1,736

Notes to the consolidated financial statements continued

10 Income tax expense

	2017 £'000	2016 £'000
Current tax		
Current year domestic tax	4,192	5,411
Current year foreign tax	5,591	7,802
Adjustments for prior years	831	1,219
Total current tax	10,614	14,432
Deferred tax		
Origination and reversal of temporary differences	2,705	(238)
Change in tax rates	1,669	(205)
Benefit and utilisation of tax losses	266	109
Adjustments for prior years	(972)	(1,032)
Total deferred tax	3,668	(1,366)
Total income tax in income statement	14,282	13,066

Reconciliation of the effective tax rate:

	2017	2017 £'000	2016	2016 £'000
Profit before tax		49,965		48,820
Income tax using the domestic corporation tax rate	19.25%	9,618	20.0%	9,764
Effective tax rates in foreign jurisdictions		3,505		3,134
Expenses not deductible for tax purposes		(531)		169
Change in tax rates		1,669		-
Unutilised losses		213		98
Tax incentives		(13)		(23)
Non-taxable items		(14)		(13)
Adjustment relating to prior years		(165)		(63)
Total income tax and effective tax rate for the year	28.6%	14,282	26.8%	13,066

The UK corporation tax rate for the year was 19.25% (2016: 20.0%).

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.

The US Tax Cuts and Jobs Act was enacted on 22nd December 2017, reducing the statutory rate of US federal corporate income tax from 35% to 21% with effect from 1st January 2018. The US Tax Cuts and Jobs Act is expected to positively impact Fidessa's future after tax earnings, primarily because of the reduced tax rate.

10 Income tax expense (continued)

The value of Fidessa's US deferred tax assets has reduced by £1,749,000 in 2017 as a result of the reduced statutory rate of US federal corporate income tax rate; this is included in the change in tax rates movement in the reconciliation of effective tax rate. The revaluation has resulted in a one-off charge of £1,749,000 to Group profit after tax, representing a one-off 3.4% increase to the effective tax rate.

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 since 2010. Excluding the reduction in the value of the US deferred tax assets in 2017, the effective tax rate has decreased from 30.1% in 2010 to 25.2% in 2017, and in the same period the UK headline tax rate has fallen from 28.0% to 19.25%. These are expected to continue to be the primary influences on the effective tax rate into the future.

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 year provisions and accruals arise from the resolution of specific uncertainties and the remaining risks are appropriately reflected in the recognised provisions and accruals.

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.

	2017 £'000	2016 £'000
Tax recognised direct to equity		
Current tax credit relating to equity-settled share incentives	(204)	(695)
Deferred tax debit relating to equity-settled share incentives	47	194

11 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 2368p (2016: 2299p) for the year.

	2017 £'000	2016 £'000
Profit attributable to owners	35,683	35,754
One-time and duplicate Jersey City move costs	2,600	-
Property lease provisions	1,774	710
Tax relief on Jersey City move costs and property lease provisions	(1,377)	(142)
Downward revaluation of US deferred tax assets	1,749	-
Adjusted profit attributable to owners	40,429	36,322

Notes to the consolidated financial statements continued

11 Earnings per share (continued)

	2017 Number '000	2016 Number '000
Weighted average number of shares in issue	38,652	38,455
Weighted average number of shares held by employee share trusts	(250)	(220)
Number of shares used to calculate basic and adjusted basic earnings per share	38,402	38,235
Dilution due to share incentives	507	519
Number of shares used to calculate diluted and adjusted diluted earnings per share	38,909	38,754
	2017 Pence	2016 Pence
Basic earnings per share	92.9p	93.5p
Diluted earnings per share	91.7p	92.3p
Adjusted basic earnings per share	105.3p	95.0p
Adjusted diluted earnings per share	103.9p	93.7p

12 Dividends paid and proposed

	2017 £'000	2016 £'000
Declared and paid during the year		
Interim 2017 dividend of 15.3 pence per share (interim 2016 dividend of 14.3 pence per share)	5,893	5,489
Final 2016 dividend of 28.2 pence per share (final 2015 dividend of 25.4 pence per share)	10,855	9,742
Special 2016 dividend of 50.0 pence per share (special 2015 dividend of 45.0 pence per share)	19,246	17,262
	35,994	32,493

The directors propose a final dividend of 29.7 pence per share, amounting to an expected final dividend payment of £11,450,000 and a special dividend of 50.0 pence per share, amounting to an expected special dividend payment of £19,276,000. These will be payable on 7th June 2018 to shareholders on the register at the close of business on 11th May 2018, with an ex-dividend date of 10th May 2018. 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.

13 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 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 1st January 2017	44,313	815	43,271	88,399
Exchange adjustment	(2,410)	-	(2,430)	(4,840)
Additions	13,504	-	5,241	18,745
Disposals	(5,992)	-	-	(5,992)
Cumulative cost at 31st December 2017	49,415	815	46,082	96,312
Depreciation				
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 1st January 2017	36,815	166	30,848	67,829
Exchange adjustment	(1,642)	-	(1,863)	(3,505)
Charged in year	3,502	33	7,307	10,842
Disposals	(5,992)	-	-	(5,992)
Cumulative depreciation at 31st December 2017	32,683	199	36,292	69,174
Carrying value				
At 31st December 2017	16,732	616	9,790	27,138
At 1st January 2017	7,498	649	12,423	20,570
At 1st January 2016	9,277	682	13,244	23,203

As a result of the relocation of Fidessa's main US office from New York to Jersey City, additions of £682,000 relating to computer equipment and £13,068,000 relating to furniture, equipment and leasehold improvements were capitalised in 2017.

Notes to the consolidated financial statements continued

14 Intangible assets

	2017 £'000	2016 £'000
Carrying value at 31st December		
Goodwill	44,897	44,897
Acquired intangible assets	-	243
Product development	53,007	48,105
Software purchased for internal use	169	220
	98,073	93,465

Goodwill

	Total £'000
Carrying value at 1st January 2016, 1st January 2017 and 31st December 2017	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, for the purposes of the impairment review, used the anticipated results from the detailed forecast for the first year followed by 2.5% (2016: 4%) per annum growth in 2019 and 2020 and 4% (2016: 4%) for the next seven years and concluded with a terminal growth rate of 2.5% (2016: 2%). The terminal growth rate is based on a forecast inflation assumption for the UK and US. 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. The break-even terminal growth rate is 0.7%. A discount rate of 10.1% pre-tax (2016: 9.5%) 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 36% (2016: 40%) greater than the carrying value and exceeded it by £19.5 million (2016: £21.6 million). Revised calculations of the estimated recoverable amount were undertaken to consider sensitivities for a higher discount rate, to reflect forecasting uncertainty associated with the medium term growth rates. The higher discount rate sensitivity calculation showed a break-even discount rate of 12.9%. The results of these sensitivity calculations supported the conclusion that the goodwill had not been impaired.

14 Intangible assets (continued)**Acquired intangible assets**

	Customer relationships £'000
Cost	
Cumulative cost at 1st January 2016, 1st January 2017 and 31st December 2017	7,300
Amortisation	
Cumulative amortisation at 1st January 2016	6,327
Charged in year	730
Cumulative amortisation at 1st January 2017	7,057
Charged in year	243
Cumulative amortisation at 31st December 2017	7,300
Carrying value	
At 31st December 2017	-
At 1st January 2017	243
At 1st January 2016	973

Notes to the consolidated financial statements continued

14 Intangible assets (continued)

Product development capitalised and software purchased for internal use

	Product development £'000	Software purchased £'000
Cost		
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 1st January 2017	88,337	1,235
Exchange adjustments	-	(117)
Additions	33,045	194
Fully expensed	(27,609)	-
Cumulative cost at 31st December 2017	93,773	1,312
Amortisation		
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 1st January 2017	40,232	1,015
Exchange adjustment	-	(103)
Charged in year	28,143	231
Fully expensed	(27,609)	-
Cumulative amortisation at 31st December 2017	40,766	1,143
Carrying value		
At 31st December 2017	53,007	169
At 1st January 2017	48,105	220
At 1st January 2016	45,158	255

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.

15 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net assets/(liabilities)	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Property, plant and equipment	2,337	4,610	(84)	(336)	2,253	4,274
Intangible assets	-	-	(10,074)	(9,308)	(10,074)	(9,308)
Employee benefits	1,388	1,343	-	-	1,388	1,343
Employee compensation	2,125	3,007	-	-	2,125	3,007
Trade and other payables	1,126	2,010	-	-	1,126	2,010
Tax losses and allowances	37	-	-	-	37	-
Other temporary differences	2,420	2,285	-	-	2,420	2,285
Tax assets/(liabilities)	9,433	13,255	(10,158)	(9,644)	(725)	3,611
Tax set off	(3,782)	(3,330)	3,782	3,330	-	-
Net tax assets/(liabilities)	5,651	9,925	(6,376)	(6,314)	(725)	3,611

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 £2,769,000 (2016: £1,545,000) 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 2017 £'000	Translation adjustment £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2017 £'000
Property, plant and equipment	4,274	(112)	(1,909)	-	2,253
Intangible assets	(9,308)	(1)	(765)	-	(10,074)
Employee benefits	1,343	16	76	(47)	1,388
Employee compensation	3,007	(226)	(656)	-	2,125
Trade and other payables	2,010	(88)	(796)	-	1,126
Tax allowances and losses	-	-	37	-	37
Other temporary differences	2,285	(210)	345	-	2,420
Net deferred tax assets/(liabilities)	3,611	(621)	(3,668)	(47)	(725)

The US Tax Cuts and Jobs Act was enacted on 22nd December 2017, reducing the statutory rate of US federal corporate income tax from 35% to 21% with effect from 1st January 2018. The value of Fidessa's US deferred tax assets has reduced by £1,749,000 in 2017 as a result of the reduced statutory rate of US federal corporate income tax rate.

Notes to the consolidated financial statements continued

15 Deferred tax assets and liabilities (continued)

	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

16 Trade and other receivables

	2017 £'000	2016 £'000
Current assets		
Trade receivables	69,218	66,747
Prepayments	10,608	10,698
Accrued revenue	1,032	1,573
Other receivables - RDEC	6,808	3,056
Other receivables	704	1,058
Total trade and other receivables	88,370	83,132
Non-current assets		
Other receivables - deposits	1,936	2,000

Non-current assets represent property related deposits held in accounts not under the Group's control.

17 Share capital and reserves

	2017 Number	2016 Number	2017 £'000	2016 £'000
Issued share capital at 1st January	38,584,928	38,267,128	3,858	3,827
Issued for share incentives exercised	138,343	317,800	14	31
Issued share capital at 31st December	38,723,271	38,584,928	3,872	3,858

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.

17 Share capital and reserves (continued)**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.

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 2017 Number of shares	As at 31st December 2017 Percentage of issued share capital	As at 31st December 2016 Number of shares	As at 31st December 2016 Percentage of issued share capital
Employee Benefit Trust	170,745	0.4%	167,283	0.4%
Share Incentive Plan	83,750	0.2%	75,052	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.

Notes to the consolidated financial statements continued

18 Trade and other payables

	2017 £'000	2016 £'000
Current liabilities		
Trade payables	7,638	6,814
Accrued expenses	44,782	34,532
Other liabilities	3,322	3,518
Deferred revenue	57,054	61,812
Deferred income – RDEC	2,645	1,878
Other taxes and social security	4,908	4,615
Total current trade and other payables	120,349	113,169
Non-current liabilities		
Accrued expenses	523	1,260
Deferred income – RDEC	3,077	2,336
Other liabilities – operating lease incentives	8,225	6,961
Total non-current trade and other payables	11,825	10,557

Current and non-current liabilities includes £3,665,000 (2016: £nil) of landlord incentive receipts in respect of the New Jersey office, which will be recognised over the term of the lease.

19 Provisions

	Property £'000	Other £'000	Total £'000
At 1st January 2017	2,314	1,073	3,387
Exchange adjustment	(105)	(51)	(156)
Released during the year	(434)	-	(434)
Arising during the year	1,961	278	2,239
Utilised during the year	(463)	(242)	(705)
At 31st December 2017	3,272	1,058	4,331
		2017 £'000	2016 £'000
Current liabilities		1,338	1,309
Non-current liabilities		2,993	2,078
Total provisions		4,331	3,387

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. Arising during the year includes £1,774,000 (2016: £710,000) of provisions for surplus office space. 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.

20 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 expired 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 plan has a performance condition based on 'adjusted basis earnings per share'.

In 2017 the adjustment for PSP performance purposes amounted to £3,507,000 (2016: £584,000) and the adjusted basic earnings per share was 102.1p (2016: 95.0p). Adjustments totalling £3,507,000 in 2017 included: £1,560,000 in respect of one-off costs associated with the relocation of the main US office to New Jersey, net of tax at the US headline rate of 40%, £1,749,000 in respect of the write off of US Deferred Tax assets following the enactment of US tax reforms in December 2017 and £198,000 of amortisation of acquisition intangibles, net of tax. The adjustment in 2016 related entirely to amortisation of acquisition intangibles.

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

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

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.

Notes to the consolidated financial statements continued

20 Share-based payments (continued)

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.

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. The final awards from the CSOP expired in 2017.

20 Share-based payments (continued)**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 2017 the maximum potential dilution from awards granted across these plans to date is 2.87%.

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	Granted in 2017
Fair value	1645p	1941p	2517p	1934p to 2303p	2333p	2573p
Share price at grant	1645p	1941p	2517p	1934p to 2303p	2333p	2573p
Expected volatility	30%	28%	28%	28%	31%	35%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%	4.5%	4.0%	3.8%
MSPP	Granted in 2012	Granted in 2013	Granted in 2014	Granted in 2015	Granted in 2016	Granted in 2017
Fair value	1176p to 1505p	1356p to 1952p	1823p to 2283p	1585p to 2071p	1551p to 2286p	1841p to 2217p
Share price at grant	1305p to 1719p	1554p to 2160p	2088p to 2660p	1801p to 2435p	1824p to 2563p	2108p to 2588p
Expected volatility	30%	28%	28%	28%	31%	36%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%	4.5%	4.0%	3.8%
SIP	Granted in 2012	Granted in 2013	Granted in 2014	Granted in 2015	Granted in 2016	Granted in 2017
Fair value	1330p to 1664p	1587p to 2262p	2089p to 2590p	1791p to 2405p	1876p to 2490p	2133p to 2617p
Share price at grant	1330p to 1664p	1587p to 2262p	2089p to 2590p	1791p to 2405p	1876p to 2490p	2133p to 2617p
Expected volatility	30%	28%	28%	28%	31%	36%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%	4.5%	4.0%	3.8%

Notes to the consolidated financial statements continued

20 Share-based payments (continued)

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 2017 were:

Grant year	Options at 1st January 2017	Exercised in year	Expired in year	Options at 31st December 2017	Exercise price p	Vested at 31st December 2017	Remaining life
2010	80,397	(79,897)	(500)	-	1421p	-	0 years

For CSOP options exercised in 2017 the weighted average share price at the time of exercise was 2288p (2016: 2402p).

Awards under the DABP subsisting at 31st December 2017 were:

Award year	Outstanding at 1st January 2017	Granted in year	Dividend shares applied in year	Exercised in year	Expired in year	Outstanding at 31st December 2017	Vested at 31st December 2017	Remaining life
2012	6,846	-	-	(2,634)	-	4,212	4,212	2 years
2013	44,098	-	-	(9,657)	(648)	33,793	33,793	3 years
2014	47,371	-	-	(40,393)	(1,234)	5,744	5,744	4 years
2015	90,879	-	3,182	-	(3,775)	90,286	-	5 years
2016	94,869	-	2,735	-	(22,077)	75,527	-	6 years
2017	-	104,961	3,913	-	(4,862)	104,012	-	7 years

For DABP awards exercised in 2017 the weighted average share price at the time of exercise was 2451p (2016: 2370p).

20 Share-based payments (continued)

Matching share awards under the MSPP subsisting at 31st December 2017 were:

Award year	Outstanding at 1st January 2017	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2017	Vested at 31st December 2017	Remaining life
2012	9,977	-	(2,017)	-	7,960	7,960	0 years
2013	10,742	-	(2,406)	-	8,336	8,336	0 years
2014	18,095	-	(9,004)	(1,085)	8,006	8,006	0 years
2015	22,794	-	-	(2,186)	20,608	-	1 year
2016	26,118	-	-	(2,465)	23,653	-	2 years
2017	-	30,986	-	(1,703)	29,283	-	3 years

For MSPP awards exercised in 2017 the weighted average share price at the time of exercise was 2072p (2016: 2520p).

Matching share awards under the SIP subsisting at 31st December 2017 were:

Award year	Outstanding at 1st January 2017	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2017	Vested at 31st December 2017	Remaining life
2012	14,449	-	(4,273)	-	10,176	10,176	0 years
2013	13,807	-	(1,383)	-	12,424	12,424	0 years
2014	12,881	-	(913)	(248)	11,720	-	0 years
2015	16,284	-	(906)	(614)	14,764	-	1 year
2016	17,631	-	(822)	(745)	16,064	-	2 years
2017	-	19,595	(352)	(641)	18,602	-	3 years

For SIP awards exercised in 2017 the weighted average share price at the time of exercise was 2356p (2016: 2322p).

Awards under the PSP subsisting at 31st December 2017 were:

Award year	Outstanding at 1st January 2017	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2017	Vested at 31st December 2017	Remaining life
2014	242,500	-	-	(11,500)	231,000	-	3-6 years
2016	358,250	-	-	(10,750)	347,500	-	3-6 years

Notes to the consolidated financial statements continued

21 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 £1,682,000 (2016: £1,766,000). The remuneration of directors and other members of key management during the year was as follows:

	2017 £'000	2016 £'000
Short-term employee benefits	5,716	5,622
Post-employment benefits	38	47
Equity compensation benefits	701	402
Total remuneration of directors and key management	6,455	6,071

22 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.

	2017 £'000	2016 £'000
Not due	55,660	49,097
Not more than three months past due	12,481	12,954
More than three months but not more than six months past due	227	2,346
More than six months past due	1,805	2,350
Total trade receivables	70,173	66,747

22 Financial risk management (continued)

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.

	2017 £'000	2016 £'000
Allowance for doubtful receivables at 1st January	1,348	1,089
Exchange adjustment	(106)	212
Allowances utilised in the period	(712)	(376)
New allowances made in the period	424	423
Allowance for doubtful receivables at 31st December	954	1,348

Liquidity risk

The following are the contractual maturities of financial liabilities.

	Trade payables		Accrued expenses	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
3 months or less	7,023	5,493	41,212	31,415
3 to 12 months	615	1,321	3,562	3,117
Greater than one year	-	-	523	1,260
Carrying value	7,638	6,814	45,297	35,792

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.

Notes to the consolidated financial statements continued

22 Financial risk management (continued)

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 59% in US dollars, 27% in sterling, 5% 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 £795,000 for the year ended 31st December 2017 (2016: £747,000).

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 2017 represented 47.0% (2016: 42.9%) 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.

23 Operating leases

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

	2017 £'000	2016 £'000
Less than one year	20,069	19,976
Between one and five years	56,456	54,228
More than five years	56,447	68,408
Total commitment under operating leases	132,972	142,612

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 subleases expire in 2018 and 2024.

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

	2017 £'000	2016 £'000
Less than one year	557	839
Between one and five years	1,929	2,004
More than five years	672	1,154
Total receivable under operating leases	3,158	3,997

Company balance sheet

at 31st December 2017

	Note	2017 £'000	2016 £'000
Assets			
Non-current assets			
Investments	4	65,818	65,818
Deferred tax assets	5	17	13
Total non-current assets		65,835	65,831
Current assets			
Trade and other receivables	6	27,292	15,305
Income tax receivable		1,958	2,788
Cash and cash equivalents		38,987	41,642
Total current assets		68,237	59,735
Total assets		134,072	125,566
Equity			
Issued capital	8	3,872	3,858
Share premium		35,266	34,153
Merger reserve	8	17,938	17,938
Retained earnings		74,270	67,038
Total equity		131,346	122,987
Liabilities			
Non-current liabilities			
Other payables	7	340	310
Total non-current liabilities		340	310
Current liabilities			
Trade and other payables	7	2,386	2,269
Total current liabilities		2,386	2,269
Total liabilities		2,726	2,579
Total equity and liabilities		134,072	125,566

The financial statements were approved by the Board of directors on 16th February 2018 and were signed on its

behalf by

A. V. Skelton
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 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 1st January 2017		3,858	34,153	17,938	67,038	122,987
Total comprehensive income for the year						
Profit and total comprehensive income for the year		-	-	-	40,796	40,796
Transactions with owners						
Issue of shares - exercise of options	8	14	1,113	-	-	1,127
Employee share incentive charges - subsidiaries		-	-	-	3,247	3,247
Deferred tax recognised direct to equity		-	-	-	5	5
Purchase of shares by employee share trusts		-	-	-	(822)	(822)
Dividends paid	8	-	-	-	(35,994)	(35,994)
Balances at 31st December 2017		3,872	35,266	17,938	74,270	131,346

Company cash flow statement

for the year ended 31st December 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit before income tax for the year		41,145	38,979
Adjustments for:			
Staff costs – share incentives		147	-
Finance income		(100)	(233)
Cash generated from operations before changes in working capital		41,192	38,746
Movement in trade and other receivables		(8,887)	(11,731)
Movement in trade and other payables		148	97
Cash generated from operations		32,453	27,112
Income tax refunded/(paid)		481	(1,083)
Net cash generated from operating activities		32,934	26,029
Cash flows from investing activities			
Interest received on cash and cash equivalents		100	233
Net cash generated in investing activities		100	233
Cash flows from financing activities			
Proceeds from shares issued		1,127	2,359
Purchase of shares by employee share trusts		(822)	(1,012)
Proceeds from sale of shares by employee share trusts		-	-
Dividends paid	8	(35,994)	(32,493)
Net cash used in financing activities		(35,689)	(31,146)
Net decrease in cash and cash equivalents		(2,655)	(4,884)
Cash and cash equivalents at 1st January		41,642	46,526
Cash and cash equivalents at 31st December		38,987	41,642

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 16th February 2018.

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

	2017 £'000	2016 £'000
Audit of these financial statements	55	53
Review of the interim report	11	11
Total fees paid to the auditor	66	64

Notes to the Company financial statements continued

4 Investments

	2017 £'000	2016 £'000
Investments in subsidiaries at 1st January	65,818	65,818
Employee share incentive charges – subsidiaries	3,247	1,740
Employee share incentive reimbursements – subsidiaries	(3,247)	(1,740)
Investments in subsidiaries at 31st December	65,818	65,818

The subsidiary undertakings at 31st December 2017, 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 shares 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	70 Hudson Street, 5th Floor, Jersey City, NJ 07302	USA	100%
Fidessa US Corporation	70 Hudson Street, 5th Floor, Jersey City, NJ 07302	USA	100%
Fidessa Buy-side incorporated	One Financial Center, Suite 800, Boston	USA	100%
Fidessa Canada corporation (Canada)	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 – São Paulo	Brazil	100%

5 Deferred tax assets

	Balance at 1st January 2017 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2017 £'000
Employee benefits	13	(1)	5	17
	13	(1)	5	17

	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

6 Trade and other receivables

	2017 £'000	2016 £'000
Amounts due from subsidiaries	27,245	15,019
Other receivables	47	286
Total trade and other receivables	27,292	15,305

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

7 Trade and other payables

	2017 £'000	2016 £'000
Current liabilities		
Trade payables	136	45
Accrued expenses	769	767
Other liabilities	3	5
Other taxes and social security	1,478	1,452
Total trade and other payables	2,386	2,269

	2017 £'000	2016 £'000
Non-current liabilities		
Accrued expenses	314	289
Other liabilities	26	21
Total trade and other payables	340	310

Notes to the Company financial statements continued

8 Share capital, reserves and dividends

	2017 Number	2016 Number	2017 £'000	2016 £'000
Issued share capital at 1st January	38,584,928	38,267,128	3,858	3,827
Issued for share incentives exercised	138,343	317,800	14	31
Issued share capital at 31st December	38,723,271	38,584,928	3,872	3,858

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.

Retained earnings

The retained earnings reserve includes profit after tax for the year of £40,796,000 (2016: £39,165,000) which includes dividends of £41,398,000 from subsidiaries in 2017 (2016: £41,440,000).

Dividends

Details of dividends paid and proposed are set out in note 12 to the consolidated financial statements.

Distributable reserves

The distributable reserves of Fidessa Group plc approximate to the balance of the retained earnings reserve of £74,270,000 as at 31st December 2017.

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.

8 Share capital, reserves and dividends (continued)**Employee share trusts**

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

	As at 31st December 2017 Number of shares	As at 31st December 2017 Percentage of issued share capital	As at 31st December 2016 Number of shares	As at 31st December 2016 Percentage of issued share capital
Employee Benefit Trust	170,745	0.4%	167,283	0.4%
Share Incentive Plan	83,750	0.2%	75,052	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.

Notes to the Company financial statements continued

9 Share-based payments

A full description of the share plans operated for employees is in note 20 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	Granted in 2017
Fair value	1330p to 1664p	1587p to 2262p	2089p to 2590p	1791p to 2405p	1876p to 2490p	2133p to 2617p
Share price at grant	1330p to 1664p	1587p to 2262p	2089p to 2590p	1791p to 2405p	1876p to 2490p	2133p to 2617p
Expected volatility	30%	28%	28%	28%	31%	36%
Expected life	3 years	3 years	3 years	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%	4.5%	4.0%	3.8%
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	Granted in 2017
Fair value				1975p	2333p	2573p
Share price at grant				1975p	2333p	2573p
Expected volatility				28%	31%	35%
Expected life				3 years	3 years	3 years
Expected dividends per annum				4.5%	4.0%	3.8%

9 Share-based payments (continued)

Matching share awards under the SIP subsisting at 31st December 2017 were:

Award year	Outstanding at 1st January 2017	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2017	Vested at 31st December 2017	Remaining life
2012	182	-	(91)	-	91	91	0 years
2013	154	-	(77)	-	77	77	0 years
2014	126	-	(63)	-	63	63	0 years
2015	148	-	-	-	148	-	1 year
2016	194	-	-	-	194	-	2 years
2017	-	189	-	-	189	-	3 years

Awards under the PSP subsisting at 31st December 2017 were:

Award year	Outstanding at 1st January 2017	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2017	Vested at 31st December 2017	Remaining life
2014	15,000	-	-	-	15,000	-	3 years
2016	30,000	-	-	-	30,000	-	5 years

Awards under the DABP subsisting at 31st December 2017 were:

Award year	Outstanding at 1st January 2017	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2017	Vested at 31st December 2017	Remaining life
2015	10,358	395	-	-	10,753	-	5 years
2016	585	21	-	-	606	-	6 years
2017	-	3,562	-	-	3,562	-	7 years

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 other services have been charged at cost and in 2017 totalled £1,446,000 (2016: £1,292,000).

Notes to the Company financial statements continued

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
3 months or less	136	45	1,083	1,056
Carrying value	136	45	1,083	1,056

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.

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.

11 Financial risk management (continued)**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:

	2017 £'000	2016 £'000
Less than one year	5,192	4,354
Between one and five years	20,769	18,766
More than five years	22,829	26,867
Total commitment under operating leases	48,790	49,987

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:

	2017 £'000	2016 £'000
Less than one year	557	839
Between one and five years	1,929	2,004
More than five years	672	1,154
Total receivable under operating leases	3,158	3,997

Financial calendar

19th February 2018
2017 annual results announced

26th April 2018
Annual General Meeting

June 2018
Final 2018 dividend and
special dividend paid

July/August 2018
2018 interim results announced

September 2018
2018 interim dividend paid

February 2019
2018 annual results announced

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Fidessa