Fidessa group plc
Preliminary results for the year ended 31st December 2014

16th February 2015

Fidessa reports underlying growth and improving outlook

	2014	2013	Change	At constant currencies
Revenue	£275.0m	£279.0m	-1%	+3%
Adjusted operating profit[1]	£39.5m	£41.6m	-5%	+3%
Operating profit	£38.8m	£42.9m	-10%	-2%
Adjusted pre-tax profit[1]	£39.8m	£41.8m	-5%	+3%
Pre-tax profit	£39.1m	£43.1m	-9%	-2%
Adjusted diluted earnings per share[1]	77.3p	81.8p	-6%	+3%
Diluted earnings per share	75.8p	83.5p	-9%	-1%
Annual dividend per share	38.1p	37.0p	+3%	
Special dividend per share	45.0p	45.0p	0%	
Cash	£76.8m	£73.0m	+5%	

[1]Adjusted to remove the effect of acquired intangibles amortisation and gain on property sale.

Highlights for the period ended 31st December 2014:

- Return to underlying growth with increase of 3% on revenue and adjusted profit at constant currency.
- Improving market conditions and outlook.
- Multi-asset revenue nearly doubles as derivatives programme continues to deliver.
- New derivatives signings continue along with a strong pipeline.
- Growing international spread, with 58% of total revenue now accounted for outside of Europe.
- Recurring revenue maintained at 85% of total revenue.
- Strong cash generation, with £76.8 million cash balance after dividend payments of £31.2 million.

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

"During 2014 we have continued to make progress across the business against a backdrop of slowly improving market conditions and this has resulted in a welcome return to underlying growth. As expected, the improving market conditions meant we saw a reduction in the headwind we have been suffering in recent years from consolidations, restructurings and closures in our customer base. This allowed some of the growth we are generating through sales of our derivatives platforms, our service-based platforms and our regional expansion to flow through into overall growth rather than being masked by the decline in equities. Whilst the business saw a return to underlying growth the exceptional strength of sterling during the year, as highlighted in the interim results, more than offset this growth and affected the reported numbers. This effect is, however, believed to be transient and is not expected to continue into 2015."

Commenting on current trading, Chris Aspinwall continued:

“As we move into 2015, whilst systemic risks and pressures remain within the financial markets, we expect the gradual improvement in market conditions seen during 2014 to continue. This may result in further reductions in the headwind we face as well as increased opportunity across all our business lines. As a result, we expect that we will see a gradual increase in our growth rate from the level achieved in 2014 and this is supported by the current sales pipeline. As new opportunities open up, it is likely that some additional investment will be required and this will need to be carefully managed throughout the year.

Looking further ahead, we believe that stability and opportunity will increasingly return to the markets and as our multi-asset initiative gains further momentum, we will see growth levels returning closer to those we have seen in the past. We remain excited by the potential for our service-based offerings across all asset classes and segments of our market and believe that we will continue to play an important role as customers focus on efficiency, transparency, compliance and performance."

Finance review

In 2014 Fidessa achieved an increase in underlying constant currency revenue of 3%, up from 1% in the previous year. However, the currency movements caused this to be a reduction of 1% on a reported basis to £275.0 million (2013: £279.0 million). Recurring revenue increased by 2% on a constant currency basis with the sector mix being sell-side derivatives close to doubling, sell-side equities down 1% and buy-side down 1%. The strong growth for derivatives means that it now accounts for 7% of recurring revenue, up from 4% for 2013. In addition, overall consultancy revenue improved in the year with underlying growth of 4%.

The revenue impact from consolidation, restructuring and closures across the customer base has continued although at a lower rate than previously seen. The direct effect of these events was a reduction in revenue of 3% in 2014, which compares to a reduction of 5% in 2013 and a peak of 8%. New consolidations, restructurings and closures have continued to occur but there have been fewer of them than in recent years, indicating that the impact from these events may continue to fall.

On a regional basis, 58% of total revenue was accounted for outside of Europe. Asia showed the strongest growth with a constant currency increase of 11% (2% on a reported basis) and accounted for 18% of total revenue, whilst the Americas increased by 5% (down 1% on a reported basis) and accounted for 40% of total revenue. Europe decreased by 3% and accounted for 42% of total revenue.

The deferred revenue in the balance sheet at the end of the year was £50.0 million (2013: £51.8 million). The deferred revenue balance represented 18% of annualised revenue. Consistent with previous years, the accrued revenue balance was minimal.

The investment in the derivatives opportunity has continued at a similar level to that in 2013. However, due to the time lag effect, the product development amortisation reflected the rate of growth in capitalisation in recent years and increased by 10% resulting in the net capitalisation of development expenditure reducing to £1.4 million in the period (2013: £5.0 million).

The constant currency adjusted operating profit has increased by 3%. However, the currency movements caused this to be a reduction of 5% on a reported basis to £39.5 million at an operating margin of 14.4% (2013: £41.6 million, operating margin of 14.9%). The adjusted operating profit has been measured before the amortisation of acquired intangibles and the gain on property sale. The unadjusted operating profit was £38.8 million (2013: £42.9 million).

The underlying effective tax rate for the year was 25.5%, the same as that for 2013 with the exceptional gain from the property sale removed. Diluted earnings per share on a constant currency basis and adjusted to exclude the amortisation of acquired intangibles and property sale have increased by 3%. However, the currency movements caused this to be a reduction of 6% on a reported basis to 77.3 pence (2013: 81.8 pence). The directors believe the adjusted measure of earnings per share provides a better indication of the relative performance of the business period to period. The unadjusted diluted earnings per share were 75.8 pence (2013: 83.5 pence).

As anticipated in the 2013 preliminary results announcement and the 2014 interim results, the strength of sterling relative to the primary currencies in which Fidessa operates has had a significant influence on headline performance for 2014 when compared to 2013. Sterling was stronger against the US dollar and currencies pegged to the US dollar by 6%, against the Japanese yen by 16%, against the Canadian dollar by 13% and against the euro by 5%.

Fidessa continued to be strongly cash generative, closing the period with a cash balance of £76.8 million and no debt (2013: £73.0 million). During the year dividends of £31.2 million (2013: £30.5 million) were paid. The net cash generated from operating activities increased by 5% to £71.1 million (2013: £68.0 million), representing an operating cash conversion rate of 182% (2013: 163%).

The ordinary dividend for the year has increased 3% to 38.1 pence (2013: 37.0 pence). The final dividend, if approved by shareholders, will be 25.0 pence and payable on 12th June 2015 to shareholders on the register on 15th May 2015, with an ex-dividend date of 14th May 2015. In addition, a special dividend of 45.0 pence (2013: 45.0 pence) is proposed and, if approved by shareholders, will be paid at the same time as the final dividend.

Market review

Introduction

Whilst the impact of the financial crisis in 2008 continues to cast some shadows across financial markets, Fidessa has seen a slow and steady improvement in market conditions. This is reflected in a further reduction in the headwind from consolidations and closures to 3%, which continues the process seen in the first half. As a result of these improved market conditions, Fidessa's customers are starting to cautiously position themselves for expansion and growth. In particular, customers are looking at the regions that they cover and at extending the services they can offer to their customers. Underlying this more optimistic outlook there is still a strong focus on cost, with most firms believing that there has been a fundamental structural change in the market which will put pressure on their margins for the foreseeable future. The long discussed compliance rules are also starting to appear on the horizon, and it is becoming clear that firms will increasingly have to ensure that they have their workflow well managed in order to meet their regulatory obligations. These pressures are forcing firms to look for operating efficiencies, whether this is through scaling their operations, focusing on niche opportunities or reducing their costs through more efficient use of technology as well as looking at new solutions that can ensure they will be able to meet their regulatory obligations. These are all areas in which Fidessa can assist its customers through its scale, its service-based offerings and its functionally rich product suite.

Fidessa's investment programmes to extend the range of asset classes it supports, expand its regional coverage and build out its global infrastructure have positioned it well as markets recover. These programmes will continue into 2015 alongside new programmes in the areas of compliance and trading optimisation and measurement. Fidessa will also continue its programme to extend the services it can offer between the buy-side and sell-side, particularly in areas where there is the opportunity to improve the workflow and efficiency in the buy-side/sell-side relationship.

Fidessa has continued to see expansion of its connectivity network as it brings on new derivatives customers and expands its relationships with larger and mid-tier firms. As a result the total value of business going through Fidessa's connectivity network has continued to increase to over $1.5 trillion per month. However, the continued pressure on headcount within the finance industry has seen the total number of users drop slightly to just under 24,000.

Sell-side trading

Across its sell-side business Fidessa has seen continued improvement in its markets. Whilst overall trading conditions for Fidessa's customers have remained somewhat mixed, with low volumes in some markets and higher volumes in others, the overall themes of cost and regulation are starting to drive opportunities across both the equities and derivatives markets. This is increasingly putting smaller undifferentiated firms under pressure, and favouring those able to offer either scale or specialisations. As a result, Fidessa is focusing on those larger scale or differentiated opportunities where its global delivery capability and wide base of functionally rich product is becoming increasingly important. These are also areas in which there are very few vendors who can meet a customer's detailed requirements whilst also having the infrastructure necessary to meet the latest compliance demands being made by the regulators.

The themes described above have been apparent across Fidessa's equities business where it has continued to gain market share, winning both new deals and extending its relationship with existing customers. Whilst Europe has seen continued pressure as a result of the slower economic recovery, both Europe and the Americas have seen strong interest in the areas of global order handling, order analytics and order execution. For firms working on a global basis, Fidessa's ability to provide global order switching functionality, which enables firms to maintain full visibility of orders whilst they are routed around the globe, is becoming increasingly important. For firms specialising in execution, Fidessa is extending its advanced analytics and optimised trading capabilities, for example allowing firms to better manage orders with differing liquidity as well as providing more efficient execution functionality embedded within their workflow. For all firms, Fidessa has continued to enhance its compliance monitoring and risk management functionality, helping to ensure they can remain compliant as new regulations come into force. In winning new deals across all regions this has also included further expansion in Latin America where Fidessa has increased its data centre coverage to support the growth.

In Asia Fidessa has seen particularly strong growth, driven by a dynamic market and strong interest from the super-regional brokers. These brokers, who are aiming to provide a comprehensive service across a region rather than specific markets, require much of the workflow functionality normally associated with global firms and so provide another opportunity for Fidessa's unique offerings. In addition to the complexity of operating across a diverse range of markets, these firms also face steep challenges from some of the local regulators who set a high bar for the security and integrity of their infrastructure and risk management. This makes Fidessa's service-based platform, with its integrated risk layer, an increasingly attractive solution in the region. These factors have led to the signing of further significant deals in the region and a good pipeline of prospects, helping Fidessa to expand its presence in this rapidly changing market.

Within derivatives Fidessa has made very strong progress during 2014 with revenue nearly doubled. In addition to the further US investment bank reported at the half year, Fidessa has now signed another two large firms for its global derivatives platform. Deployment of these platforms will be continuing during 2015 and is expected to support further very strong revenue growth during the year. These deals also act to reinforce the positioning of Fidessa's offering as the leading derivatives platform in the market, helping to strengthen the pipeline still further. During 2015 Fidessa will be continuing with its derivatives investment programme, in particular focusing on the middle office, risk and order analytics as well as extending its infrastructure to support new market requirements.

Fidessa has continued to grow its connectivity service across all the regions in which its customers operate. Fidessa's global network now serves around 900 brokers, over 4,000 buy-sides and more than 200 trading venues worldwide. The value of activity going across Fidessa's global network has continued to grow and now stands at over $1.5 trillion per month. During the year Fidessa has continued to invest in its low latency and co-location solutions as it builds out its market leading execution service. This service, which provides a globally consistent execution platform with regional specificity, supports the entire workflow required for the electronic desk. It also allows firms to integrate and use their own intellectual property within its robust and compliant infrastructure, radically reducing the cost of operating this type of electronic service. This investment will continue with further expansion planned in 2015.

Buy-side trading

Although market conditions are gradually improving, sentiment within the buy-side remains relatively muted with firms facing an unprecedented set of challenges. These include increased complexity across a broad range of asset classes, global coverage, elusive liquidity in fragmented markets, ongoing pressures arising from global regulatory reform and continued client demands for transparency, all alongside shrinking margins and pressure to reduce operational costs. Historically, many firms have used multiple solutions to support different parts of their business, but the pressures in the market now mean that there is a growing trend for firms to rationalise and move towards a single platform across their business, potentially creating opportunities for Fidessa.

During 2014 Fidessa launched the latest version of its Investment Management System with new features including enhanced compliance functionality, expanded reporting and new tools operating across all stages of workflow, from intelligent modelling to smart, compliant order routing. The first fully managed, service-based implementation also went live during the year, and this is now being expanded across other asset classes. Providing service-based solutions such as this leverages Fidessa's global technology infrastructure and builds on its capabilities, developed within the sell-side, for hosting and managing complex workflow systems for clients.

Compliance remains a key focus for buy-side firms as regulatory pressure increases, and is an area in which Fidessa has continued to focus. The latest version of Fidessa's award-winning Sentinel compliance system introduces Active Compliance which looks to extend the compliance function out to non-compliance users, ultimately facilitating superior investment decisions. In response to the need for firms to respond rapidly to new and changing regulations, Fidessa has launched its Analytic Builder which empowers business users to directly introduce new data and calculations, and an Auditing Workbench which provides internal and external auditing tools. In 2014 the first customers for the new service-based version of Sentinel went live with a number of new client wins for the service also achieved. Looking forward into 2015, Fidessa will continue to develop within the compliance area and also look to expand into adjacent areas of regulatory exposure.

With its significant coverage of the post-trade affirmation process on both the buy-side and sell-side, Fidessa is uniquely placed to drive forward the industry adoption of the new open standards which have been pioneered by key asset managers such as American Century Investments and Capital

Group. In the same way that FIX has transformed the order routing process, Fidessa believes a post-trade revolution is underway as these standards allow firms to directly affirm fund level trades with their brokers across multiple asset classes, rather than relying on central matching solutions. The changes, which are a natural extension of the order and execution process into the allocation, confirmation and affirmation process, will give a greater level of surety that the trade, economic and settlement details have been captured correctly and exchanged with the broker. The imminent launch of Fidessa's Affirmation Management Service provides the first comprehensive solution for the buy-side, with the business workflow and extensive broker distribution required all integrated into a simple and cost effective service.

Regulation

After long periods of consultation following the financial crisis, the regulatory environment is starting to become clearer. In particular, Fidessa is now seeing some definite rules starting to form as part of MiFID II. During the consultation and review process, MiFID was split into a Directive (MiFID) and a Regulation (MiFIR) with application of new rules from January 2017. MiFID II is likely to have widespread implications for Fidessa's customers including new rules and requirements around algorithmic trading and algo identification. Emphasis is also being applied to risk checks at a number of different levels within the flow. Whilst individual rules are likely to be specific and complex, there is a common theme within them that means that firms will need increasingly tighter integration of all their electronic flow for risk and compliance. This will create further pressure to ensure that workflow across all the regulated asset classes is well managed for all types of business, and is an area in which Fidessa is very well positioned.

Market sizing

During 2014, Fidessa conducted a further exercise to look at the potential market size for its products. The exercise was comparable to exercises carried out by Fidessa in 2005, 2007 and 2009. It should be noted that this exercise involves estimation of the number of potential customers in the market, estimation of customer spend and assumptions regarding the applicability of Fidessa products to certain markets and the results are therefore necessarily subjective. The conclusion of the market sizing shows that Fidessa's estimate of its addressable market has reduced during the financial crisis to around $3.3 billion of annual recurring revenue from a 2009 estimate of around $3.7 billion. The primary reasons for the reduction is the smaller number of firms operating within the financial markets, greater segmentation within the market and the anticipated concentration of financial services revenues within larger firms. It is clear from the exercise that, despite the financial crisis in 2008, the market opportunity remains substantial and Fidessa continues to believe that this market will provide a strong base for growth.

Outlook

Whilst systemic risks and pressures remain within the financial markets, Fidessa expects that the gradual improvement in market conditions seen during 2014 will continue into 2015. This may result in further reductions in the headwind faced by Fidessa as well as increased opportunity across all its business lines. As a result, Fidessa expects that it will see a gradual increase in its growth rate from the level achieved in 2014 and this is supported by its current sales pipeline. As new opportunities open up, it is likely that some additional investment will be required and this will need to be carefully managed throughout the year.

Looking further ahead, Fidessa believes that stability and opportunity will increasingly return to the markets and as its multi-asset initiative gains further momentum, it will see growth levels returning closer to those it has seen in the past. Fidessa remains excited by the potential for its service-based offerings across all asset classes and segments of the market and believes that it will continue to play an important role as customers focus on efficiency, transparency, compliance and performance.

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Consolidated income statement
for the year ended 31st December 2014

	Note	**2014**	2013
		£'000	£'000
Revenue	2	**275,012**	279,018
Operating expenses before gain on property sale and amortisation of acquired intangibles	3	**(235,815)**	(237,615)
Other operating income		**335**	207
Operating profit before gain on property sale and amortisation of acquired intangibles		**39,532**	41,610
Gain on property sale	3	**-**	2,032
Amortisation of acquired intangibles		**(730)**	(730)
Operating profit		**38,802**	42,912
Finance income		**288**	234
Profit before income tax		**39,090**	43,146
Income tax expense on ordinary activities	5	**(9,960)**	(10,480)
Income tax expense on property sale		**-**	(849)
Total income tax expense		**(9,960)**	(11,329)
Profit for the year attributable to owners		**29,130**	31,817
Basic earnings per share	6	**77.1p**	85.5p
Diluted earnings per share	6	**75.8p**	83.5p

Consolidated statement of comprehensive income
for the year ended 31st December 2014

	2014	2013
	£'000	£'000
Profit for the year from the income statement	**29,130**	31,817
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**416**	(1,791)
Total comprehensive income for the year	**29,546**	30,026

Consolidated balance sheet

at 31st December 2014

	Note	**2014** £'000	2013 £'000
Assets			
Non-current assets			
Property, plant and equipment		**20,401**	19,104
Intangible assets		**89,564**	89,327
Deferred tax assets		**7,813**	8,251
Other receivables		**2,028**	905
Total non-current assets		**119,806**	117,587
Current assets			
Trade and other receivables	8	**65,636**	72,806
Cash and cash equivalents		**76,756**	73,019
Total current assets		**142,392**	145,825
Total assets		**262,198**	263,412
Equity			
Issued capital		**3,817**	3,784
Share premium		**31,017**	27,921
Merger reserve		**17,938**	17,938
Cumulative translation adjustment		**980**	564
Retained earnings		**97,747**	98,319
Total equity		**151,499**	148,526
Liabilities			
Non-current liabilities			
Other payables	9	**7,382**	7,280
Provisions		**3,141**	2,655
Deferred tax liabilities		**6,284**	6,340
Total non-current liabilities		**16,807**	16,275
Current liabilities			
Trade and other payables	9	**90,855**	91,578
Provisions		**682**	1,158
Current income tax liabilities		**2,355**	5,875
Total current liabilities		**93,892**	98,611
Total liabilities		**110,699**	114,886
Total equity and liabilities		**262,198**	263,412

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 2013		3,715	23,838	17,938	2,355	92,279	140,125
Total comprehensive income for the year							
Profit for the year		-	-	-	-	31,817	31,817
Other comprehensive income		-	-	-	(1,791)	-	(1,791)
		-	-	-	(1,791)	31,817	30,026
Transactions with owners							
Issue of shares - exercise of options		69	4,083	-	-	-	4,152
Employee share incentive charges	3	-	-	-	-	2,128	2,128
Current tax recognised direct to equity		-	-	-	-	1,960	1,960
Deferred tax recognised direct to equity		-	-	-	-	1,308	1,308
Purchase of shares by employee share trusts		-	-	-	-	(749)	(749)
Sale of shares by employee share trusts		-	-	-	-	51	51
Dividends paid	7	-	-	-	-	(30,475)	(30,475)
Balances at 1st January 2014		3,784	27,921	17,938	564	98,319	148,526
Total comprehensive income for the year							
Profit for the year		**-**	**-**	**-**	**-**	**29,130**	**29,130**
Other comprehensive income		**-**	**-**	**-**	**416**	**-**	**416**
		-	**-**	**-**	**416**	**29,130**	**29,546**
Transactions with owners							
Issue of shares - exercise of options		**33**	**3,096**	**-**	**-**	**-**	**3,129**
Employee share incentive charges	3	**-**	**-**	**-**	**-**	**2,605**	**2,605**
Current tax recognised direct to equity		**-**	**-**	**-**	**-**	**1,380**	**1,380**
Deferred tax recognised direct to equity		**-**	**-**	**-**	**-**	**(1,447)**	**(1,447)**
Purchase of shares by employee share trusts		**-**	**-**	**-**	**-**	**(1,017)**	**(1,017)**
Sale of shares by employee share trusts		**-**	**-**	**-**	**-**	**21**	**21**
Dividends paid	7	**-**	**-**	**-**	**-**	**(31,244)**	**(31,244)**
Balances at 31st December 2014		**3,817**	**31,017**	**17,938**	**980**	**97,747**	**151,499**

Consolidated cash flow statement

for the year ended 31st December 2014

	Note	2014 £'000	2013 £'000
Cash flows from operating activities			
Profit before income tax for the year		**39,090**	43,146
Adjustments for:			
Staff costs - share incentives	3	**2,605**	2,128
Depreciation of property, plant and equipment	3	**10,453**	12,578
Amortisation of product development	3	**26,224**	23,764
Amortisation of acquired intangibles	3	**730**	730
Amortisation of other intangible assets	3	**663**	1,120
Profit on sale of property, plant and equipment	3	**(219)**	(2,040)
Finance income		**(288)**	(234)
Cash generated from operations before changes in working capital		**79,258**	81,192
Movement in trade and other receivables		**6,048**	(528)
Movement in trade and other payables		**(1,046)**	(435)
Cash generated from operations		**84,260**	80,229
Income tax paid		**(13,165)**	(12,263)
Net cash generated from operating activities		**71,095**	67,966
Cash flows from investing activities			
Purchase of property, plant and equipment		**(11,398)**	(11,704)
Proceeds from sale of property, plant and equipment		**222**	2,316
Purchase of other intangible assets		**(245)**	(417)
Product development capitalised		**(27,609)**	(28,781)
Interest received on cash and cash equivalents		**288**	234
Net cash used in investing activities		**(38,742)**	(38,352)
Cash flows from financing activities			
Proceeds from shares issued		**3,129**	4,152
Purchase of shares by employee share trusts		**(1,017)**	(749)
Proceeds from sale of shares by employee share trusts		**21**	51
Dividends paid	7	**(31,244)**	(30,475)
Net cash used in financing activities		**(29,111)**	(27,021)
Net increase in cash and cash equivalents		**3,242**	2,593
Cash and cash equivalents at 1st January		**73,019**	72,078
Effect of exchange rate fluctuations on cash held		**495**	(1,652)
Cash and cash equivalents at 31st December		**76,756**	73,019

Notes to the consolidated financial statements

1 **Preparation of the preliminary announcement**

The preliminary results announcement for the year ended 31st December 2014 has been prepared by the directors based upon the results and position which are reflected in the statutory accounts. The statutory accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (Adopted IFRS).

The financial information for the years to 31st December 2014 and 2013 does not constitute statutory accounts and has been extracted from the Company's consolidated accounts for the year to 31st December 2014.

Statutory accounts for 2013 have been delivered to the Registrar of Companies, and those for 2014 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; its report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain statements under Section 498(2) or 498(3) Companies Act 2006.

2 **Segment reporting**

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

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

No single 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 2014	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	**217,740**	**17,232**	**234,972**
Non-recurring revenue	**34,717**	**5,323**	**40,040**
Total revenue from customers	**252,457**	**22,555**	**275,012**
Inter-business unit revenue	**-**	**6,840**	**6,840**
Operating profit as monitored by the Operating Board	**32,781**	**5,366**	**38,147**

For the year ended 31st December 2013	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	220,653	17,882	238,535
Non-recurring revenue	34,225	6,258	40,483
Total revenue from customers	254,878	24,140	279,018
Inter-business unit revenue	-	5,285	5,285
Operating profit as monitored by the Operating Board	31,767	4,826	36,593

A reconciliation of the operating profit reported to the Operating Board to profit before income tax is provided as follows:

	2014	2013
	£'000	£'000
Operating profit as monitored by the Operating Board	**38,147**	36,593
Amortisation of acquired intangibles	**(730)**	(730)
Gain on property sale	**-**	2,032
Product development capitalised	**27,609**	28,781
Product development amortised	**(26,224)**	(23,764)
Operating profit	**38,802**	42,912
Finance income	**288**	234
Profit before income tax	**39,090**	43,146

Other segmental disclosures:

	Sell-side	Buy-side	Total
	£'000	£'000	£'000
For the year ended 31st December 2014			
Depreciation of property, plant and equipment	**10,453**	**-**	**10,453**
Amortisation of intangible assets	**22,338**	**5,279**	**27,617**
Balances at 31st December 2014			
Property, plant and equipment	**20,401**	**-**	**20,401**
Intangible assets	**35,043**	**54,521**	**89,564**

	Sell-side	Buy-side	Total
	£'000	£'000	£'000
For the year ended 31st December 2013			
Depreciation of property, plant and equipment	12,578	-	12,578
Amortisation of intangible assets	20,943	4,671	25,614
Balances at 31st December 2013			
Property, plant and equipment	19,104	-	19,104
Intangible assets	34,981	54,346	89,327

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.

	2014	2013
	£'000	£'000
Europe	**114,943**	118,733
Americas	**110,701**	111,725
Asia	**49,368**	48,560
Total revenue	**275,012**	279,018

3 **Operating expenses**

	2014	2013
	£'000	£'000
Staff costs – salaries	**118,025**	120,944
Staff costs – social security	**10,264**	10,255
Staff costs – pension	**4,843**	4,419
Staff costs – share incentives	**2,605**	2,128
Total staff costs	**135,737**	137,746
Amounts payable to subcontractors	**1,426**	2,005
Depreciation of property, plant and equipment	**10,453**	12,578
Amortisation of other intangible assets	**663**	1,120
Capitalisation of product development	**(27,609)**	(28,781)
Amortisation of product development	**26,224**	23,764
Communications and data	**38,745**	38,565
Operating lease rentals – property	**17,189**	17,706
Operating lease rentals – plant and machinery	**83**	110
Profit on sale of property, plant and equipment	**(219)**	(8)
Exchange loss/(gain)	**5**	(74)
Other operating expenses	**33,118**	32,884
Operating expenses before gain on property sale and amortisation of acquired intangibles	**235,815**	237,615
Gain on property sale	**-**	(2,032)
Amortisation of acquired intangibles	**730**	730
Total operating expenses	**236,545**	236,313

In 2013 a gain of £2,032,000 was realised on the sale of property in the US. The property was purchased in 1998.

4 **Staff numbers**

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

	2014 Number	2013 Number
Europe	**804**	846
The Americas	**545**	550
Asia	**309**	306
Total average staff numbers in the year	**1,658**	1,702

The number of people employed at 31st December each year was as follows:

	2014 Number	2013 Number
Delivery	**507**	502
Support	**331**	342
Core development and research	**437**	435
Operations	**137**	136
Sales	**69**	70
Marketing	**40**	43
Management and administration	**149**	143
Total staff numbers at 31st December	**1,670**	1,671

5 **Income tax expense**

	2014 £'000	2013 £'000
Current tax		
Current year domestic tax	**2,931**	2,559
Current year foreign tax	**7,915**	10,406
Adjustments for prior years	**(174)**	79
Total current tax	**10,672**	13,044
Deferred tax		
Origination and reversal of temporary differences	**(100)**	(325)
Benefit and utilisation of tax losses	**-**	67
Adjustments for prior years – tax rate change	**(325)**	(522)
Adjustments for prior years – other	**(287)**	(935)
Total deferred tax	**(712)**	(1,715)
Total income tax in income statement	**9,960**	11,329

	2014	2014 £'000	2013	2013 £'000
Profit before tax		**39,090**		43,146
Income tax using the domestic corporation tax rate	**21.5%**	**8,404**	23.25%	10,031
Effective tax rates in foreign jurisdictions		**3,359**		3,554
Expenses not deductible for tax purposes		**161**		435
Tax incentives		**(1,141)**		(1,294)
Non-taxable items		**(37)**		(19)
Adjustment relating to prior years		**(786)**		(1,378)
Total income tax and effective tax rate for the year	**25.5%**	**9,960**	26.3%	11,329

On 1st April 2014 the UK corporation tax rate reduced from 23% to 21%, resulting in a headline UK corporation tax rate for the year of 21.5%. The UK government has reduced the UK corporation tax rate to 20% with effect from 1st April 2015 and this reduction has been reflected in the measurement of deferred tax balances.

Tax recognised direct to equity	2014 £'000	2013 £'000
Current tax credit relating to equity-settled share incentives	**(1,380)**	(1,960)
Deferred tax (credit)/debit relating to equity-settled share incentives	**1,447**	(1,308)

6 Earnings per share

Earnings per share have been calculated by dividing profit attributable to shareholders by the weighted average number of shares in issue during the year, details of which are below. The diluted earnings per share have been calculated using an average share price of 2330p (2013: 1949p) for the year.

	2014 £'000	2013 £'000
Profit attributable to owners	**29,130**	31,817
Gain on property sale net of income tax	**-**	(1,183)
Amortisation of acquired intangibles net of deferred tax	**582**	560
Profit attributable to owners after adjustments	**29,712**	31,194

	2014 Number '000	2013 Number '000
Weighted average number of shares in issue	**37,988**	37,374
Weighted average number of shares held by employee share trusts	**(182)**	(175)
Number of shares used to calculate basic earnings per share	**37,806**	37,199
Dilution due to share incentives	**617**	918
Number of shares used to calculate diluted earnings per share	**38,423**	38,117

	2014 Pence	2013 Pence
Basic earnings per share	**77.1p**	85.5p
Diluted earnings per share	**75.8p**	83.5p
Basic earnings per share on adjustments	**1.5p**	(1.6)p
Diluted earnings per share on adjustments	**1.5p**	(1.7)p
Basic earnings per share after adjustments	**78.6p**	83.9p
Diluted earnings per share after adjustments	**77.3p**	81.8p

Basic and diluted earnings per share have been adjusted to exclude the gain on property sale and the amortisation of acquired intangibles. The directors consider that earnings per share after these adjustments provide a better year to year comparison of performance.

7 Dividends paid and proposed

	2014 £'000	2013 £'000
Declared and paid during the year		
Interim 2014 dividend of 13.1 pence per share (interim 2013 dividend of 12.5 pence per share)	**4,960**	4,650
Final 2013 dividend of 24.5 pence per share (final 2012 dividend of 24.5 pence per share)	**9,266**	9,104
Special 2013 dividend of 45.0 pence per share (special 2012 dividend of 45.0 pence per share)	**17,018**	16,721
	31,244	30,475

The directors propose a final dividend of 25.0 pence per share, amounting to an expected final dividend payment of £9,494,000, and a special dividend of 45.0 pence per share, amounting to an expected special dividend payment of £17,090,000. These will be payable on 12th June 2015 to shareholders on the register at the close of business on 15th May 2015, with an ex-dividend date of 14th May 2015. 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.

8 Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	**55,884**	63,285
Prepayments	**7,824**	6,994
Accrued revenue	**1,374**	967
Other receivables	**554**	1,560
Total trade and other receivables	**65,636**	72,806

9 **Trade and other payables**

Current liabilities	**2014**	2013
	£'000	£'000
Trade payables	**4,037**	5,226
Accrued expenses	**30,485**	28,981
Other liabilities	**2,416**	1,948
Deferred revenue	**50,006**	51,825
Other taxes and social security	**3,911**	3,598
Total current trade and other payables	**90,855**	91,578

Non-current liabilities	**2014**	2013
	£'000	£'000
Accrued expenses	**346**	625
Other liabilities	**7,036**	6,655
Total non-current trade and other payables	**7,382**	7,280