Annual report and accounts 2014

Fidessa

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

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

It's also why $15 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.

Fidessa is a global business with scale, resilience, ambition and expertise. We've delivered around 25% compound growth since our stock market listing in 1997 and 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 Fidessa remains the industry's number one choice.

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

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Results at a glance

Highlights for the year 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.

	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.

Strategic report continued

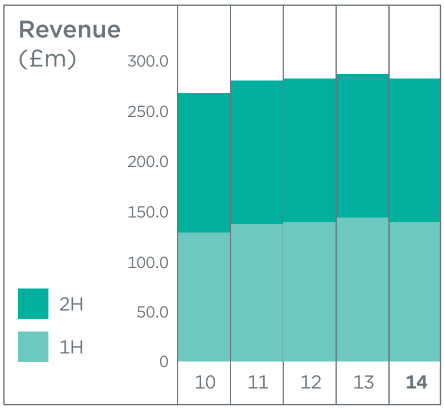
We expect that we will see a gradual increase in our growth from the level achieved in 2014.

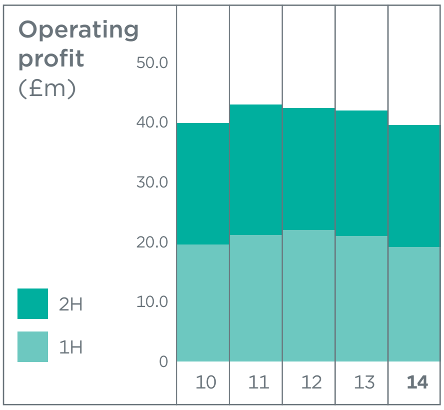
Overview

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.

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.





Whilst the business saw a return to underlying growth, the exceptional strength of sterling more than offset this growth.

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.

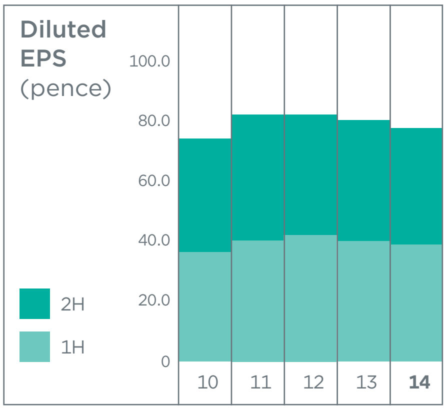
On a regional basis, 58% of total revenue was accounted for outside of Europe. Asia showed the strongest growth with a constant currency increase of 11% (2% on a reported basis) and accounted for 18% of total revenue, whilst the Americas increased by 5% (down 1% on a reported basis) and accounted for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

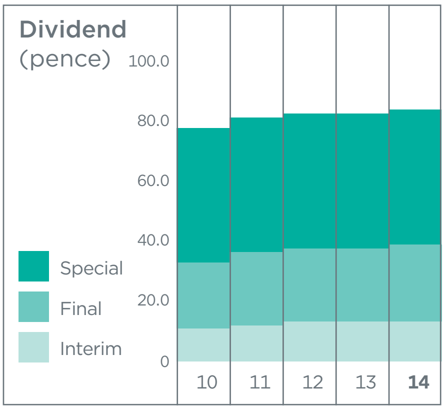
The deferred revenue in the balance sheet at the end of the year was £50.0 million (2013: £51.8 million). The deferred revenue balance represented 18% of annualised revenue. Consistent with previous years, the accrued revenue balance was minimal.

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%.





Strategic report continued

83.1p

total dividend for the year.

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.

Business model and strategy

Fidessa's vision is to make it easier for 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 clients' business processes easier, quicker and cheaper.

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

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

Fidessa maintains ownership of its product and service architecture and is committed to internal development to obtain tight integration throughout its solutions. As a result of this approach, there have been only a very small number of acquisitions. Providing tailored products and services to a broad range of customers on both the buy-side and sell-side means Fidessa has a unique understanding of the complete marketplace.

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

Fidessa has been consistently profitable which has provided strong cash generation. This, combined with the limited number of acquisitions, has resulted in a healthy cash balance. 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.

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.

Strategic report continued

Fidessa has seen continued improvement in its markets.

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

Strategic report continued

The market opportunity remains substantial and this will provide a strong base for growth.

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.

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. The following table identifies some of the primary risk factors but is not intended to be exhaustive. Whilst there has been no overall change to Fidessa's risk profile from previous years, the Board has included bribery, corruption and fraud in the table below to highlight to shareholders the Board's oversight on the controls in that area. 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 mitigate the risks or potential risks but it cannot entirely safeguard against all of them. Additionally, and where feasible, Fidessa has purchased insurance to mitigate against known or potential risk.

Risk factor	Risk impact and mitigation
Economic conditions and competitors: • Instability of the financial system, market disruptions or suspensions • A material downturn in financial markets or economic recession • The insolvency, closure, consolidation or nationalisation of parts of its customer base • Competitors' actions leading to loss of customers	**Impact:** adverse economic conditions or the activities of competitors could harm Fidessa's revenue, profit, growth and cash flow over a sustained period. **Mitigation**: Fidessa's business model generates a high level of recurring revenue which lessens the immediate effect of downturns in end markets or competitor actions. In addition, Fidessa is a global business which provides resilience against regional recession. Fidessa's service line structure together with dialogue with customers, research and marketing activities help provide focus to maintain a competitive advantage.
Service: • Inability to access an office or data centre facility • Delay to or failure of an implementation of Fidessa software or service • Lack of access to the Fidessa services or failure of data transmission from Fidessa data centres • Saturation of network or infrastructure capacity • Software error or external interference for individual or multiple customers causing trading errors or preventing customers from trading • Fidessa products or services cause customers to breach regulations • Test trades entering a live market	**Impact:** a failure in the delivery of an aspect of service or a software error could immediately and materially damage Fidessa's revenue, profit, growth and reputation. **Mitigation:** through established controls and procedures, including a rigorous test process, Fidessa aims to prevent many of these risks materialising. In addition, the service environment is monitored using tools and processes so that issues arising can be detected and reacted to at an early stage. In designing and managing facilities, the resilience and capacity are of high importance so that continuity of service is expected. Fidessa's regulatory teams monitor applicable requirements and advise on how they are to be reflected in the software and services.

Risk factor	Risk impact and mitigation
Security and data: • Unauthorised access to and/or breach of systems, network or premises • Loss, corruption or misuse of customer data	**Impact:** a security or customer data breach may immediately and materially affect Fidessa's reputation with possible implications for revenue and growth over the short- to medium-term. Such a breach may also cause financial loss. **Mitigation:** Fidessa has robust information and physical security policies and procedures, managed by dedicated information security staff, which provide a substantial level of protection. Fidessa limits access to systems, office and data centre areas to appropriate personnel. Penetration and security testing is undertaken to monitor the effectiveness of security and identify areas for improvement. Separation between the corporate network and the customer network further reduces security risk.
Legal: • Contractual risk • Claims for infringement of a third party's intellectual property • Infringement of Fidessa's intellectual property	**Impact:** an injunction against Fidessa in connection with a breach of a third party's intellectual property right could prevent Fidessa from delivering its full portfolio of products and services whilst contesting that injunction. Other legal actions brought by or against Fidessa may have an impact on profit and cash balances. **Mitigation:** Fidessa maintains a rigorous process for approving contractual terms and deliverables to control the level of risk that is accepted. Fidessa controls its product development processes to focus on its own innovation and intellectual property and seeks to protect its own inventions through the development of a patent portfolio.
Employees: • Loss of key employees • Skills shortage	**Impact:** the loss of key employees or a skills shortage may have an effect on Fidessa's ability to implement its strategies and business plans over the short- to medium-term. **Mitigation**: Fidessa recognises that it is important to provide a stimulating environment in which to work, and provide the development and training to create successful careers whilst also rewarding fairly and competitively.

Strategic report continued

Risk factor	Risk impact and mitigation
Financial: • Foreign exchange fluctuations on transactions or balances that are denominated in a foreign currency • Collapse of financial institutions holding Fidessa's cash deposits • Acquisition or disposals and their potential negative impact on profitability • Impairment of goodwill arising from acquisitions	**Impact:** the occurrence of some of the financial risks highlighted may weaken cash balances, revenue and profit over the short-term. **Mitigation:** Fidessa has an established treasury policy that limits the level of single counterparty risk and foreign exchange hedging is not necessary as a significant level of natural hedge exists. Fidessa's business strategy does not require acquisitions to provide growth and being technology led there are likely to be few. Where acquisition opportunities are identified, appropriate due diligence is undertaken.
Bribery, corruption and fraud: • Anti-bribery policies are not followed • Bribery and corruption are endemic in certain jurisdictions • Fraudulent activities or theft by employees • Collusion between employees and customers/suppliers	**Impact:** instances of bribery, corruption or fraud may damage Fidessa's reputation, weaken revenue if customers cancel or do not renew their contracts and result in financial loss. **Mitigation:** Fidessa has an established set of anti-bribery policies and an established training programme. Fidessa has security processes, including access controls, in place for key business areas. Access to bank accounts is monitored centrally.
Regulation: • Changes in regulations in financial markets affecting the software and services that Fidessa provides • Health and safety and environmental regulation affecting Fidessa's operations	**Impact:** failure to comply with changes in regulations that concern Fidessa's software, services or operations may have an impact on Fidessa's reputation, revenue and cash balances over the short- to medium-term. **Mitigation:** Being a workflow provider, changes in financial market regulation are normally beneficial for Fidessa's business. It has a team of specialists who monitor regulatory developments and how they need to be reflected in the products and services offered. Fidessa maintains awareness of applicable laws that are likely to affect its operations whilst developing procedures and providing training that is designed to ensure compliance. Advice is obtained from external experts as necessary.

Employees, employee involvement and equal opportunities

Fidessa is a service provider with its employees as key stakeholders in the business. It therefore aims to maintain an attractive place to work, where employees can develop successful and rewarding careers for themselves. It offers customised training programmes and career development opportunities for employees.

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. 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.

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

Achieving gender diversity in certain sectors, including the software and technology sector, presents particular challenges when considering the profile of the available talent pool in those sectors. Fidessa has successfully achieved a good degree of gender diversity and has active female involvement at director, senior management and throughout other management levels.

	Male	Female
Directors	6	1
Other senior managers	9	1
All employees	1,295	375

Fidessa has policies specific to each country in which it has employees, designed to ensure that it operates in a legal and ethical manner. These include policies that, where relevant, are related to health and safety, whistleblowing, anti-corruption, grievance, maternity, paternity, adoption and parental leave, flexible working, learning and career development, security and IT. Fidessa reviews its policies on a regular basis so that they comply with current applicable laws and regulations and tests them for effectiveness.

The health and safety of employees, customers and visitors is of primary importance. Fidessa is committed to maintaining a safe and healthy working environment by managing its activities so as to avoid unnecessary or unacceptable risks. Health and safety audits and risk assessments are carried out regularly. Appropriate information, training and supervision are provided in support of this policy.

Corporate social responsibility and human rights

Fidessa recognises the importance of meeting globally recognised corporate responsibility standards as illustrated by it continuing to be a constituent company in the FTSE4Good Index Series.

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

Fidessa is committed to respecting the human rights of individuals in the UK and internationally. Fidessa recognises that it has an opportunity to ensure that human rights are understood and observed in the areas that it operates and it supports the principles set out in the following international standards:

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

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

Strategic report continued

Environmental

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

As an office-based software and services provider, Fidessa has no activities that pose major environmental issues. 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 the use of electrical and electronic equipment, the consumption of water, the use of paper and the disposal of waste.

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

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.

	2014	2013
Carbon emissions (tonnes of CO_2e)	**10,187**	10,067

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

Fidessa calculated the emissions from data available for its major operations and extrapolated these results to take account of the smaller operations. Scope 1 data has not been included as it is not considered to be material.

- The legislation requires the statement of relevant intensity ratios. This is an expression of the quantity of emissions in relation to a quantifiable factor of the businesses activity. Fidessa has identified six such intensity ratios as set out in the table below.

Intensity ratios (tonnes of CO_2e per unit)

Ratios of carbon emissions to:

	2014	2013
Total revenue	**0.04**	0.04
Recurring revenue	**0.04**	0.04
Operating profit	**0.27**	0.23
Employees	**6.10**	6.02
Number of connections to the network community	**1.97**	2.15
Number of Fidessa users	**0.42**	0.42

On behalf of the Board

Andy Malpass
Director
13th February 2015

Directors' and corporate governance report

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

The Board has seen a number of changes this year reflecting its continued commitment to ensuring it has the right balance of skills and experience and is sufficiently diverse. The appointments of John Worby and Ken Archer as non-executive directors further reinforced the Board. Following Andy Malpass' decision to retire, as announced in February last year, the Board is actively seeking a replacement finance director and upon appointment of his replacement there will be a well-managed handover process.

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 Finance Director.

John Hamer
Chairman

The directors present their report and the audited financial statements for Fidessa group plc (company number 03234176) for the year ended 31st December 2014. These will be laid before the shareholders at the Annual General Meeting to be held on 29th April 2015. The Strategic Report is incorporated by reference into this Directors' Report.

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

Directors

The Board currently comprises a Chairman, four independent non-executive directors and two executive directors. During 2014 Philip Hardaker and Mark Foster stood down as non-executive directors and John Worby and Ken Archer were both appointed as non-executive directors (see the Nominations Committee's Report). 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 55), 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.

Directors' and corporate governance report continued

Chris Aspinwall (age 51), 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 Malpass (age 53), Finance Director
Andy Malpass joined Fidessa in 1995 as Finance Director and has over 30 years' experience in the software industry, with both private and public companies. He has a BA Hons. in Accounting and Finance from Lancaster University and is a fellow of the Chartered Institute of Management Accountants.

Ron Mackintosh (age 66), Senior Independent Non-Executive Director
Ron Mackintosh was appointed to the Board in 2004. Ron has held a number of senior executive positions in European technology companies. Between 1992 and 2000 he was Chief Executive of Computer Sciences Corporation's (CSC) European business which had revenue of $2.5 billion. He is Chairman of CSR plc, a multifunction connectivity, audio and location platforms company that is a UK listed FTSE 250 company as well as being listed on NASDAQ. He is also the former chairman of each of SmartStream Technologies Limited, Northgate Information Solutions plc and Differentis Limited and a former director of Gemplus SA. He is currently Chairman of AlertMe.com Limited.

Elizabeth Lake (age 72), Independent Non-Executive Director
Elizabeth Lake was appointed to the Board as a non-executive director in October 2008. Until June 2009, Elizabeth was a director and president of Securities Processing Solutions International, a subsidiary of Broadridge Financial Solutions, Inc (Broadridge), a global provider of technology based outsourcing solutions to the financial services industry. She was a partner in the consultancy practice of KPMG and has also held senior executive positions at CSC Index within the financial services sector and at Ziff Davis Technical Information Company, where she was responsible for software products and services for the financial services industry. Elizabeth is also an advisor to the Tokushukai Medical Group, a privately held Japan based organisation which has 68 hospitals, together with a number of primary care facilities, retirement homes and dialysis centres.

John Worby (age 64), 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 Connect Group PLC (formerly Smiths News PLC), where he has been a non-executive director since 2006 and was also Senior Independent Director and Chairman of the Audit Committee at Cranswick plc until July 2014. John is a member of the Financial Reporting Review Panel.

Ken Archer (age 63), Independent Non-Executive Director
Ken Archer joined the Board as a non-executive director in November 2014. He is Chairman of Gresham Computing plc, where he has been a non-executive director since 2010. Ken was Chief Executive Officer of SmartStream Technologies until 2009 and prior to that, the President, European Business Development of Computer Sciences Corporation where he managed the sales team responsible for large scale outsourcing projects across Europe. Ken has also worked at J.P. Morgan, where he served as VP, Information Services and subsequently at Mercantile Information Services and The Savings Corporation.

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

As announced in February 2014, Andy Malpass, Finance Director, has informed the Board of his intention to retire in 2015. Andy has been with Fidessa for 20 years, having joined in 1995. The process of identifying a suitable replacement is underway and Andy has committed to continue to work with Fidessa for as long as is necessary for a well-managed handover to take place.

In 2013 both Philip Hardaker and Ron Mackintosh reached nine years of service as non-executive directors of the Company. Philip retired and was succeeded by John Worby. 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 was re-elected by shareholders at the 2014 Annual General Meeting. During 2014, 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 found no information or circumstances to lead it to conclude otherwise than that he be re-elected as an Independent Non-Executive Director at the 2015 Annual General Meeting. The Board 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 to the Board and Fidessa as a whole.

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

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

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

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

Directors' and corporate governance report continued

The Board
At 31st December 2014 the Board comprised the Chairman, two executive directors and four non-executive directors whose Board and Committee responsibilities are set out in the table below:

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

The Board meets formally on a regular basis to monitor operating issues, risk and trading performance, to review forecasts, strategy and policy, to consider key projects and major investments and to oversee appropriate shareholder reporting. During 2014 the Board met on 10 scheduled occasions for this purpose. In addition, if required, impromptu Board meetings occur to consider specific issues as and when necessary. Meetings were held by the Chairman with the non-executive directors, without the executive directors present, to discuss the performance of the executives. The Chairman and non-executive directors also held meetings throughout the year with various senior managers to improve insight into the business operations and marketplace. The attendance of individual directors at Board meetings and 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	–	–	3/3
Chris Aspinwall	10/10	–	–	–
Andy Malpass	10/10	–	–	–
Ron Mackintosh	9/10	5/5	3/3	3/3
John Worby	7/7	4/4	2/2	3/3
Philip Hardaker	6/6	2/2	3/3	1/1
Elizabeth Lake	8/10	4/4	2/2	3/3
Ken Archer	1/1	1/1	0/0	–
Mark Foster	4/4	1/1	1/1	–

Absences were due to prior commitments or illness.

The Board is responsible for corporate governance and delegates operational control to the executive directors. At each Board meeting it considers strategic issues, finance, business development, governance and risks facing the business. There is a formal schedule of matters reserved for the decision of the Board that covers key areas of Fidessa's affairs. The schedule includes approval of the Annual Report and any other financial statements, the adoption of budgets or business plans, decisions on acquisitions and disposals, material financial commitments and the release of inside information. Certain matters require Board approval and other matters may be approved by senior management, but notification to the Board is required. The schedule of matters reserved for the Board is reviewed 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.

There was a formal evaluation of the performance of the Board during 2014. This consisted of an internally run review conducted by the Chairman with the Company Secretary. The performance evaluation questionnaire was based on the Code process and it covered the areas of Board structure, effectiveness, Committees, information and communication. Questionnaires were completed by the directors and submitted for discussion. The feedback generated from the questionnaires was discussed by the Board, together with potential improvements that could be made. The conclusion was reached that the Board is operating effectively. 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 2015.

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.

Directors undergo a thorough, formal and tailored induction process on joining and, following regular reviews by the Chairman of training and development requirements, receive ongoing updates to improve their skills and knowledge according to their personal and external needs.

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

The Companies Act 2006 imposes a statutory duty on directors to avoid conflicts of interest. The Articles of Association allow the directors to consider and, if they deem fit, to authorise conflicts of interest. The Articles of Association set out the process for authorisation of such conflicts and any such conflicts will be recorded in the Board minutes and maintained on a register which will be reviewed on an annual basis by the Nominations Committee and by the Board. No conflicts have arisen since that legislation came into effect.

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
As Chairman of the Remuneration Committee I am pleased to introduce the Directors' Remuneration Report for the year ended 31st December 2014.

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 cash bonus, which is directly linked to the year's operating profit, and long-term share incentives. The performance-related elements are underpinned by a competitive salary but with very limited benefits. These principles are reflected in the remuneration policy with the focus of the performance-related elements on consistent financial performance over multiple years and the operation of shareholding guidelines providing alignment with Fidessa's strategy and shareholders' interests. The policy has been applied consistently over the last three years and will continue through 2015.

Directors' and corporate governance report continued

Whilst the general constraint on remuneration packages within Fidessa eased in 2014, the Committee recognised that due to the anticipated challenges facing the business, prevailing market conditions and potential financial performance of Fidessa, basic salary and the total annual bonus opportunity for the executive directors should remain unchanged. As in previous years, when setting the operating profit threshold for the executive directors' annual bonus, the Committee considered the market conditions at the time, Fidessa's projected financial performance for the year and the balance of stakeholders' interests. For 2014, the Committee felt it appropriate, bearing in mind the anticipated challenges to the business, to set the operating profit threshold at a level lower than that set in 2013. Fidessa delivered strong operating profit applicable to the bonus calculation during the year, which was considered a strong performance when compared with the challenges anticipated at the beginning of 2014. This resulted in the aggregate of basic salary and annual bonus increasing by 9% for Chris Aspinwall and by 6% for Andy Malpass compared to 2013. When viewed on a multi-year perspective rather than for a single year, the aggregate percentage change for Chris Aspinwall from 2010 has been 11% and this compares to the aggregate percentage change for UK employees over the same period of 21%.

In order to maintain a strong link between remuneration and longer term financial performance of the Group, long-term performance-related share incentives were granted to the Chris Aspinwall in 2014, through the use of the Performance Share Plan (PSP), details of which are set out in the Annual Report on Remuneration. With the intended retirement of Andy Malpass, it was considered inappropriate for him to receive any grants under the PSP during 2014.

The Exceptional Growth Rate Incentive Plan (EGRIP) options awarded in 2009 reached the end of their measurement period in 2014 and failed to vest. Those options required three performance conditions to be satisfied. There was outperformance for two, the absolute total shareholder return (TSR) condition and the earnings per share condition; however the required 5% outperformance of the techMARK All-Share Index TSR was not achieved by a margin of 0.4%.

The Committee has agreed that any increase in executives directors' salaries for 2015 will take into account and reflect sensitivities in relation to percentage increase received by the Group's UK employees. Additionally, there will be no change in benefits and each executive director's annual bonus will be aligned to operating profit performance in a similar way to 2014. The Committee, with Board approval, has also agreed that the Chairman's fees will be increased by an amount consistent with the fees paid by listed companies with a similar market capitalisation but also taking into account his time commitment and responsibilities.

Ron Mackintosh
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 as approved by shareholders at the 2014 Annual General Meeting, which sets out the policy on the directors' remuneration for the three year period commencing on 30th April 2014, and an Annual Report on Remuneration, which discloses the directors' remuneration for the year ended 31st December 2014. Fidessa will be seeking shareholders' support for the Directors' Remuneration Report (excluding the Directors' Remuneration Policy) 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 2014 Annual General Meeting. The chart illustrating the application of the remuneration policy in 2014 has been omitted as have the sections relating to service contracts, employees and shareholders, in respect of which there have been no changes.

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

The complete version of the directors remuneration policy is available in the 2013 Annual Report and Accounts which may be found at http://www.fidessa.com/investor-relations/reports.

Extract from approved directors' remuneration policy

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

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

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

Executive directors' remuneration policy

Salary	Each executive director's salary is paid monthly and reviewed annually. 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. 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. Recent benchmarking undertaken by the Committee's remuneration advisers showed that the executive directors' salaries are in line with comparative salaries. 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.

Directors' and corporate governance report
continued

Benefits	Benefits are very limited as the Committee strongly believes in focusing directors' remuneration on types of remuneration that can be aligned with the interests of shareholders. Executive directors are entitled to 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
Annual bonus	The purpose of the annual bonus is to reward the performance of the executive directors based on an annual business target. It is based on financial performance measures which are reviewed annually. The applicable sections of the Annual Report on Remuneration sets out details of the performance measures and the operation of the annual bonus. To be consistent with other tiers of management, the annual bonus is paid in two instalments, an interim and final bonus being paid after the half year and final results are announced respectively. The proportion of the bonus payable as an interim bonus is around one third of the likely annual bonus payable. In the unlikely event that the overall amount due for the annual bonus is less than that already paid as an interim bonus, the excess is clawed back. The rationale for the methodology is to directly align the bonus with the financial performance, whilst at the same time avoid reward for poor performance. A component of the annual bonus may be deferred, through the use of the Deferred Annual Bonus Plan (DABP), thus encouraging a longer term focus. If an element of the annual bonus constitutes an award under the DABP, that award, together with dividends earned, will vest three years after the grant, subject to continued employment. A summary of the DABP is set out in note 19 to the financial statements. The Committee will take into consideration the executive directors' shareholdings and existing long-term share-based incentives when determining whether deferral of an annual bonus is appropriate or not. The maximum bonus payable is subject to an upper limit of 125% of salary for the Chief Executive and 100% of salary for the Finance Director. The maximum proportion of the annual bonus that can be deferred as an award under the DABP in any year will be ordinary shares with a market value at the time of the award of 50% of the annual bonus for that year.
Long-term incentives	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 consistent performance when the vesting conditions are based on average or aggregate measures over multiple years. The current primary long-term incentive plan the executive directors can receive awards from is the Performance Share Plan (PSP) which was overwhelmingly approved by shareholders in May 2011. Each award from the PSP has a vesting period of four years and a performance condition related to growth in earnings per share measured over four years. 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 awards to grant to the executive directors, the Committee takes into account, and ensures consistency with, the awards granted to other employees.

Long-term incentives continued	The previous share schemes in which the executive directors have an interest are the EGRIP and the Share Bonus Plan (SBP). A summary of these plans, their operation, performance conditions and clawback arrangements is set out in note 19 to the financial statements.
Pension	The provision of a pension contribution may be important in helping Fidessa attract and recruit high performing individuals. The directors are entitled to participate in a money purchase pension scheme, but the current executive directors do not participate. The maximum contribution that Fidessa may make to a director's money purchase pension scheme shall be consistent with other employees in the same location. From 2014, Fidessa will match the contributions of employees participating in the UK money purchase pension scheme up to a maximum of 3% of salary. Such contribution will be taken into consideration when agreeing a director's salary so that it does not result in an inappropriate proportion of fixed remuneration.
Other	The executive directors are also eligible to participate in the Share Incentive Plan (SIP) and Monthly Share Purchase Plan (MSPP) on terms that are no better than other employees. These plans are applicable to over 90% of employees and provide a matching share for each share purchased. The directors' participation in these plans is limited to the maximum allowed in the relevant UK legislation. A summary of these plans and their operation is set out in note 19 to the financial statements.

The performance measures for the annual bonus are set by reference to the financial performance as reported to the Operating Board. When considering the relevant targets the Committee takes into account the directors' on target earnings (i.e. salary and bonus) for the year and sets a target level that is sufficiently 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.

In relation to the PSP the performance measure is set by reference to the growth in earnings per share which the Committee considers appropriate, as the vesting of an award requires an improvement in Fidessa's financial performance. In addition, such a measure is simple to operate, transparent and can be applied accurately.

Directors' and corporate governance report
continued

Non-executive directors' remuneration policy	
Fees	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. The Committee sets the Chairman's fee and the Board, excluding the non-executive directors, sets the non-executive directors' fees. The fee increases will take into account the outcome of the annual review and other factors, such as inflation. Additional fees for non-executive directors for duties outside the ordinary course of their service may be payable from time to time to reflect the time and responsibility involved.
Benefits	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.
Annual bonus	n/a
Long-term incentives	n/a
Pension	n/a
Other	The Chairman participates in the Share Incentive Plan (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 is limited to the maximum allowed in the relevant UK legislation. A summary of the SIP and its operation is set out in note 19 to the financial statements.

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, bonus and benefits as well as participate in the current 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 consistent with 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. The total remuneration for a new director is not expected to be higher than the current Chief Executive's total remuneration. In the year of joining, the annual bonus and associated performance measures will be varied to reflect the part year. In addition, when recruiting new executive directors the Committee may need to offer additional cash and/or share-based elements on a one-time basis when it considers these to be in the best interests of Fidessa and its shareholders. 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. 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. In addition, 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 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.

Payments for loss of office

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

The Committee has discretion to recommend the payment of an alternative bonus to an executive director in relation to the notice period worked by that director. Such bonus shall not exceed 125% of salary for the Chief Executive and 100% of salary for any other director, shall be in lieu of any pro-rata annual bonus the executive director may be entitled to receive and may only be payable if the executive director's role was materially changed during the relevant period and appropriate performance criteria were set and satisfied.

No executive director is entitled to receive any bonus payment in lieu of the required notice period or unexpired part thereof.

The treatment for share-based incentives previously granted to an executive director will be determined based on the relevant plan rules. The default treatment will be for outstanding unvested awards to lapse on cessation of employment. In relation to awards granted under the PSP, DABP, SIP or MSPP plans, in certain prescribed circumstances 'good leaver' status may be applied and the awards may vest in full (in the case of the DABP, SIP and MSPP) or part (in the case of the PSP). A summary of the 'good leaver' provisions and the treatment for the part vesting of awards are set out in note 19 to the financial statements.

Directors' and corporate governance report continued

Annual report on remuneration

Membership, meetings and evaluation

During the year the Committee comprised Ron Mackintosh (Committee Chairman), Elizabeth Lake, Philip Hardaker (until 31st July 2014), John Worby (from 1st May 2014), Mark Foster (until 18th June 2014) and Ken Archer (from 25th November 2014). 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.

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 New Bridge Street (NBS), an Aon plc company. NBS is a member of the Remuneration Consultants Group and has signed up to its Code of Conduct. NBS provided advice on general remuneration matters. NBS does not provide other services to Fidessa. The Aon group provides other services to Fidessa, namely insurance broking and pensions provision, but the Committee continues to believe that this does not create a conflict of interest.

For the year under review, NBS received fees of £11,000 in connection with its work for the Committee.

Remuneration details

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

Executive directors

£'000		Salary	Benefits	Annual bonus	Long-term incentives vested	Other	Total
Chris Aspinwall	2014	480	1	441	0	1	923
	2013	480	2	365	576	1	1,424
Andy Malpass	2014	302	1	160	0	1	464
	2013	302	2	133	576	1	1,014

Fidessa's approach to annual bonuses for 2014 was consistent with the remuneration policy approved by shareholders and the approach used in 2013. The benefits received by the executive directors are life insurance, ill health income protection and private medical insurance. The item in the column headed 'other' comprises the matching shares awarded under the SIP. The table below sets out the bonus thresholds and percentages for both directors.

£'000		Operating profit	Operating profit threshold	Percentage payable above the threshold	Annual bonus amount
Chris Aspinwall	2014	38,147	18,100	2.2%	441
	2013	36,598	20,000	2.2%	365
Andy Malpass	2014	38,147	18,100	0.8%	160
	2013	36,598	20,000	0.8%	133

The executive directors' annual bonus was a flat percentage above a threshold of the operating profit as presented to the Operating Board (as disclosed in note 5 to the consolidated financial statements), excluding items that the Committee considers to be exceptional or inappropriate. When setting both the threshold and the flat line percentage the Committee took into account the directors' on target earnings (i.e. salary and bonus) for the year, the projected operating profit for the year. For 2014, the Committee felt it appropriate, bearing in mind the anticipated challenges facing the business, to set the operating profit threshold at a level lower than that set in 2013. The figures chosen were considered no less demanding than those set in 2013, when market conditions, expected financial performance and intended investments for the year were taken into account. The Committee believes that the strong performance demonstrated in the actual outturn has been properly rewarded through the bonus mechanism.

The 2009 EGRIP awards reached the end of their measurement period in September 2014 and failed to vest. The performance targets are as set out in note 19 to the consolidated financial statements with the actual performance for the 2009 EGRIP award being: the absolute total shareholder return target was exceeded; the cumulative diluted earnings per share target was exceeded by 4%; and the overall outperformance of the techMARK All-Share Index comparative index TSR was not satisfied by 0.4%.

The 2010 EGRIP awards will reach the end of their measurement period in September 2015 and it is likely that they will fail to vest, therefore, of the five EGRIP awards, two have vested, two have failed to vest and one is unlikely to vest.

Directors' and corporate governance report continued

Non-executive directors

£'000		Salary and fees	Benefits	Other	Total
John Hamer	2014	145	1	1	147
	2013	145	1	1	147
Ron Mackintosh	2014	49	–	–	49
	2013	49	–	–	49
Philip Hardaker (i)	2014	29	–	–	29
	2013	49	–	–	49
Elizabeth Lake	2014	43	–	–	43
	2013	43	–	–	43
Mark Foster (ii)	2014	23	–	–	23
	2013	43	–	–	43
John Worby (iii)	2014	33	–	–	33
	2013	–	–	–	–
Ken Archer (iv)	2014	4	–	–	4
	2013	–	–	–	–

(i) Philip Hardaker retired on 31st July 2014
(ii) Mark Foster stood down on 18th June 2014
(iii) John Worby was appointed to the Board on 1st May 2014
(iv) Ken Archer was appointed to the Board on 25th November 2014

During the year Chris Aspinwall received an award under the PSP and in addition certain directors received awards to equally match shares purchased under the SIP. The tables below set out the details of those awards.

PSP awards

	PSP awards Number of shares	Basis of PSP award (% of salary)	Face value of PSP award at date of grant £'000 (i)	% of award vesting for threshold performance	Performance period
Chris Aspinwall	15,000	80%	383	25%	Jan 2014 – Dec 2017

(i) Based on the share price of 2555p on the day before grant.

Performance conditions for the PSP are set out in note 19 to the consolidated financial statements.

SIP awards

	SIP awards Number of shares	Face value £'000
Chris Aspinwall	63	1
Andy Malpass	63	1
John Hamer	63	1

No director received any pension benefit or entitlement from Fidessa and nor did Fidessa make any payments to past or current directors for loss of office.

Directors' shareholdings
The executive directors' shareholding guidelines have been structured to encourage executive directors to acquire and maintain a meaningful shareholding in Fidessa. For both executive directors this is a minimum value equal to 100% of salary. The value of both executive directors' shareholdings have been substantially greater than the guideline throughout 2014 and several multiples of their respective salaries. There is no shareholding guideline for the non-executive directors.

The interests of the directors and their connected persons in Fidessa's ordinary shares as at 31st December 2014 were as follows:

	Shareholding	Vested performance shares	Unvested performance shares	Deferred shares
Chris Aspinwall	121,404	–	30,000	231
Andy Malpass	83,439	–	15,000	231
John Hamer	79,538	–	–	231
Ron Mackintosh	1,000	–	–	–
Elizabeth Lake	–	–	–	–
John Worby	2,000	–	–	–
Ken Archer	–	–	–	–

Between 31st December 2014 and the date of this report the interests of John Hamer, Chris Aspinwall and Andy Malpass have each increased by five shares as a result of a regular monthly purchase by the SIP.

Directors' and corporate governance report continued

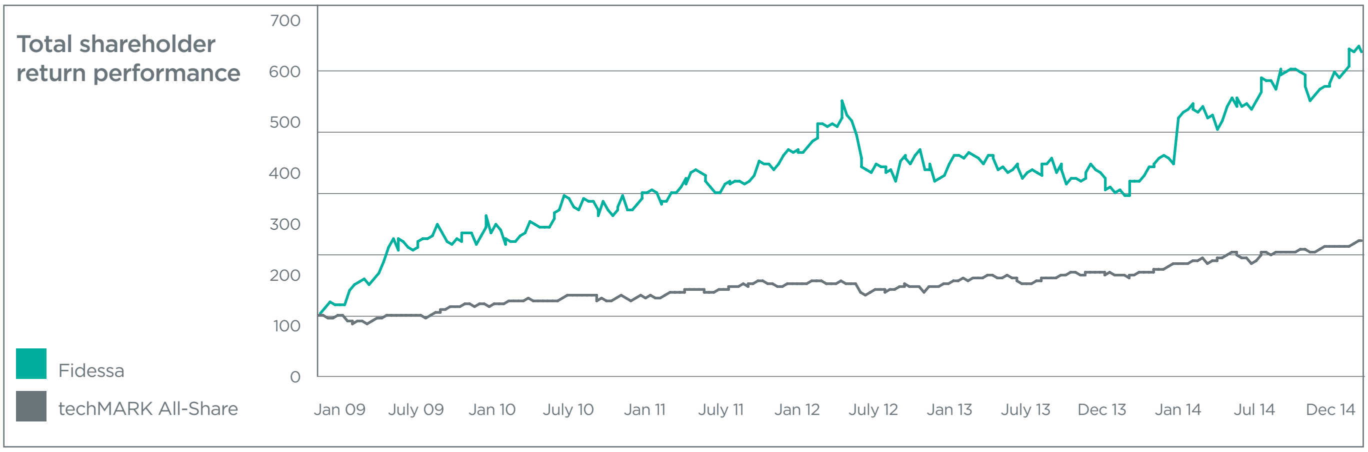
The directors have the following interests in performance and deferred shares from the share plans.

	At 1st January 2014	Awarded	Lapsed	Exercised	At 31st December 2014	Share price on award	Share price on exercise	Vesting date	Expiry date
Chris Aspinwall									
Unvested performance shares:									
EGRIP 2009	18,000	–	18,000	–	–	1154p			
EGRIP 2010	15,000	–	–	–	15,000	1421p		2015	2016
PSP 2014	–	15,000	–	–	15,000	2555p		2018	2021
Deferred shares:									
SIP matching shares	168	63	–	–	231				
Andy Malpass									
Vested performance shares:									
SBP 2010	1,551	–	–	1,551	–	1438p	2478p		
Unvested performance shares:									
EGRIP 2009	18,000	–	18,000	–	–	1154p			
EGRIP 2010	15,000	–	–	–	15,000	1421p		2015	2016
Deferred shares:									
SIP matching shares	168	63	–	–	231				
John Hamer									
Deferred shares:									
SIP matching shares	168	63	–	–	231				

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

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

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



Source: Fidessa

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

	Chief Executive's salary, bonus and benefits £'000	Chief Executive's vested long-term incentives £'000	Chief Executive's total remuneration £'000	Bonus 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%

Directors’ and corporate governance report
continued

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

	Percentage annual change for Chief Executive’s salary	Percentage annual change for UK employees’ salary	Percentage annual change for Chief Executive’s annual bonus	Percentage annual change for UK employees’ annual bonus	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
2010	0%	+4%	+2%	+3%	0%	0%	+2%	+4%
2011	+8%	+6%	+8%	-2%	0%	0%	+8%	+5%
2012	+157%	+2%	-53%	+15%	0%	0%	-4%	+4%
2013	-13%	+4%	+10%	+1%	0%	0%	-4%	+3%
2014	0%	+6%	+21%	+4%	0%	0%	+9%	+5%

- 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 staff 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
2010	107,755	39,714	11,957	30.1%	25,255	91%
2011	120,208	42,452	12,526	29.5%	28,824	96%
2012	119,796	41,984	11,578	27.6%	30,227	99%
2013	120,944	43,146	11,329	26.3%	30,475	96%
2014	118,025	39,090	9,960	25.5%	31,244	107%

Annual General Meeting of 30th April 2014 directors’ remuneration report voting results

Ordinary Resolution	For	Against	Withheld
To approve the Directors’ Remuneration Report for the year ended 31st December 2013	29,061,656 (99.6%)	18,740 (0.4%)	129,106
To approve the Directors’ Remuneration Policy commencing on 30th April 2014	28,965,404 (99.6%)	114,992 (0.4%)	129,106

Directors' remuneration for the year commencing 1st January 2015

Executive directors

Salary	The Committee will continue to monitor the remuneration of executive directors of other companies in the IT sector and other listed companies with similar market capitalisation to ensure that the executive directors remain sufficiently rewarded to promote long-term success. The Committee also takes into account sensitivities in relation to the salary increases across the wider workforce. Salary increases may also include use of the DABP. Any increase will be set out in the 2015 Annual Report and Accounts.
Benefits	The benefits received by the directors will remain substantially unchanged from 2014, being life insurance, ill health income protection and private medical insurance.
Annual bonus	An annual bonus will be paid to the executive directors in accordance with the directors' remuneration policy and the operation method followed in 2014. 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. An interim bonus payment will be made after the half year results are announced. The performance measure for, and the operation of, the annual bonus for 2015 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 2015 Annual Report and Accounts.
Long-term incentives	It is proposed that the Committee may approve the granting of awards to the executive directors under the PSP no greater than the maximum permitted under the approved Directors' Remuneration Policy and the terms of the relevant share plan. The performance targets for awards made under the PSP will be based on the satisfaction of an earnings per share growth performance condition, as described in note 19 to the consolidated financial statements.
Pension	The current directors will continue to not participate in the pension scheme.
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.

Finally, upon a successor to Andy Malpass being appointed, Andy will continue to receive his salary and benefits for the period prior to his retirement as a director. The Committee has also agreed that Andy will be entitled to receive a bonus pro-rated for that period. Payments will be made on the normal payroll date, with any bonus payment being made on the normal bonus payment date. Unvested share incentive awards under the EGRIP and SIP will be forfeited. Further details of Andy's remuneration will be disclosed at the time of his retirement.

On behalf of the Board

Ron Mackintosh
Chairman of the Remuneration Committee
13th February 2015

Directors' and corporate governance report
continued

Audit Committee's report

As Chairman of the Audit Committee, I am pleased to introduce the Audit Committee Report for the year ended 31st December 2014.

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

John Worby
Chairman of the Audit Committee

Membership, meetings and evaluation

The composition of the Committee changed in 2014 following the departures of both Philip Hardaker and Mark Foster. John Worby succeeded Philip as Chairman of the Committee in July 2014 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 Ron Mackintosh, Elizabeth Lake and Ken Archer. Accordingly, the Committee continues to comprise both financial and operational skills and experience.

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

Responsibilities

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

The Committee's main responsibilities include:

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

Key matters considered in relation to financial statements
During 2014, 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, the audit plan for 2014 and the internal auditor's report for 2014. In February 2015 the Committee received the external auditor's update and report on its audit activity related to the 2014 Annual Report, the financial statements contained within it and the Preliminary Results Announcement for the year end 31st December 2014.

The Committee's prime areas of focus were:

- the integrity, completeness and consistency of financial reporting, including the adequacy, clarity and appropriateness of disclosures. This included reviewing the 2014 Annual Report and concluding that it was fair and balanced;
- the areas where significant judgements and estimates are required in the financial statements;
- the scope and programme of audits, along with the quality and effectiveness of audit processes so that they complement the other risk management activities;
- the materiality level to apply to the audit, 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;
- the appropriateness of transactions separately identified as exceptional in order to highlight the underlying performance for the periods presented in the financial statements; and
- the appropriateness of the controls to reduce the risk of fraud and exposure to bribery and corruption.

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

- Revenue recognition in relation to significant implementations and contract amendments. For the limited number of situations that required significant judgement the Committee received updates on the contractual terms, delivery progress, technical risks being faced, uncertainties still to be resolved and the customer's situation. As result of their review, the Committee concluded that the judgements made, particularly in relation to revenue being deferred, were applicable in the circumstances.
- Development costs and the continued approach to their capitalisation. The Committee checked that the methodology and process were consistent with previous years, concurred that the short amortisation period being used remained appropriate and that no impairments had arisen. In order to enhance the Committee's consideration of this area it had internal audit review and report to it in the year on the accounting policy, practice and process for development costs being capitalised along with a check of the reasonableness of the amortisation process.
- The tax complexity and risk related to the multinational operations of Fidessa and the areas of uncertainty that arise. The Committee received updates from the Finance Director and reports from the external auditor in advance of the interim and preliminary results being approved. The Committee considered the appropriateness of tax provisions and deferred tax assets in relation to the updates and reports it had received and concluded that the treatment adopted was fair and reasonable.
- The carrying value of goodwill and intangible assets in connection with the acquisition of LatentZero in 2007 and the potential impairment of those assets. The determination of whether or not goodwill has been impaired requires a review of the value in use of the asset. The main judgements in relation to the review were considered to be the achievability of the long-term business plan, the potential impact on the business plan of macroeconomic and regulatory factors and the discount rate being applied to projected future cash flows. The Committee reviewed reports from the Finance Director and from the external auditor on the value in use, sensitivities applied to the value in use and concurred with the judgements associated with these calculations.

Directors' and corporate governance report continued

External auditor

The Committee conducted a review of the performance of the external auditor and concluded that it is satisfied that KPMG has continued to provide an effective audit service. The review included consideration of independence and objectivity, appropriateness and quality of reporting to and interaction with the Committee, suitability of the audit plan and its areas of focus, execution and global coordination of the audit, feedback from management and the finance team and observations made by the Audit Quality Review team of the Financial Reporting Council.

The Committee receives written confirmation from the external auditor of any relationships it has which may cause a conflict of interest, together with a declaration that it considers itself to be independent. The Board has approved the external auditor undertaking very limited non-audit activities and any assignments outside these activities requires separate Board approval. The non-audit activity undertaken by the external auditor has been assistance on a limited number of tax matters in the reported periods. The fees for non-audit activity represented 5% of the fees for audit activity. Details of the external auditor's fees including fees for non-audit work are set out in note 7 to the consolidated financial statements.

Following its review of the effectiveness of the external audit and independence of the external auditor, the Committee is satisfied that independence has been maintained and that it is appropriate to reappoint KPMG as the external auditor. The Committee therefore recommended to the Board that KPMG be reappointed as the external auditor for 2015 and a resolution for its appointment will be submitted to the Annual General Meeting.

The Committee recognises the requirements regarding the retendering of audit services at least once every ten years for companies in the FTSE 350. The current audit engagement partner at KPMG was appointed in 2012 following a scheduled rotation and will be required to stand down no later than the end of the Annual General Meeting in 2017. KPMG has been the Company's external auditor since its stock market listing in 1997 and during that time the audit has not been formally tendered. In view of the planned retirement of Andy Malpass in 2015, the Committee does not consider it appropriate to undertake an audit tender in 2015. In light of this, and in compliance with the transitional arrangements published by the Competition & Markets Authority and the Financial Reporting Council, the Committee continues to recommend to the Board that the tendering of the external audit services contract should be either at the next rotation of audit engagement partner, or earlier, if appropriate circumstances arise. The Committee maintains appropriate contact with potential alternative suppliers for audit services.

Internal control

The Board is ultimately responsible for the internal control and risk management systems and for reviewing their effectiveness. However, such 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 Code also requires that the Committee review the system of internal controls and risk management, as well as internal financial controls. The Committee is of the view that there is an ongoing process for identifying, evaluating and managing significant risks and that this has been in place for the period under review and up to the date of approval of the Annual Report. Fidessa has established control processes and procedures to be compliant with the best practice governance provisions.

The Board's agenda includes a regular item for consideration of issues, risk and control, and any actions that may be considered necessary, and it receives reports thereon from the executive directors. Business unit performance and internal control are monitored by regular Operating Board meetings. Management is responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including competition, control breakdowns, disruption in information systems, natural catastrophe and regulatory requirements. Fidessa has developed and implemented a quality management system to document the Group's best business practices. This system is independently audited on a regular basis and satisfies the requirements of the international standard ISO 9001.2008. The system is reviewed by management on a six monthly basis to consider its continued suitability, adequacy and effectiveness. Additionally, management regularly assesses the requirement to conduct additional external operational audits in the regions the Group operates, with the UK and the US operations continuing their track records of successfully completing the ISAE 3402/SSAE 16 audits during the year. The directors believe these audits are particularly important to customers in enabling them to satisfy their Sarbanes-Oxley, and other equivalent, requirements when using a Fidessa solution.

Fidessa has strong cash generation, a strong cash balance and no debt. The controls over the use of the cash resources and the counterparty exposure of where it is deposited are determined by the treasury policy established by the Board. The financial risk management is more fully described in note 21 to the consolidated financial statements.

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

Internal audit

The Committee focuses the activity of the internal auditor on those primarily financial areas where it considers the need to test processes and monitor risk levels. Fidessa engages an external consultant, who reports directly to the Committee, to conduct these internal audits. During the year the Committee agreed 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. It also considered the effectiveness and independence of the internal auditor and concluded that they are satisfactory.

Additionally, the Committee has reviewed the various operational audit reports prepared by independent third parties and concluded that they are satisfactory.

Directors' and corporate governance report continued

Nominations Committee's report

Membership, meetings and evaluation

The Nominations Committee, which is chaired by John Hamer, comprises John Hamer, Ron Mackintosh, Elizabeth Lake and John Worby and is therefore compliant with the requirements of the Code.

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

Responsibilities

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

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

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

Matters considered during the year

During 2014, the Committee considered and recommended to the Board:

- that the recruitment of Andy Malpass' replacement as Finance Director be conducted through the use of independent search firm, Russell Reynolds Associates. The independent search firm has commenced the search process.
- the appointment of John Worby as Philip Hardaker's replacement as Chairman of the Audit Committee.

  Following an initial search process involving the alumni networks of the 'Big Four' accountancy firms, the Committee recommended to the Board that a replacement be sought through the use of independent search firm, Russell Reynolds Associates.

- the appointment of Ken Archer as an independent Non-Executive Director.

  Ken was identified as a candidate during the non-executive director recruitment process in late 2012. Ken was evaluated by the Board and the independent search firm at that time and again during 2014 prior to his appointment to the Board.

Throughout the selection processes the Committee was mindful of the recommendations made by Lord Davies in 2011.

The Nominations Committee's conclusions originally reported in 2012 continue to apply, namely that while diversity – including gender diversity – is important when reviewing the composition of the Board and possible new appointees, the single most important factor is to identify and recruit people based on merit. The Nominations Committee continues to note that achieving 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 representation to be achieved by particular dates. The Nominations Committee will, however, require that appointed recruitment consultants observe Lord Davies' recommendations when considering new appointments to the Board.

Currently there is one female member of the Board representing 14% of Board membership.

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: current and proposed product development and investment; risk management; equal opportunities for disabled persons, employee engagement; 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.

Total expenditure on product development is set out in note 6 to the consolidated financial statements.

No political donations were made during 2014.

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

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

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

Directors' and corporate governance report continued

Share capital and articles of association

Details of the called-up and fully paid share capital are set out in note 16 to the consolidated financial statements. The rights and obligations attaching to the shares and the powers of the directors are set out in the Articles of Association, copies of which can be obtained from Companies House. There are no restrictions on the voting rights attached to the shares and no person holds securities carrying special rights with regard to control.

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.

Disclosure of information to 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 30th April 2014 shareholders approved a general authority to purchase up to 3,783,841 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 – change of control

The only significant agreements with change of control provisions are the share incentive plans. Under the CSOP, DABP, MSPP and SIP plans, 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 EGRIP and PSP awards would also vest subject to the satisfaction of any performance conditions at the time but these would be time pro-rated. 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.

Compliance with the UK Corporate Governance Code

Fidessa is committed to high standards of corporate governance and is subject to the principles of the UK Corporate Governance Code. In respect of the year ended 31st December 2014 Fidessa has complied with all of the provisions of the Code.

Dialogue with shareholders

Fidessa values the views of its shareholders and recognises their interests in its strategy and performance. The Chief Executive and Finance Director hold briefing meetings with analysts and institutional shareholders, primarily following the announcement of interim and preliminary results but also at other times during the year as may be suitable.
The Chief Executive and Finance Director provide feedback to the Board from meetings with shareholders. The Board also obtains formal feedback 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 Non-Executive Director also meet with major shareholders as and when there is a requirement to do so.

Principal shareholders

The following have disclosed that they have an interest in 3% or more of the issued ordinary share capital. As at 13th February 2015, the last holding notified to the Company is shown below.

	Ordinary 10p shares	Percentage of issued share capital
Lindsell Train Limited	5,301,301	13.9%
MFS Investment Management	3,755,894	9.8%
The Capital Group Companies, Inc.	2,974,631	7.8%
Kames Capital	2,629,095	6.9%
BlackRock, Inc.	2,020,043	5.3%
Ameriprise Financial, Inc. and its group	1,738,359	4.6%
Prudential plc group of companies	1,629,727	4.3%
Legal & General Group plc	1,425,065	3.7%
FMR LLC	1,243,151	3.3%
DA Taylor	1,153,049	3.0%

Going concern

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 and its current financial position, the Board believes that Fidessa is well placed to manage its business risks successfully despite the macroeconomic and geopolitical uncertainties. Fidessa has considerable financial resources, no borrowings, a high level of recurring revenue and a very broad spread of customers. As a consequence of these factors and having reviewed the forecasts for the coming year, the 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

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 Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on 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 Directors' and Corporate Governance Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; 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 performance, business model and strategy.

On behalf of the Board

Andy Malpass
Director
13th February 2015

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

Opinion and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified
We have audited the financial statements of Fidessa group plc for the year ended 31st December 2014 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of changes in equity and related notes. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

2 Our assessment of risks of material misstatement
In arriving at our audit opinion above on the financial statements the risks of material misstatements that had the greatest effect on our audit were as follows:

Revenue recognition (£275.0 million)
Refer to Audit Committee's report, accounting policy (note 2d) and notes to the consolidated financial statements (note 5).

The risk – The group provides its products and services to customers in bundled packages. These packages may contain two or more of the following elements: software rental, consultancy services, data charges and connectivity services. The allocation of revenue between the different elements of a bundled package can require significant judgement.

Consultancy services 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 required to determine whether the group has fulfilled its obligations associated with each element.

The allocation of total revenue to the individual contract deliverables 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 audit procedures included:

- We critically assessed the allocation of revenue to individual contract deliverables by selecting a sample of significant contracts and comparing the fair value of the deployment and consultancy revenue streams.
- For fixed price consultancy services which were not completed at the balance sheet date, we assessed the calculation of the stage of completion. This included assessing the inputs used to determine the amount of costs incurred to date and challenging the assessment of forecast costs to complete. Where contingencies were included in the calculation of costs to complete, we inspected and critically assessed the rationale for the basis for their calculation with the directors and project managers who are responsible for delivering the projects. We also evaluated the historical accuracy of the utilisation of contingencies.

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

For contracts where software, connectivity and market data revenue has been recognised during the year, our work focused on assessing whether the internal control process regarding approval of contractual terms had been followed. Our work also focused on assessing whether the group has obtained sufficient evidence that it has fulfilled the relevant obligations under the deployment phase of the contract. For a sample of significant contracts we assessed whether the group has obtained customer acceptance that the relevant deployment services have been completed and that it is appropriate to recognise revenue on the other elements of the contract.

- We also assessed the adequacy of the disclosures in respect of amounts recognised as revenue during the period or deferred at the balance sheet date.

Goodwill (£44.9 million)
Refer to Audit Committee's report, accounting policy (note 2j) and notes to the consolidated financial statements (note 13).

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

Our response – Our audit procedures included testing of the budgeting procedures upon which the forecasts are based and assessing the integrity of the discounted cash flow model. We considered the historical accuracy of key assumptions by comparing the previous estimates of revenue and cost growth to the actual amounts achieved. We challenged the assumptions used, including the inputs and methodology to determine the discount rate which drives the present value of projected cash flows. Our work included comparing the assumptions made in compiling the discount rate to market data. We sensitised key assumptions, including revenue growth rate and the discount factor, to assess whether the cash flow forecast was excessively conservative or optimistic. We considered whether the disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions properly reflected the risks inherent in the valuation of goodwill.

Capitalisation of development costs (£42.7 million)
Refer to Audit Committee's report, accounting policy (note 2j) and notes to the consolidated financial statements (note 13).

The risk – The group capitalises certain costs incurred on the development of its software products. In order to determine the amount of cost that should be capitalised, being costs incurred through employing software developers, the group must assess whether the cost meets the capitalisation criteria set out in the accounting standard. This requires significant judgement.

The group must also apply judgement in determining whether the future cash flows expected to be derived from the sale of its products support the recoverability of the capitalised amounts.

Our response – Our audit procedures included evaluating the effectiveness of controls in place to separately identify the time on development activities which is categorised as meeting the capitalisation criteria set out by accounting standards. On a selection basis, we agreed capitalised amounts to supporting documentation including timesheet data.

We evaluated the group's assessment that the expected future cash flows derived from the sale of the products or services would support the capitalised amounts. This was evaluated in two primary ways: we evaluated whether any recently launched products or those previously under development had been discontinued and we evaluated the cash flows to be generated from existing contracts along with those from anticipated sales. We also considered the adequacy of the disclosures in respect of research and development costs.

Income tax expense (£10.0 million)
Refer to Audit Committee's report, accounting policy (note 2h) and notes to the consolidated financial statements (note 9).

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

Our response – Our audit procedures included the use of our own international and local tax specialists to assess the tax positions. Our specialists also considered correspondence with the relevant tax authorities to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experience of the application of the international and local legislation by the relevant authorities and courts. We also considered the adequacy of the disclosures in respect of tax and uncertain tax positions.

3 Our application of materiality and an overview of the scope of our audit
The materiality for the group financial statements as a whole was set at £2.0 million. This has been determined with reference to a benchmark of group profit before income tax (of which it represents 5.1%).

We agreed with the Audit Committee to report to it all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.1 million, in addition to other audit misstatements below that threshold that we believed warranted reporting on qualitative grounds.

Of the group's four reporting components, we subjected three to audits for group reporting purposes. These were carried out in the UK, North America and Hong Kong components. The UK audit team performed the work in the UK and North America and the work in Hong Kong was completed by a component auditor. These audits covered 94% of total revenue; 90% of profit before taxation; and 95% of total assets.

The audits undertaken for group reporting purposes at the key reporting components were all performed to local materiality levels set by, or agreed with, the group audit team. These local materiality levels were set individually for each component and ranged from £0.2 million to £1.5 million.

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

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

- the part of the Directors' remuneration report to be audited, from the section titled Directors' remuneration policy to Directors' remuneration for the year commencing 1st January 2015 inclusive, has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and Directors' and corporate governance report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

5 We have nothing to report to you in respect of the matters on which we are required to report by exception
Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern;
- the part of the corporate governance report relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities
As explained more fully in the Directors' responsibilities statement in respect of the Annual Report and the financial statements, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

13th February 2015

Consolidated income statement

for the year ended 31st December 2014

	Note	2014 £'000	2013 £'000
Revenue	5	**275,012**	279,018
Operating expenses before gain on property sale and amortisation of acquired intangibles	6	**(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	6	**–**	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	9	**(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	10	**77.1p**	85.5p
Diluted earnings per share	10	**75.8p**	83.5p

Consolidated statement of comprehensive income

for the year ended 31st December 2014

	2014 £'000	2013 £'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	12	**20,401**	19,104
Intangible assets	13	**89,564**	89,327
Deferred tax assets	14	**7,813**	8,251
Other receivables		**2,028**	905
Total non-current assets		**119,806**	117,587
Current assets			
Trade and other receivables	15	**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	16	**3,817**	3,784
Share premium		**31,017**	27,921
Merger reserve	16	**17,938**	17,938
Cumulative translation adjustment	16	**980**	564
Retained earnings		**97,747**	98,319
Total equity		**151,499**	148,526
Liabilities			
Non-current liabilities			
Other payables	17	**7,382**	7,280
Provisions	18	**3,141**	2,655
Deferred tax liabilities	14	**6,284**	6,340
Total non-current liabilities		**16,807**	16,275
Current liabilities			
Trade and other payables	17	**90,855**	91,578
Provisions	18	**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

The consolidated financial statements were approved by the Board of directors on 13th February 2015 and were signed on its behalf by

A Malpass

Consolidated statement of changes in shareholders’ equity

	Note	Issued capital £’000	Share premium £’000	Merger reserve £’000	Translation reserve £’000	Retained earnings £’000	Total equity £’000
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	16	69	4,083	–	–	–	4,152
Employee share incentive charges	6	–	–	–	–	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	11	–	–	–	–	(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	16	**33**	**3,096**	**–**	**–**	**–**	**3,129**
Employee share incentive charges	6	**–**	**–**	**–**	**–**	**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	11	**–**	**–**	**–**	**–**	**(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	6	**2,605**	2,128
Depreciation of property, plant and equipment	6	**10,453**	12,578
Amortisation of product development	6	**26,224**	23,764
Amortisation of acquired intangibles	6	**730**	730
Amortisation of other intangible assets	6	**663**	1,120
Profit on sale of property, plant and equipment	6	**(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	12	**(11,398)**	(11,704)
Proceeds from sale of property, plant and equipment		**222**	2,316
Purchase of other intangible assets	13	**(245)**	(417)
Product development capitalised	13	**(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	11	**(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

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 13th February 2015.

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 Strategic Report. The directors believe that Fidessa is well placed to manage its business risks successfully despite the macroeconomic and geopolitical uncertainties. Fidessa has considerable financial resources, no borrowings, a high level of recurring revenue and a broad spread of customers. As a consequence of these factors and having reviewed the forecasts for the coming year, the directors have a reasonable expectation that Fidessa has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The 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, amendments and interpretations 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:

- IFRS10, IFRS12 and IAS27 *Investment Entities (amendments).*
- IAS32 *Offsetting Financial Assets and Financial Liabilities (amendments).*
- IAS36 *Recoverable Amount Disclosures for Non-Financial Assets (amendments).*
- IAS39 *Novation of Derivatives and Continuation of Hedge Accounting (amendments).*
- IFRIC21 *Levies.*

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

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.

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.

For acquisitions on or after 1st January 2010, goodwill is measured at the acquisition date as the fair value of the consideration transferred plus the recognised amount of any non-controlling interests in the acquiree less the net recognised amount of the identifiable assets acquired and liabilities assumed. When the excess is negative, a 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 between 1st January 2004 and 31st December 2009, goodwill represents the excess of the cost of acquisition over the interest in the recognised amount of identifiable assets, liabilities and contingent liabilities of the acquiree. Transaction costs that were incurred in connection with a business combination were capitalised as part of the cost of the acquisition. Any contingent consideration payable was recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration were recognised as an adjustment to the carrying value of goodwill.

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

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. Full allowance is made for all known or expected losses.

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

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

e Share-based payments

A number of equity-settled share plans are operated. The fair value of the awards is recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value of the awards is measured using a Black-Scholes model, binomial model or a Monte Carlo 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 enacted or substantively enacted at the balance sheet date.

Notes to the consolidated financial statements 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.

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
- Computers 2 - 3 years

j Intangible assets

Research and product development

Expenditure on research into areas such as potential new technologies, methodologies and architectures is recognised as an expense as incurred. Product development relates to the design, programming and testing of new and enhanced inter-related features in the product suite and the support and issue resolution of features already in the product suite. There is a rolling programme of releases that form part of a continual process of updates to and expansion of the overall product suite with a result that there are not defined end dates. 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 from the time of development on a straight-line basis over three years.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the 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.

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

In an impairment test, the recoverable amount of the cash generating unit or asset is estimated to determine the extent of 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.

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.

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 expires 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 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.

Notes to the consolidated financial statements
continued

p Trade payables

Trade payables are 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, interpretations and amendments were issued but not yet mandatory and early adoption has not been applied.

- IAS16 and IAS38 *Clarification of Acceptable Methods of Depreciation and Amortisation (amendments).*
- IAS16 and IAS41 *Agriculture: Bearer Plants (amendments).*
- IAS19 *Defined Benefit Plans: Employee Contributions (amendments).*
- IAS27 *Equity Method in Separate Financial Statements (amendments).*
- IFRS9 *Financial Instruments.*
- IFRS11 *Accounting for Acquisitions of Interests in Joint Operations (amendments).*
- IFRS14 *Regulatory Deferral Accounts.*
- IFRS15 *Revenue from Contracts with Customers.*

With the exception of IFRS15 it is considered that the above standards, amendments and interpretations will not have a significant effect on the consolidated or Company results or net assets. IFRS15 was published in May 2014 and to date has not been adopted by the EU. The standard will not be effective until January 2017. A detailed evaluation of its potential impact has commenced but it is too early to determine whether adoption of the standard will have any significant effect on reported results and financial position.

4 Accounting estimates and judgements

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

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

b Product development expenditure
Fidessa invests on a continual basis in the development of new and enhanced features in the product suite. The rolling programme of product development results in there not being defined end dates for elements of the product suite. Therefore, judgement is required in determining the practice for capitalising and amortising development costs. This has been applied consistently year to year. The accounting policy for research and product development is in note 2j and the carrying value of product development capitalised and the amounts capitalised and amortised in the year are detailed in note 13.

c Income taxes
Fidessa operates internationally and therefore spans several 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.

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

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

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

Notes to the consolidated financial statements continued

5 Segment reporting

Fidessa is structured into two business units: Sell-side and Buy-side. The Sell-side business unit provides solutions and tools to support the trading of cash equities and derivatives globally. The solutions are scalable from the largest to the smallest operations in the sector. The Buy-side business unit provides the systems to cover every stage of the investment process for all asset classes. The systems are used by the largest investment managers in the world, as well as some of the 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 £'000	Buy-side £'000	Total £'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 £'000	Buy-side £'000	Total £'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 £'000	2013 £'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 £'000	Buy-side £'000	Total £'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 £'000	Buy-side £'000	Total £'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

Notes to the consolidated financial statements continued

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

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

	2014 £'000	2013 £'000
UK	**114,943**	118,733
USA	**96,553**	95,333
Hong Kong	**32,329**	30,619

6 Operating expenses

	2014 £'000	2013 £'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

Other operating income represents income from sublet office space.

Included in total staff costs are the direct costs of research and development of £35,598,000 (2013: £34,062,000), which includes the amount capitalised above.

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

7 Auditor's fees

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

	2014 £'000	2013 £'000
Audit of these financial statements	**51**	51
Audits of subsidiaries pursuant to legislation	**141**	143
Reviews of subsidiaries	**65**	67
Review of the interim report	**43**	41
Total audit related activity	**300**	302
Tax compliance services	**14**	8
Total fees paid to the auditor	**314**	310

The non-audit fees represented 5% (2013: 3%) of the audit related fees.

8 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

Notes to the consolidated financial statements continued

9 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 debit/(credit) relating to equity-settled share incentives	**1,447**	(1,308)

10 Earnings per share

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

Notes to the consolidated financial statements continued

11 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.

12 Property, plant and equipment

	Furniture, equipment and leasehold improvements £'000	Long leasehold buildings £'000	Computers £'000	Total £'000
Cost				
Cumulative cost at 1st January 2013	36,276	1,362	47,549	85,187
Exchange adjustment	(612)	(10)	(1,462)	(2,084)
Additions	4,753	–	6,951	11,704
Disposals	(80)	(537)	(2,979)	(3,596)
Cumulative cost at 1st January 2014	40,337	815	50,059	91,211
Exchange adjustment	**986**	**–**	**1,477**	**2,463**
Additions	**3,661**	**–**	**7,737**	**11,398**
Disposals	**(5,851)**	**–**	**(19,267)**	**(25,118)**
Cumulative cost at 31st December 2014	**39,133**	**815**	**40,006**	**79,954**
Depreciation				
Cumulative depreciation at 1st January 2013	28,452	286	35,809	64,547
Exchange adjustment	(615)	(6)	(1,077)	(1,698)
Charged in year	4,631	51	7,896	12,578
Disposals	(80)	(264)	(2,976)	(3,320)
Cumulative depreciation at 1st January 2014	32,388	67	39,652	72,107
Exchange adjustment	**880**	**–**	**1,228**	**2,108**
Charged in year	**2,912**	**33**	**7,508**	**10,453**
Disposals	**(5,851)**	**–**	**(19,264)**	**(25,115)**
Cumulative depreciation at 31st December 2014	**30,329**	**100**	**29,124**	**59,553**
Carrying value				
At 31st December 2014	**8,804**	**715**	**10,882**	**20,401**
At 1st January 2014	7,949	748	10,407	19,104
At 1st January 2013	7,824	1,076	11,740	20,640

Notes to the consolidated financial statements continued

13 Intangible assets

Carrying value at 31st December	**2014 £'000**	2013 £'000
Goodwill	**44,897**	44,897
Acquired intangible assets	**1,703**	2,433
Product development	**42,697**	41,312
Software purchased for internal use	**267**	685
	89,564	89,327

Goodwill

	Total £'000
Carrying value at 1st January 2013, 1st January 2014 and 31st December 2014	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 arose from the acquisition of LatentZero in 2007. It resulted from the value of the assembled workforce, the synergistic nature of the acquisition due to the long-term cross-selling opportunities between the buy-side and sell-side clients, potential cost savings, the expected future growth and the acceleration of operations into the buy-side.

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

The value in use calculation used the anticipated results from the detailed forecast for the first year followed by 5% per annum growth for the next ten years and concluded with a terminal growth rate of 2%. The expected useful life is materially greater than ten years and therefore the growth rates applied were considered to reflect a cautious long-term average growth rate for the products and services in the addressable market. A discount rate of 8.2% pre-tax (2013: 8.3%) was applied to the cash flow forecast. The discount rate included unchanged estimates of the general and specific risk premiums, a small increase in the beta factor and a fall in gilt rates. The value in use calculation resulted in an estimated recoverable amount that was 34% greater than the carrying value and exceeded it by £18,000,000. Revised calculations of the estimated recoverable amount were undertaken to consider sensitivities for lower growth rates and lower operating margin. The lower growth rate sensitivity calculation showed that with the growth rate for the whole period set to lower than the terminal rate the value in use remained greater than the carrying value. The results of these sensitivity calculations supported the conclusion that the goodwill had not been impaired.

Acquired intangible assets

	Customer relationships £'000
Cost	
Cumulative cost at 1st January 2013, 1st January 2014 and 31st December 2014	**7,300**
Amortisation	
Cumulative amortisation at 1st January 2013	4,137
Charged in year	730
Cumulative amortisation at 1st January 2014	4,867
Charged in year	**730**
Cumulative amortisation at 31st December 2014	**5,597**
Carrying value	
At 31st December 2014	**1,703**
At 1st January 2014	2,433
At 1st January 2013	3,163

Notes to the consolidated financial statements continued

Product development capitalised and software purchased for internal use

	Product development £'000	Software purchased £'000
Cost		
Cumulative cost at 1st January 2013	66,999	5,563
Exchange adjustment	–	(64)
Additions	28,781	417
Fully expensed	(19,706)	(1,905)
Cumulative cost at 1st January 2014	76,074	4,011
Exchange adjustments	**–**	**69**
Additions	**27,609**	**245**
Fully expensed	**(22,311)**	**(2,667)**
Cumulative cost at 31st December 2014	**81,372**	**1,658**
Amortisation		
Cumulative amortisation at 1st January 2013	30,704	4,173
Exchange adjustment	–	(62)
Charged in year	23,764	1,120
Fully expensed	(19,706)	(1,905)
Cumulative amortisation at 1st January 2014	34,762	3,326
Exchange adjustment	**–**	**69**
Charged in year	**26,224**	**663**
Fully expensed	**(22,311)**	**(2,667)**
Cumulative amortisation at 31st December 2014	**38,675**	**1,391**
Carrying value		
At 31st December 2014	**42,697**	**267**
At 1st January 2014	41,312	685
At 1st January 2013	36,295	1,390

Product development relates to the design, programming and testing of new and enhanced inter-related features in the product suite. There is a rolling programme of releases that form part of a continual process of updates to and expansion of the overall product suite with a result that there are not defined end dates.

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net assets/(liabilities)	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Property, plant and equipment	**3,904**	4,255	**(156)**	(158)	**3,748**	4,097
Intangible assets	**–**	–	**(8,992)**	(9,404)	**(8,992)**	(9,404)
Employee benefits	**2,161**	3,270	**–**	–	**2,161**	3,270
Other temporary differences	**4,612**	3,948	**–**	–	**4,612**	3,948
Tax assets/(liabilities)	**10,677**	11,473	**(9,148)**	(9,562)	**1,529**	1,911
Tax set off	**(2,864)**	(3,222)	**2,864**	3,222	**–**	–
Net tax assets/(liabilities)	**7,813**	8,251	**(6,284)**	(6,340)	**1,529**	1,911

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.

	Balance at 1st January 2014 £'000	Translation adjustment £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2014 £'000
Property, plant and equipment	**4,097**	**101**	**(450)**	**–**	**3,748**
Intangible assets	**(9,404)**	**–**	**412**	**–**	**(8,992)**
Employee benefits	**3,270**	**137**	**201**	**(1,447)**	**2,161**
Other temporary differences	**3,948**	**115**	**549**	**–**	**4,612**
	1,911	**353**	**712**	**(1,447)**	**1,529**

	Balance at 1st January 2013 £'000	Translation adjustment £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2013 £'000
Property, plant and equipment	3,784	(112)	425	–	4,097
Intangible assets	(9,174)	(1)	(229)	–	(9,404)
Employee benefits	1,796	(27)	193	1,308	3,270
Tax losses and allowances carried forward	77	(1)	(76)	–	–
Other temporary differences	2,946	(400)	1,402	–	3,948
	(571)	(541)	1,715	1,308	1,911

Notes to the consolidated financial statements continued

15 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

16 Share capital and reserves

	2014 Number	2013 Number	2014 £'000	2013 £'000
Issued share capital at 1st January	**37,837,564**	37,147,858	**3,784**	3,715
Issued for share incentives exercised	**332,869**	689,706	**33**	69
Issued share capital at 31st December	**38,170,433**	37,837,564	**3,817**	3,784

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

Merger reserve

The merger reserve arises from the acquisition of LatentZero Limited in 2007. The merger reserve represents the excess of the fair value over the nominal value of shares issued to acquire at least 90% equity interest in an acquiree company. A purchaser company acquiring at least 90% equity interest in an acquiree company under an arrangement which provides for the allotment of equity shares by the purchaser in return for the equity interest in the acquiree must apply Section 612 of the Companies Act 2006. When applicable, the section requires that the premium on the issue of equity shares by the purchaser company be disregarded. Accordingly, a premium was not recorded on the shares issued but a merger reserve was recognised in the consolidated balance sheet.

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 2014 Number of shares	As at 31st December 2014 Percentage of issued share capital	As at 31st December 2013 Number of shares	As at 31st December 2013 Percentage of issued share capital
Employee Benefit Trust	**121,060**	**0.3%**	96,836	0.3%
Share Bonus Trust	**24,557**	**0.1%**	35,427	0.1%
Share Incentive Plan	**48,368**	**0.1%**	35,575	0.1%

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. 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 Bonus Trust is a discretionary trust established for the benefit of participants in the Fidessa group plc Share Bonus Plan (SBP). It has an independent, professional trustee, Kleinwort Benson (Jersey) Trustees Limited, and has been financed by advances. The rights to dividends and to vote the shares have been waived by the trust. The trust purchased shares to match and cover employer's National Insurance Contributions against purchases of ordinary shares by participants in the SBP. The final award under the Share Bonus Plan reached the end of its measurement period in December 2013 and the resulting vested shares were called in 2014. Discussions with the trustees have commenced to transfer the surplus shares held by them to the trustees of the Fidessa group plc Employee Benefit Trust.

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

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

17 Trade and other payables

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

Notes to the consolidated financial statements continued

18 Provisions

	Property £'000	Other £'000	Total £'000
At 1st January 2014	**2,484**	**1,329**	**3,813**
Exchange adjustment	**27**	**8**	**35**
Released during the year	**(334)**	**–**	**(334)**
Arising during the year	**424**	**434**	**858**
Utilised during the year	**(328)**	**(221)**	**(549)**
At 31st December 2014	**2,273**	**1,550**	**3,823**

	2014 £'000	2013 £'000
Current liabilities	**682**	1,158
Non-current liabilities	**3,141**	2,655
Total provisions	**3,823**	3,813

The property provision is in respect of office space surplus to Fidessa's short-term requirements, after taking into account any sub-tenant arrangements, plus dilapidation provisions for properties currently in use. Other provisions include a number of employee and legal related amounts. Both property and other provisions are expected to be utilised in one to five years.

19 Share-based payments

Fidessa has share plans whereby employees are granted awards over ordinary shares subject to the vesting of their awards in accordance with the 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.

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 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 with a review taking place after five years.

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 with a review taking place after five years.

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.

Notes to the consolidated financial statements continued

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 with a review taking place after five years.

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

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

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

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

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

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

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

In the event that a participant ceases to be a Fidessa employee all unvested awards granted to the participant under the EGRIP will be forfeited.

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 2014 the maximum potential dilution from awards granted across these plans to date is 1.4%.

The total permitted dilution under the CSOP was 8% during the life of the plan; as at 31st December 2014 the maximum potential dilution is 3.6%, with the outstanding share options element of this representing 0.8%. The total permitted dilution under the EGRIP was 6% during the life of the plan; as at 31st December 2014 the maximum potential dilution is 2.9%, with the outstanding share options element of this representing 0.6% of the issued share capital. The SBP only involved market purchase shares and therefore did not incur any dilution.

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

CSOP	Granted in 2010
Fair value	299p
Share price at grant	1421p
Exercise price	1421p
Expected volatility	30%
Expected life	5 years
Expected dividends per annum	3.0%
Risk-free rate of return per annum	2.0%

SBP	Granted in 2010
Fair value	1314p to 1421p
Share price at grant	1438p to 1555p
Expected volatility	30%
Expected life	3 years
Expected dividends per annum	3.0%

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

EGRIP	Granted in 2009	Granted in 2010
Fair value	234p	256p
Share price at grant	1154p	1421p
Exercise price	10p	10p
Expected volatility	30%	30%
Expected life	5 years	5 years
Expected dividends per annum	2.2%	3.0%
Risk-free rate of return per annum	2.5%	2.0%

Notes to the consolidated financial statements continued

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
Fair value	1645p	1941p	2517p
Share price at grant	1645p	1941p	2517p
Expected volatility	30%	28%	28%
Expected life	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%

MSPP	Granted in 2012	Granted in 2013	Granted in 2014
Fair value	1176p to 1505p	1356p to 1952p	1823p to 2283p
Share price at grant	1305p to 1719p	1554p to 2160p	2088p to 2660p
Expected volatility	30%	28%	28%
Expected life	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%

SIP	Granted in 2012	Granted in 2013	Granted in 2014
Fair value	1330p to 1664p	1587p to 2262p	2089p to 2590p
Share price at grant	1330p to 1664p	1587p to 2262p	2089p to 2590p
Expected volatility	30%	28%	28%
Expected life	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%

PSP	Granted in 2014
Fair value	1940p to 2126p
Share price at grant	2555p
Expected volatility	28%
Expected life	4-6 years
Expected dividends per annum	4.6%

Awards under the CSOP subsisting at 31st December 2014 were:

Grant year	Options at 1st January 2014	Exercised in year	Expired in year	Options at 31st December 2014	Exercise price p	Vested at 31st December 2014	Remaining life
2004	5,290	(5,290)	–	–	560p	–	0 years
2005	18,073	(6,305)	–	11,768	632p	11,768	1 year
2007	75,684	(74,959)	(725)	–	949p	–	0 years
2009	169,259	(51,838)	(2,550)	114,871	1154p	114,871	2 years
2010	345,825	(123,367)	(13,675)	208,783	1421p	208,783	3 years

For CSOP options exercised in 2014 the weighted average share price at the time of exercise was 2311p (2013: 2031p).

Awards under the SBP subsisting at 31st December 2014 were:

Award year	Outstanding at 1st January 2014	Exercised in year	Expired in year	Outstanding at 31st December 2014	Vested at 31st December 2014	Remaining life
2010	10,130	(10,130)	–	–	–	0 years

For SBP awards exercised in 2014 the weighted average share price at the time of exercise was 2408p (2013: 1931p).

Awards under the EGRIP subsisting at 31st December 2014 were:

Grant year	Options at 1st January 2014	Exercised in year	Expired in year	Options at 31st December 2014	Exercise price p	Vested at 31st December 2014	Remaining life
2008	72,900	(72,900)	–	–	10p	–	0 years
2009	264,950	–	(264,950)	–	10p	–	0 years
2010	249,250	–	(6,000)	243,250	10p	–	1 year

For EGRIP options exercised in 2014 the weighted average share price at the time of exercise was 2314p (2013: 2038p).

Awards under the DABP subsisting at 31st December 2014 were:

Award year	Outstanding at 1st January 2014	Granted in year	Dividend shares applied in year	Exercised in year	Expired in year	Outstanding at 31st December 2014	Vested at 31st December 2014	Remaining life
2012	37,017	–	1,127	–	(565)	37,579	–	5 years
2013	197,785	–	5,230	–	(15,541)	187,474	–	6 years
2014	–	46,701	1,522	–	(197)	48,026	–	6 years

Notes to the consolidated financial statements continued

Matching share awards under the MSPP subsisting at 31st December 2014 were:

Award year	Outstanding at 1st January 2014	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2014	Vested at 31st December 2014	Remaining life
2012	28,086	–	–	(2,490)	25,596	–	1 year
2013	25,370	–	–	(2,244)	23,126	–	2 years
2014	–	21,183	–	(697)	20,486	–	3 years

Matching share awards under the SIP subsisting at 31st December 2014 were:

Award year	Outstanding at 1st January 2014	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2014	Vested at 31st December 2014	Remaining life
2012	18,606	–	(634)	(966)	17,006	–	1 year
2013	17,836	–	(530)	(1,239)	16,067	–	2 years
2014	–	15,670	(157)	(580)	14,933	–	3 years

For SIP awards exercised in 2014 the weighted average share price at the time of exercise was 2315p (2013: 1848p).

Awards under the PSP subsisting at 31st December 2014 were:

Award year	Outstanding at 1st January 2014	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2014	Vested at 31st December 2014	Remaining life
2014	–	269,000	–	(3,500)	265,500	–	4-7 years

20 Related party transactions

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 remuneration of directors and other members of key management during the year was as follows:

	2014 £'000	2013 £'000
Short-term employee benefits	**5,048**	5,010
Post-employment benefits	**36**	36
Equity compensation benefits	**480**	228
Total remuneration of directors and key management	**5,564**	5,274

21 Financial risk management

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

Credit risk

Financial instruments which potentially expose Fidessa to credit risk consist primarily of cash equivalents and trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. At the balance sheet date, there were no significant concentrations of customer credit risk. The largest customer accounts for no more 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.

	2014 £'000	2013 £'000
Not due	**42,334**	41,244
Not more than three months past due	**10,583**	15,566
More than three months but not more than six months past due	**1,206**	4,620
More than six months past due	**1,761**	1,855
Total trade receivables	**55,884**	63,285

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. In most situations where a receivable is aged but no specific allowance has been made for it, no revenue has been taken and it forms part of the deferred revenue balance. Collateral is not required in respect of financial assets.

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.

	2014 £'000	2013 £'000
Allowance for doubtful receivables at 1st January	**1,422**	2,690
Exchange adjustment	**51**	(27)
Allowances released in the period	**(1,173)**	(3,854)
New allowances made in the period	**1,255**	2,613
Allowance for doubtful receivables at 31st December	**1,555**	1,422

Notes to the consolidated financial statements continued

Liquidity risk

The following are the contractual maturities of financial liabilities.

	Trade payables		Accrued expenses	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
3 months or less	**3,829**	5,097	**28,891**	27,846
3 to 12 months	**208**	129	**1,594**	1,135
Greater than one year	**–**	–	**346**	625
Carrying value	**4,037**	5,226	**30,831**	29,606

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

Interest receivable and payable

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

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

Foreign currency risk

Fidessa operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into sterling. The currencies giving rise to this risk are primarily US dollars and yen. Revenue is split 51% in US dollars, 33% in sterling, 5% in yen, 5% in euros, 4% in Canadian dollars and 2% 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 £197,000 for the year ended 31st December 2014 (2013: £236,000).

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 dividend has a pay-out ratio of approximately 45% which provides a reasonable return to shareholders whilst also providing funds for potential acquisitions and replenishing the cash balance. However, in the absence of acquisitions, Fidessa has a track record of returning the additional cash to shareholders in the form of special dividends.

Fair values

Unless otherwise disclosed, there is no significant difference between the carrying values shown in the balance sheet and the fair values of the financial instruments. For current trade and other receivables and payables with a remaining life of less than one year, the amortised cost is deemed to reflect the fair value. Fidessa does not have any derivative financial instruments and therefore no analysis is required in respect of financial instruments not measured at fair value.

22 Operating leases

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

	2014 £'000	2013 £'000
Less than one year	**16,768**	15,865
Between one and five years	**53,569**	46,286
More than five years	**48,015**	51,745
Total commitment under operating leases	**118,352**	113,896

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 an entity outside of the Fidessa group and the rent from this is reflected as other operating income in the consolidated income statement. The sublease expires in 2018.

Company balance sheet

at 31st December 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Investments	4	**65,818**	65,855
Deferred tax assets	5	**20**	92
Total non-current assets		**65,838**	65,947
Current assets			
Trade and other receivables	6	**130**	3,097
Income tax receivable		**2,591**	2,437
Cash and cash equivalents		**49,858**	32,849
Total current assets		**52,579**	38,383
Total assets		**118,417**	104,330
Equity			
Issued capital	8	**3,817**	3,784
Share premium		**31,017**	27,921
Merger reserve	8	**17,938**	17,938
Retained earnings		**50,351**	52,581
Total equity		**103,123**	102,224
Liabilities			
Non-current liabilities			
Other payables	7	**19**	20
Total non-current liabilities		**19**	20
Current liabilities			
Trade and other payables	7	**15,275**	2,086
Total current liabilities		**15,275**	2,086
Total liabilities		**15,294**	2,106
Total equity and liabilities		**118,417**	104,330

The financial statements were approved by the Board of directors on 13th February 2015 and were signed on its behalf by

A Malpass

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 2013		3,715	23,838	17,938	37,185	82,676
Total comprehensive income for the year						
Profit and total comprehensive income for the year		–	–	–	44,216	44,216
Transactions with owners						
Issue of shares – exercise of options	8	69	4,083	–	–	4,152
Employee share incentive charges – Company		–	–	–	60	60
Employee share incentive charges – subsidiaries		–	–	–	2,068	2,068
Current tax recognised direct to equity		–	–	–	216	216
Deferred tax recognised direct to equity		–	–	–	9	9
Purchase of shares by employee share trusts		–	–	–	(749)	(749)
Sale of shares by employee share trusts		–	–	–	51	51
Dividends paid	8	–	–	–	(30,475)	(30,475)
Balances at 1st January 2014		3,784	27,921	17,938	52,581	102,224
Total comprehensive income for the year						
Profit and total comprehensive income for the year		**–**	**–**	**–**	**27,455**	**27,455**
Transactions with owners						
Issue of shares – exercise of options	8	**33**	**3,096**	**–**	**–**	**3,129**
Employee share incentive charges – Company		**–**	**–**	**–**	**(25)**	**(25)**
Employee share incentive charges – subsidiaries		**–**	**–**	**–**	**2,630**	**2,630**
Current tax recognised direct to equity		**–**	**–**	**–**	**7**	**7**
Deferred tax recognised direct to equity		**–**	**–**	**–**	**(57)**	**(57)**
Purchase of shares by employee share trusts		**–**	**–**	**–**	**(1,017)**	**(1,017)**
Sale of shares by employee share trusts		**–**	**–**	**–**	**21**	**21**
Dividends paid	8	**–**	**–**	**–**	**(31,244)**	**(31,244)**
Balances at 31st December 2014		**3,817**	**31,017**	**17,938**	**50,351**	**103,123**

Company 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		**27,480**	44,006
Adjustments for:			
Staff costs – share incentives		**(25)**	60
Dissolution of subsidiary		**37**	–
Finance income		**(69)**	(335)
Cash generated from operations before changes in working capital		**27,423**	43,731
Movement in trade and other receivables		**5,597**	(874)
Movement in trade and other payables		**13,189**	(27,951)
Cash generated from operations		**46,209**	14,906
Income tax (paid)/refunded		**(158)**	1,097
Net cash generated from operating activities		**46,051**	16,003
Cash flows from investing activities			
Interest received on cash and cash equivalents		**69**	335
Net cash generated in investing activities		**69**	335
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	8	**(31,244)**	(30,475)
Net cash used in financing activities		**(29,111)**	(27,021)
Net increase/(decrease) in cash and cash equivalents		**17,009**	(10,683)
Cash and cash equivalents at 1st January		**32,849**	43,532
Cash and cash equivalents at 31st December		**49,858**	32,849

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 13th February 2015.

The directors believe that the Company is well placed to manage its business risks successfully despite the 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

	2014 **£'000**	2013 £'000
Audit of these financial statements	**51**	51
Review of the interim report	**11**	11
Total fees paid to the auditor	**62**	62

Notes to the Company financial statements continued

4 Investments

	2014 £'000	2013 £'000
Investments in subsidiaries at 1st January	**65,855**	65,855
Dissolution of subsidiary	**(37)**	–
Employee share incentive charges – subsidiaries	**2,630**	2,068
Employee share incentive reimbursements – subsidiaries	**(2,630)**	(2,068)
Investments in subsidiaries at 31st December	**65,818**	65,855

The subsidiary undertakings at 31st December 2014, all being engaged in developing and selling computer software and providing associated services, are in the table below. All principally operate in their country of incorporation.

	Country of incorporation	Proportion of ordinary share capital held
Fidessa plc	England and Wales	100%
Fidessa Buy-side Limited	England and Wales	100%
Fidessa software limited	England and Wales	100%
Fidessa investments limited	England and Wales	100%
Fidessa corporation	USA	100%
Fidessa Buy-side Incorporated	USA	100%
Fidessa US corporation	USA	100%
Fidessa Limited	Hong Kong	100%
Fidessa kk	Japan	100%
Fidessa SAS	France	100%
Fidessa Canada corporation	Canada	100%
Fidessa Pte Limited	Singapore	100%
Fidessa Pty Limited	Australia	100%
Fidessa Trading Systems Private Limited	India	100%
Fidessa Soluções Em Software Limitada	Brazil	100%

5 Deferred tax assets

	Balance at 1st January 2014 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2014 £'000
Property, plant and equipment	**1**	**(1)**	**–**	**–**
Employee benefits	**91**	**(14)**	**(57)**	**20**
	92	**(15)**	**(57)**	**20**

	Balance at 1st January 2013 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2013 £'000
Property, plant and equipment	1	–	–	1
Employee benefits	124	(41)	8	91
	125	(41)	8	92

6 Trade and other receivables

	2014 £'000	2013 £'000
Amounts due from subsidiaries	–	2,987
Other receivables	130	110
Total trade and other receivables	130	3,097

7 Trade and other payables

Current liabilities	2014 £'000	2013 £'000
Trade payables	93	118
Amount due to subsidiaries	13,306	–
Accrued expenses	725	562
Other liabilities	5	129
Other taxes and social security	1,146	1,277
Total trade and other payables	15,275	2,086

Non-current liabilities	2014 £'000	2013 £'000
Other liabilities	19	20
Total trade and other payables	19	20

8 Share capital, reserves and dividends

The movements in share capital and reserves are set out in note 16 to the consolidated financial statements. Details of dividends paid and proposed are set out in note 11 to the consolidated financial statements.

9 Share-based payments

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

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

SBP	Granted in 2010
Fair value	1314p to 1413p
Share price at purchase	1438p to 1546p
Expected volatility	30%
Expected life	3 years
Expected dividends per annum	3.0%

Notes to the Company financial statements continued

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

EGRIP	Granted in 2009	Granted in 2010
Fair value	234p	256p
Share price at grant	1154p	1421p
Exercise price	10p	10p
Expected volatility	30%	30%
Expected life	5 years	5 years
Expected dividends per annum	2.2%	3.0%
Risk-free rate of return per annum	2.5%	2.0%

For share awards under the 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:

SIP	Granted in 2012	Granted in 2013	Granted in 2014
Fair value	1330p to 1664p	1587p to 2262p	2089p to 2590p
Share price at grant	1330p to 1664p	1587p to 2262p	2089p to 2590p
Expected volatility	30%	28%	28%
Expected life	3 years	3 years	3 years
Expected dividends per annum	3.8%	4.6%	4.6%

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

Awards under the SBP subsisting at 31st December 2014 were:

Award year	Outstanding at 1st January 2014	Exercised in year	Expired in year	Outstanding at 31st December 2014	Vested at 31st December 2014	Remaining life
2010	1,551	(1,551)	–	–	–	0 years

For SBP awards exercised in 2014 the weighted average share price at the time of exercise was 2478p (2013: 2268p).

Awards under the EGRIP subsisting at 31st December 2014 were:

Grant year	Options at 1st January 2014	Exercised in year	Expired in year	Options at 31st December 2014	Exercise price p	Vested at 31st December 2014	Remaining life
2009	36,000	–	(36,000)	–	10p	–	0 years
2010	30,000	–	–	30,000	10p	–	1 year

For EGRIP options exercised in 2013 the weighted average share price at the time of exercise was 2026p. There were no EGRIP options exercised in 2014.

Matching share awards under the SIP subsisting at 31st December 2014 were:

Award year	Outstanding at 1st January 2014	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2014	Vested at 31st December 2014	Remaining life
2012	273	–	–	–	273	–	1 year
2013	231	–	–	–	231	–	2 years
2014	–	189	–	–	189	–	3 years

Awards under the PSP subsisting at 31st December 2014 were:

Award year	Outstanding at 1st January 2014	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2014	Vested at 31st December 2014	Remaining life
2014	–	15,000	–	–	15,000	–	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 services have been charged at cost and in 2014 totalled £1,571,000 (2013: £1,380,000).

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	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000
3 months or less	**93**	118	**725**	544
3 to 12 months	**–**	–	**–**	18
Carrying value	**93**	118	**725**	562

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.

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:

	2014 £'000	2013 £'000
Less than one year	**4,670**	5,281
Between one and five years	**20,247**	20,769
More than five years	**38,834**	41,938
Total commitment under operating leases	**63,751**	67,988

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 an entity outside of the Fidessa group. The sublease expires in 2018.

Financial calendar

16th February 2015
2014 annual results announced

23rd March 2015
2014 Annual Report and Accounts circulated

29th April 2015
Annual General Meeting

12th June 2015
Final 2014 dividend and special dividend paid

August 2015
2015 interim results announced

September 2015
2015 interim dividend paid

February 2016
2015 annual results announced

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