Fidessa group plc
Preliminary results for the year ended 31st December 2016

13th February 2017

Fidessa reports solid growth and raised dividend

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

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

Highlights for the period ended 31st December 2016:

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

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

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

Moving into 2017, whilst we continue to see structural and regulatory drivers within the market, there is clearly a degree of uncertainty as a result of the Brexit vote and the US election and it is likely to be some time before we have a clear view of how these events will impact our customer base. In Europe, however, we continue to expect that MiFID II will be introduced as planned and that regardless of Brexit, this will include the UK. In the US there are signs that the regulatory environment may be loosened but, whilst early indications are that our customers see this as beneficial, at this stage it is too early to say how this might develop.

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

Overall, we continue to believe that we are well positioned to benefit from the opportunities that will arise in the markets as a result of regulatory and structural change. Furthermore, with over 60% of our revenue derived from outside of Europe, and over 70% in non-sterling currencies, we remain well positioned to benefit from any continued weakness in sterling, providing further support for our strong cash generation and dividend policy. We expect that 2017 constant currency revenue growth will be around the levels that we have seen during 2016, with further headline gains if sterling remains weak."

Commenting on the longer-term outlook, Chris Aspinwall continued:

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

Finance review

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

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

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

Foreign currency exchange rates have been significantly more volatile during 2016 than in 2015. Sterling was 12% weaker against the US dollar and currencies pegged to the US dollar and 20%

weaker against the Japanese yen. This has resulted in an increased variance between headline growth rates and constant currency growth rates. During 2016, 73% of revenue was denominated in foreign currencies, predominantly US dollars which accounted for 57% of revenue in the period.

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

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

The deferred revenue in the balance sheet at the end of the year was £61.8 million and represents 19% of annualised revenue (31st December 2015: £54.6 million and 18% of annualised revenue) with the majority of it expected to be recognised as revenue during the first half of 2017. Consistent with previous years, the accrued revenue balance was minimal.

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

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

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

Following changes in legislation, Fidessa has implemented the research and development expenditure credit regime (RDEC) during the period. As a result, research and development tax credits previously offset against income tax expense are replaced by research and development grants that will be offset against operating expenses. The new treatment was adopted with effect from 1st January 2015 and during 2016, operating expenses have been reduced by grants totalling £1.7 million.

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

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

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

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

The final dividend, if approved by shareholders, will be 28.2 pence and payable on 8th June 2017 to shareholders on the register on 12th May 2017, with an ex-dividend date of 11th May 2017. In addition, a special dividend of 50.0 pence (2015: 45.0 pence) is proposed and, if approved by shareholders, will be paid at the same time as the final dividend and brings total dividends for the year to 92.5 pence, an 11% increase from 83.5 pence in 2015.

Market review

Introduction

2016 was a challenging year for many of Fidessa's customers, with a slowdown in trading activity in the first half being followed by political uncertainty as a result of the Brexit vote and the US election. The continued crisis in the Chinese stock market meant that each region had its individual difficulties, creating a challenging backdrop. However, there were also positive elements within the market which are expected to feed through into 2017. These include the increasing clarity around regulation, improved sentiment amongst the Futures Commission Merchants (FCM) community, who now believe that they may have weathered the worst of the storm, and a view across the market that the new US presidency will herald a significant reduction in regulation and increased freedom within America's financial markets.

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

The investments Fidessa has made to extend the range of asset classes it supports, expand its regional coverage and build out its global infrastructure have positioned it well to help its customers to address the cost of their activities through a robust, multi-asset, service-based delivery platform. Fidessa has seen further customers adopting this approach during 2016 and believes that the value of this core platform, and the importance of Fidessa's multi-asset strategy, will become increasingly clear as the new MiFID II regulations are introduced and firms adapt to the new political landscape. Fidessa also believes that the global nature of its trading platforms means that it is less susceptible to the effects of regional changes such as Brexit and the US election, as trading infrastructure is likely to continue to operate on a cross-border basis.

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

Sell-side trading

During 2016 Fidessa has continued to develop its sell-side business. Fidessa’s customers have seen challenges coming from several different directions, including new regulation and reporting requirements, increased capital requirements and cost pressures within their own customer bases. Additional uncertainly has been added to these challenges as a result of the Brexit vote and the US election. These challenges mean that many firms are continuing to review their business models in order to identify how their businesses need to be shaped to respond to future demand. Fidessa continues to believe that these challenges will create opportunities as firms seek a partner who can provide the applications they need for the future, integrated with the complex trading infrastructure they need, as a cost-effective service. This enables them to deal with the upcoming regulatory challenges and focus on the unique elements of their business model, whilst keeping a tight control on costs.

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

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

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

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

Fidessa has continued to make good progress with deliveries of its derivatives platform during 2016, although as mentioned in previous results announcements, growth during 2016, and particularly the second half, was suppressed by the headwind resulting from the 2015 closure of the Jefferies Group's Bache futures unit. During 2016 there has continued to be considerable pressure on FCMs, but despite this Fidessa has seen continued demand for exchange-based derivatives trading, with deliveries in 2016 including a new platform for BNP Paribas. This platform will support the bank's futures and options agency trading operations for listed derivatives across Europe, Asia-Pacific and North America. Delivering order management, global order handover capabilities and execution across all the major derivatives markets around the world, Fidessa's platform will also provide BNP Paribas with specialised derivatives algorithms and advanced synthetic order types to normalise trading across markets. Fully-integrated risk functionality will manage BNP Paribas' client limits on a global basis. Fidessa is also seeing demand for platforms to support electronic execution of exchange-based derivatives, and this is illustrated by the deal with ABN which includes significant elements of derivatives functionality. Fidessa continues to broaden into further parts of the derivatives market by providing platforms for Commodity Trading Firms (CTFs) with another deal signed in this area during 2016. The pressure within the FCM market has made it a challenging area in which to deliver rapid progress; however, research published by the Tabb Group in Q4 '16 indicates that the FCM community now believe they have weathered the worst of the storm, and that the tide of the business will rise over time. This is expected to make market conditions more favourable, and Fidessa is already seeing some evidence of this within its current pipeline. The level of investment Fidessa is making in its derivatives platform has started to normalise as it achieves scale, and Fidessa's derivatives business remains on track to make a positive contribution to Fidessa's overall profitability within two years. In addition to being a valuable business in its own right, the derivatives business is also providing Fidessa with a natural entry point into further asset classes within the sell-side.

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

Buy-side trading

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

Compliance has always been a key part of Fidessa's offering to the buy-side, and Sentinel has historically been primarily seen as a leading portfolio compliance solution. However, in 2015 Sentinel's reach was significantly extended to provide trading compliance. The first customers for this went live during 2016, and this differentiating feature was also key in securing further new business. The active compliance features of Sentinel have now been further extended, adding counterparty exposure and more sophisticated algorithms within the transactional checks across mandates. This enables asset managers to evaluate gains and losses on distinct time horizons and establish controls that trigger notifications, or even suspend trading, if results are out of normal tolerance.

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

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

Fidessa's Investment Management System (IMS) provides buy-side firms with a global, consistent, integrated workflow across all asset classes and geographic regions, whilst at the same time delivering powerful functionality to allow them to maximise returns and enforce controls. This allows the firms to pursue the twin goals of best execution and maximum efficiency, so they can take advantage of new opportunities while demonstrating tight operational controls. During 2016, Fidessa has continued to expand the capabilities of its IMS. The new Portfolio Studio provides customers with next generation investment decision making functionality fully integrated with Microsoft Excel. Enhanced order handling capabilities have been delivered across futures, options and swaps, as well as comprehensive support for complex interest rate products. Fidessa has also been working with Neptune, an open standards network utility for pre-trade indications in bond markets. This will improve information dissemination among market participants and aid in the search for liquidity in this increasingly fragmented market.

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

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

Partnership Programme in 2016, and its commission management solution enables firms to transform their processing of Commission Sharing Agreements by providing reconciliation, invoice management, broker voting, commission management and reporting. Integrating this into Fidessa's post-trade workflow allows buy-side firms to more easily meet these new regulatory requirements, and leveraging Fidessa's distribution in this way enables the process to be implemented in a very cost effective and seamless manner.

Regulation

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

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

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

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

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

At the end of 2015 a proposal to move forward with Regulation Automated Trading (RegAT) was unanimously approved by the Commodity Futures Trading Commission (CFTC). Work on the definition of RegAT continued during 2016, but the regulation was not finalised before the US election as originally planned, and the comment period has now been extended to 1st May 2017. With the new US administration indicating a preference towards deregulation, there is now some uncertainty as to whether RegAT in its current form will continue. The new administration has also indicated a desire to make significant structural alterations to the Wall Street Reform and Consumer

Protection Act of 2010 (the "Dodd-Frank Act"), and has indicated that it will be introducing detailed cost benefit analysis of any new proposed rules. As a result, Fidessa believes that in the short term, there may be a pause in regulatory drivers within the US market, although Fidessa may benefit from improved customer sentiment if growth opportunities are boosted. Fidessa also expects that despite any hiatus with regard to US regulation, most large firms will continue to look for best practice when managing their global risk and workflow.

Outlook

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

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

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

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Consolidated income statement

for the year ended 31st December 2016

	Note	**2016**	2015
		£'000	£'000
Revenue	2	**331,935**	295,479
Operating expenses	3	**(283,919)**	(257,081)
Other operating income		**454**	367
Operating profit		**48,470**	38,765
Finance income		**350**	320
Profit before income tax		**48,820**	39,085
Total income tax expense	5	**(13,066)**	(9,563)
Profit for the year attributable to owners		**35,754**	29,522
Basic earnings per share	6	**93.5p**	77.6p
Diluted earnings per share	6	**92.3p**	76.5p

Consolidated statement of comprehensive income

for the year ended 31st December 2016

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

Consolidated balance sheet

at 31st December 2016

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

Consolidated statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balances at 1st January 2015		3,817	31,017	17,938	980	97,747	151,499
Total comprehensive income for the year							
Profit for the year		-	-	-	-	29,522	29,522
Other comprehensive income		-	-	-	1,485	-	1,485
		-	-	-	1,485	29,522	31,007
Transactions with owners							
Issue of shares – exercise of options		10	808	-	-	-	818
Employee share incentive charges	3	-	-	-	-	2,744	2,744
Current tax recognised direct to equity		-	-	-	-	249	249
Deferred tax recognised direct to equity		-	-	-	-	(598)	(598)
Purchase of shares by employee share trusts		-	-	-	-	(630)	(630)
Sale of shares by employee share trusts		-	-	-	-	16	16
Dividends paid	7	-	-	-	-	(31,655)	(31,655)
Balances at 1st January 2016		3,827	31,825	17,938	2,465	97,395	153,450
Total comprehensive income for the year							
Profit for the year		**-**	**-**	**-**	**-**	**35,754**	**35,754**
Other comprehensive income		**-**	**-**	**-**	**4,778**	**-**	**4,778**
		-	**-**	**-**	**4,778**	**35,754**	**40,532**
Transactions with owners							
Issue of shares – exercise of options		**31**	**2,328**	**-**	**-**	**-**	**2,359**
Employee share incentive charges	3	**-**	**-**	**-**	**-**	**1,740**	**1,740**
Current tax recognised direct to equity		**-**	**-**	**-**	**-**	**695**	**695**
Deferred tax recognised direct to equity		**-**	**-**	**-**	**-**	**(194)**	**(194)**
Purchase of shares by employee share trusts		**-**	**-**	**-**	**-**	**(1,012)**	**(1,012)**
Dividends paid	7	**-**	**-**	**-**	**-**	**(32,493)**	**(32,493)**
Balances at 31st December 2016		**3,858**	**34,153**	**17,938**	**7,243**	**101,885**	**165,077**

Consolidated cash flow statement

for the year ended 31st December 2016

	Note	**2016**	2015
		£'000	£'000
Cash flows from operating activities			
Profit before income tax for the year		**48,820**	39,085
Adjustments for:			
Staff costs – share incentives	3	**1,740**	2,744
Depreciation of property, plant and equipment	3	**12,085**	10,732
Amortisation of product development	3	**27,477**	27,844
Research and development expenditure grant	3	**(1,650)**	-
Amortisation of acquired intangibles	3	**730**	730
Amortisation of other intangible assets	3	**219**	283
Profit on sale of property, plant and equipment	3	**(48)**	(5)
Finance income		**(350)**	(320)
Cash generated from operations before changes in working capital		**89,023**	81,093
Movement in trade and other receivables		**(10,842)**	(6,627)
Movement in trade and other payables		**14,250**	5,889
Cash generated from operations		**92,431**	80,355
Income tax paid		**(12,065)**	(4,895)
Net cash generated from operating activities		**80,366**	75,460
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,948)**	(13,290)
Proceeds from sale of property, plant and equipment		**94**	57
Purchase of other intangible assets		**(157)**	(269)
Product development capitalised		**(30,424)**	(30,305)
Interest received on cash and cash equivalents		**350**	320
Net cash used in investing activities		**(37,085)**	(43,487)
Cash flows from financing activities			
Proceeds from shares issued		**2,359**	818
Purchase of shares by employee share trusts		**(1,012)**	(630)
Proceeds from sale of shares by employee share trusts		**-**	16
Dividends paid	7	**(32,493)**	(31,655)
Net cash used in financing activities		**(31,146)**	(31,451)
Net increase in cash and cash equivalents		**12,135**	522
Cash and cash equivalents at 1st January		**78,314**	76,756
Effect of exchange rate fluctuations on cash held		**4,703**	1,036
Cash and cash equivalents at 31st December		**95,152**	78,314

Notes to the consolidated financial statements

1 Preparation of the preliminary announcement

The preliminary results announcement for the year ended 31st December 2016 has been prepared by the directors based upon the results and position which are reflected in the statutory accounts. The statutory accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (Adopted IFRS).

The financial information for the years to 31st December 2016 and 2015 does not constitute statutory accounts and has been extracted from the Company's consolidated accounts for the year to 31st December 2016.

Statutory accounts for 2015 have been delivered to the Registrar of Companies, and those for 2016 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; its report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

2 Segment reporting

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

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

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

For the year ended 31st December 2016	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	**269,211**	**18,594**	**287,805**
Non-recurring revenue	**39,649**	**4,481**	**44,130**
Total revenue from customers	**308,860**	**23,075**	**331,935**
Inter-business unit revenue	**-**	**6,282**	**6,282**
Operating profit as monitored by the Operating Board	**39,588**	**5,015**	**44,603**
Amortisation of acquired intangibles			**(730)**
Product development capitalised			**30,424**
Product development amortised			**(27,477)**
Research and development expenditure credit			**1,650**
Operating profit			**48,470**
Finance income			**350**
Profit before income tax			**48,820**

For the year ended 31st December 2015	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	235,779	16,752	252,531
Non-recurring revenue	37,810	5,138	42,948
Total revenue from customers	273,589	21,890	295,479
Inter-business unit revenue	-	6,576	6,576
Operating profit as monitored by the Operating Board	33,707	3,327	37,034
Amortisation of acquired intangibles			(730)
Product development capitalised			30,305
Product development amortised			(27,844)
Operating profit			38,765
Finance income			320
Profit before income tax			39,085

Other segmental disclosures:

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

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

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

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

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

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

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

3 **Operating expenses**

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

4 **Staff numbers**

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

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

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

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

5 **Income tax expense**

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

Reconciliation of the effective tax rate:

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

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

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

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

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

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

The UK corporation tax rate will reduce to 19% with effect from 1st April 2017 and to 17% with effect from 1st April 2020.

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

6 **Earnings per share**

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

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

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

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

7 **Dividends paid and proposed**

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

The directors propose a final dividend of 28.2 pence per share, amounting to an expected final dividend payment of £10,881,000 and a special dividend of 50.0 pence per share, amounting to an expected special dividend payment of £19,292,000. These will be payable on 8th June 2017 to shareholders on the register at the close of business on 12th May 2017, with an ex-dividend date of 11th May 2017. These dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

8 Trade and other receivables

Current assets	**2016**	2015
	£'000	£'000
Trade receivables	**66,747**	60,711
Prepayments	**10,698**	8,892
Accrued revenue	**1,573**	1,328
Other receivables – RDEC (note 5)	**3,056**	-
Other receivables	**1,058**	954
Total trade and other receivables	**83,132**	71,885

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

9 Trade and other payables

Current liabilities	**2016**	2015
	£'000	£'000
Trade payables	**6,814**	4,615
Accrued expenses	**34,532**	29,766
Other liabilities	**3,518**	2,436
Deferred revenue	**61,812**	54,646
Deferred income – RDEC (note 5)	**1,878**	-
Other taxes and social security	**4,615**	4,911
Total current trade and other payables	**113,169**	96,374

Non-current liabilities	**2016**	2015
	£'000	£'000
Accrued expenses	**1,260**	698
Deferred income – RDEC (note 5)	**2,336**	-
Other liabilities – operating lease incentives	**6,961**	7,788
Total non-current trade and other payables	**10,557**	8,486