Fidessa group plc

Preliminary results for the year ended 31st December 2017

19th February 2018

Fidessa reports solid performance in transforming markets

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

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

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

Highlights for the period ended 31st December 2017:

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

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

"2017 has been an important year for the financial markets as they prepared for the new MiFID II regulations which are finally coming into force after many years of discussion and debate. This change is likely to result in a significant transformation to the way in which financial markets operate, with requirements for increased transparency and efficiency creating greater need for automation of global workflow and much tighter integration across a range of technologies. Fidessa has worked hard during 2017 to position itself to benefit from these changes. This is reflected in a solid financial performance for 2017 as a whole with a strong and developing pipeline, combined with increasing capacity as we move into 2018/19. This increased capacity results from a gradual reduction in the amount of work required to support regulatory changes and also the improved contribution of Fidessa's derivatives business. We will adopt the new IFRS15 accounting standard in 2018 and expect it will have less than a 1% impact on reported revenue for 2018. Overall, we expect to see similar levels of constant currency growth in 2018 to those seen during 2017. For 2019, the increased capacity is expected to result in a greater ability to invest in further opportunities as the markets develop, or if the right opportunities are not clear, deliver an increase in margin."

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

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

Finance review

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

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

Revenue for the sell-side business of £330.2 million grew 7% (2016: £308.8 million and 13% growth). Within the sell-side business, equities revenue of £286.1 million grew 7% (2016: £267.5 million) and derivatives revenue of £44.1 million grew 7% (2016: £41.3 million) and for the buy-side business, revenue of £23.7 million grew 3% (2016: £23.1 million and 5% growth). Derivatives revenue represents 12% of total revenue (2016:12%) and also accounts for 12% of recurring revenue.

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

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

On a regional basis, 66% of total revenue was accounted for outside of Europe. The Americas grew 11% on a reported basis and 5% on a constant currency basis and continues to be the largest region, accounting for 45% of total revenue. Asia grew 7% on a reported basis and 2% on a constant currency basis and accounted for 21% of total revenue. Europe grew 1% on a reported basis, was flat on a constant currency basis and accounted for 34% of total revenue. The currency tailwind in Europe reflects that over 25% of revenue for the region is denominated in currencies other than sterling.

The deferred revenue in the balance sheet at the end of the year was £57.1 million and represents 16% of current year revenue (2016: £61.8 million and 19% of revenue) with the majority of it expected to be recognised as revenue during the first half of 2018. The reduction in deferred revenue primarily reflects movements in the balance sheet currency exchange rates. Consistent with previous years, the accrued revenue balance was minimal.

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

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

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

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

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

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

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

Looking further ahead to 2019, the gradual reduction in the amount of work required to support regulatory changes and the anticipated improved contribution from the derivatives business is expected to increase

Fidessa's ability to invest in further opportunities as the markets develop. If the right opportunities are not clear Fidessa expects that margin would further increase in 2019.

The US Tax Cuts and Jobs Act was enacted on 22nd December 2017, reducing the statutory rate of US federal corporate income tax from 35% to 21% with effect from 1st January 2018. The immediate impact in 2017 was a downward revaluation of US deferred tax assets of £1.7 million as a result of the reduced tax rate. Excluding this revaluation, the effective rate of tax for 2017 of 28.6% would reduce to 25.2% (2016: 26.8%). Fidessa expects the US Tax Cuts and Jobs Act to be the primary driver of a reduced effective rate of tax of approximately 23% for 2018.

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

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

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

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

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

The final dividend, if approved by shareholders, will be 29.7 pence and payable on 7th June 2018 to shareholders on the register on 11th May 2018, with an ex-dividend date of 10th May 2018. In addition, a special dividend of 50.0 pence (2016: 50.0 pence) is proposed and, if approved by shareholders, will be paid at the same time as the final dividend and bring total dividends for the year to 95.0 pence, a 3% increase from 92.5 pence in 2016.

Market review

Introduction

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

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

Whilst MiFID II is a European initiative, the demands for greater transparency and accountability through better reporting and performance measurement are increasingly global themes. One of the key principles is the separation of research payments from trading commissions and a focus on best execution that now extends to the buy-side for the first time. As a result, there is increased demand across all the regions for automation and workflow products that provide greater control and visibility, including metrics that allow firms to prove how well they have performed. The best execution regime that applies to cash equities is also starting to apply to other asset classes, including derivatives, which is fuelling the requirement for equity-like algos and analytical tools that enable derivatives traders to both improve and demonstrate their execution capabilities.

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

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

Fidessa has continued to develop its global infrastructure to ensure that it meets the stringent performance, cyber security and regulatory requirements of the industry. As well as powering the majority of Fidessa’s trading applications, this infrastructure acts as a network for customers that wish to distribute algos or other pieces of discrete functionality within the financial community. Looking ahead Fidessa believes this distribution network can be leveraged by other third parties looking to sell into the capital markets space.

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

Sell-side trading

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

Electronic execution continues to be an active area with many firms searching for a new approach. Buy-side firms are now under much stricter requirements to measure execution outcomes and this results in these firms automating more of their order flow. As a result, Fidessa has seen increased requirements across sell-side firms for globally consistent yet very fast market access. In addition, a generic management capability is required to operate and, just as importantly, measure in-house and third party developed algos. Fidessa’s approach has been to meet these needs whilst allowing its customers to share common infrastructure with their other higher touch business lines. This provides operational efficiency and also allows orders to “change lanes” between high and low touch so as to achieve the best possible execution outcomes. Fidessa has continued to sign further deals and deploy this platform at a number of sell-side firms in the US, Asia and Europe.

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

For the large number of specialist brokers who do not have the scale of the tier 1 firms, the challenge is to demonstrate their relevance in the new trading landscape. Fidessa has helped these firms through the continued roll-out of its advanced order handling tools such as the Order Performance Monitor (OPM) and Prospector. Fidessa has also developed the Block Shadow suite of algos that enable customers to trade concurrently across the new Large in Scale (LIS) dark pools that have emerged. In developing this functionality, Fidessa has worked with a number of innovative specialist brokers who have moved quickly to take advantage of the changed landscape.

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

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

Despite the significant gains on many stock markets, levels of volatility remained unusually subdued in 2017, with the Cboe Volatility Index (VIX) reaching a record low in July. This negatively affected the level of derivatives trading around the world. The derivatives industry also faced further regulatory uncertainty as European regulators delayed the introduction of Open Access which will allow greater competition between trading venues. Despite these challenges, Fidessa continued to make good progress with its derivatives programme, signing 10 new deals during 2017. These deals were focussed amongst smaller regional brokers and demonstrate that the benefits of workflow automation are now being felt across all tiers of the industry. Furthermore, the growing deployment of Fidessa's platform means that its derivatives business remains on track to make a positive contribution to Fidessa's overall profitability on a run-rate basis by the end of 2018.

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

In Asia, Fidessa has continued to deliver solid growth helped by a robust performance from Japan. New deals have included the signing of a derivatives platform as well as two additional Chinese brokers looking to operate their international business out of Hong Kong. With 14 Chinese brokers now using the platform in this way, Fidessa has a strong position in this market providing it with the opportunity to develop its relations into mainland China in the future. The Chinese market continues to open up slowly for international business, as illustrated by the record northbound and southbound flows through the Shanghai and Shenzhen Stock Connect links to Hong Kong, and the inclusion of Chinese stocks in the MSCI index during the year. Fidessa has also focussed on meeting the growing customer and regulatory demands across the region surrounding electronic flow. This is helping the market to understand the benefits of using true workflow automation for their electronic flow rather than more piecemeal approaches, and has resulted in a large Chinese broker signing for this service during 2017.

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

Buy-side trading

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

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

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

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

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

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

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

Regulation

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

In Europe, Fidessa has worked closely with its customers to deliver an extensive MiFID II upgrade programme. The programme provided enhanced controls, increased transparency, regulatory order and trade data, compliance monitoring and SI quoting capabilities. Fidessa believes that the introduction of MiFID II is a landmark event for the financial markets and the impact is already being seen as trading shifts from the Over the Counter (OTC) market to more transparent platforms including some of the new block trading venues or routing through to SIs. Whilst the regulation went live as planned on 3rd January 2018, there are still some significant elements that have either not gone live or are not currently being enforced. These include SI registration, the implementation of dark pool caps, currently delayed until March, and Open Access for derivatives trading, currently delayed until the middle of 2020. Fidessa expects that, as a result, the MiFID II programme will have a long tail and that additional elements will continue to be required well into 2018. This is expected to provide further opportunities for Fidessa to deploy new services to assist its customers in meeting their MiFID II obligations over this period.

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

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

Outlook

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

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

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

Enquiries:

Chris Aspinwall, Chief Executive	Ed Bridges, FTI Consulting
Andy Skelton, Chief Financial Officer	
www.fidessa.com	
Tel: +44 (0) 20 7105 1000	Tel: +44 (0) 20 3727 1000
Email: eu.info@fidessa.com	

Consolidated income statement

for the year ended 31st December 2017

	Note	**2017** **£'000**	2016 £'000
Revenue	3	**353,921**	331,935
Operating expenses	4	**(305,088)**	(283,919)
Other operating income		**775**	454
Operating profit		**49,608**	48,470
Finance income		**357**	350
Profit before income tax		**49,965**	48,820
Total income tax expense	6	**(14,282)**	(13,066)
Profit for the year attributable to owners		**35,683**	35,754
Basic earnings per share	7	**92.9p**	93.5p
Diluted earnings per share	7	**91.7p**	92.3p

Consolidated statement of comprehensive income

for the year ended 31st December 2017

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

Consolidated balance sheet

at 31st December 2017

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

Consolidated statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balances at 1st January 2016		3,827	31,825	17,938	2,465	97,395	153,450
Total comprehensive income for the year							
Profit for the year		-	-	-	-	35,754	35,754
Other comprehensive income		-	-	-	4,778	-	4,778
		-	-	-	4,778	35,754	40,532
Transactions with owners							
Issue of shares – exercise of options		31	2,328	-	-	-	2,359
Employee share incentive charges	4	-	-	-	-	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	8	-	-	-	-	(32,493)	(32,493)
Balances at 1st January 2017		3,858	34,153	17,938	7,243	101,885	165,077
Total comprehensive income for the year							
Profit for the year		**-**	**-**	**-**	**-**	**35,683**	**35,683**
Other comprehensive income		**-**	**-**	**-**	**(1,729)**	**-**	**(1,729)**
		-	**-**	**-**	**(1,729)**	**35,683**	**33,954**
Transactions with owners							
Issue of shares – exercise of options		**14**	**1,113**	**-**	**-**	**-**	**1,127**
Employee share incentive charges	4	**-**	**-**	**-**	**-**	**3,246**	**3,246**
Current tax recognised direct to equity		**-**	**-**	**-**	**-**	**204**	**204**
Deferred tax recognised direct to equity		**-**	**-**	**-**	**-**	**(47)**	**(47)**
Purchase of shares by employee share trusts		**-**	**-**	**-**	**-**	**(822)**	**(822)**
Dividends paid	8	**-**	**-**	**-**	**-**	**(35,994)**	**(35,994)**
Balances at 31st December 2017		**3,872**	**35,266**	**17,938**	**5,514**	**104,155**	**166,745**

Consolidated cash flow statement

for the year ended 31st December 2017

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

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

Notes to the consolidated financial statements

1 **Basis of preparation**

The preliminary results announcement for the year ended 31st December 2017 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 the Internation Finance Reporting Standards as adopted by the European Union (Adopted IFRS).

The financial information for the years to 31st December 2017 and 2016 does not constitute statutory accounts and has been extracted from the Company's consolidated accounts for the year to 31st December 2017.

Statutory accounts for 2016 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.

(i) Key foreign exchange rates

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

Currency	2017		2016		% change	
	Closing	Average	Closing	Average	Closing	Average
United States dollar	1.35	1.30	1.24	1.37	-9%	5%
Japanese yen	152.39	145.53	144.12	149.74	-6%	3%

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

2 **Implementation of IFRS15 'Revenue from contracts with customers'**

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

Accounting for revenue

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

Deployment revenue

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

Accounting for costs

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

Balance sheet

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

Key judgements:

Rental licences and upgrades

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

Principal vs agent for data and connectivity

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

Term for recognition of implementation revenue and fulfilment costs

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

3 Segment reporting

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

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

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

For the year ended 31st December 2017	Sell-side	Buy-side	Total
	£'000	£'000	£'000
Recurring revenue	**293,015**	**19,252**	**312,267**
Non-recurring revenue	**37,239**	**4,415**	**41,654**
Total revenue from customers	**330,254**	**23,667**	**353,921**
Inter-business unit revenue	**-**	**6,053**	**6,053**
Operating profit as monitored by the Operating Board	**37,557**	**4,837**	**42,394**
Amortisation of acquired intangibles			**(243)**
Product development capitalised			**33,045**
Product development amortised			**(28,143)**
Research and development expenditure credit			**2,555**
Operating profit			**49,608**
Finance income			**357**
Profit before income tax			**49,965**

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

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

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 credit			1,650
Operating profit			48,470
Finance income			350
Profit before income tax			48,820

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

Profit before income tax	48,820
Property lease provisions	710
Adjusted profit before income tax	49,530

Other segmental disclosures:

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

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

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

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

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

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

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

4 **Operating expenses**

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

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

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

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

5 Staff numbers

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

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

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

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

6 Income tax expense

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

Reconciliation of the effective tax rate:

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

The UK corporation tax rate for the year was 19.25% (2016: 20%).

The effective tax rate is higher than the UK's headline tax rate due to the geographic mix of countries in which Fidessa operates. Several of these countries have headline tax rates that are greater than that in the UK, the two resulting in the greatest variance for Fidessa being the US and Japan.

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

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

The primary influences on Fidessa's effective tax rate are changes in headline tax rates and tax disallowances or incentives in the countries operated in. This is reflected by the correlation between Fidessa's effective tax rate and the UK headline tax rate since 2010. Excluding the reduction in the value of the US deferred tax assets in 2017, the effective tax rate has decreased from 30.1% in 2010 to 25.2% in 2017, and in the same period the UK headline tax rate has fallen from 28.0% to 19.25%. These are expected to continue to be the primary influences on the effective tax rate into the future.

Fidessa continues to recognise certain provisions and accruals in respect of tax which involve a degree of estimation and uncertainty, including those related to transfer pricing, when the tax treatment cannot finally be determined until accepted by the relevant tax authority. Adjustments relating to prior year provisions and accruals arise from the resolution of specific uncertainties and the remaining risks are appropriately reflected in the recognised provisions and accruals.

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

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

7 Earnings per share

Earnings per share have been calculated by dividing profit attributable to owners by the weighted average number of shares in issue during the year, details of which are below. The diluted earnings per share have been calculated using an average share price of 2368p (2016: 2299p) for the year.

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

	2017	2016
	Number '000	Number '000
Weighted average number of shares in issue	**38,652**	38,455
Weighted average number of shares held by employee share trusts	**(250)**	(220)
Number of shares used to calculate basic and adjusted basic earnings per share	**38,402**	38,235
Dilution due to share incentives	**507**	519
Number of shares used to calculate diluted and adjusted diluted earnings per share	**38,909**	38,754

	2017	2016
	Pence	Pence
Basic earnings per share	**92.9p**	93.5p
Diluted earnings per share	**91.7p**	92.3p
Adjusted basic earnings per share	**105.3p**	95.0p
Adjusted diluted earnings per share	**103.9p**	93.7p

8 Dividends paid and proposed

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

The directors propose a final dividend of 29.7 pence per share, amounting to an expected final dividend payment of £11,450,000 and a special dividend of 50.0 pence per share, amounting to an expected special dividend payment of £19,276,000. These will be payable on 7th June 2018 to shareholders on the register at the close of business on 11th May 2018, with an ex-dividend date of 10th May 2018. These dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

9 Trade and other receivables

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

Non-current assets	**2017**	2016
	£'000	£'000
Other receivables – deposits	**1,936**	2,000

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

10 Trade and other payables

Current liabilities	**2017 £'000**	2016 £'000
Trade payables	**7,638**	6,814
Accrued expenses	**44,782**	34,532
Other liabilities	**3,322**	3,518
Deferred revenue	**57,054**	61,812
Deferred income – RDEC (note 6)	**2,645**	1,878
Other taxes and social security	**4,908**	4,615
Total current trade and other payables	**120,349**	113,169

Non-current liabilities	**2017 £'000**	2016 £'000
Accrued expenses	**523**	1,260
Deferred income – RDEC (note 6)	**3,077**	2,336
Other liabilities – operating lease incentives	**8,225**	6,961
Total non-current trade and other payables	**11,825**	10,557

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

11 Provisions

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

	2017 £'000	2016 £'000
Current liabilities	**1,338**	1,309
Non-current liabilities	**2,993**	2,078
Total provisions	**4,331**	3,387

The property provision brought forward and arising in the year is in respect of office space surplus to Fidessa's short-term requirements, after taking into account any sub-tenant arrangements, plus dilapidation provisions for properties currently in use. Arising during the year includes £1,774,000 (2016: £710,000) of property lease provisions for surplus office space. Other provisions include a number of employee and legal related amounts. Both property and other provisions are expected to be utilised in one to eight years.