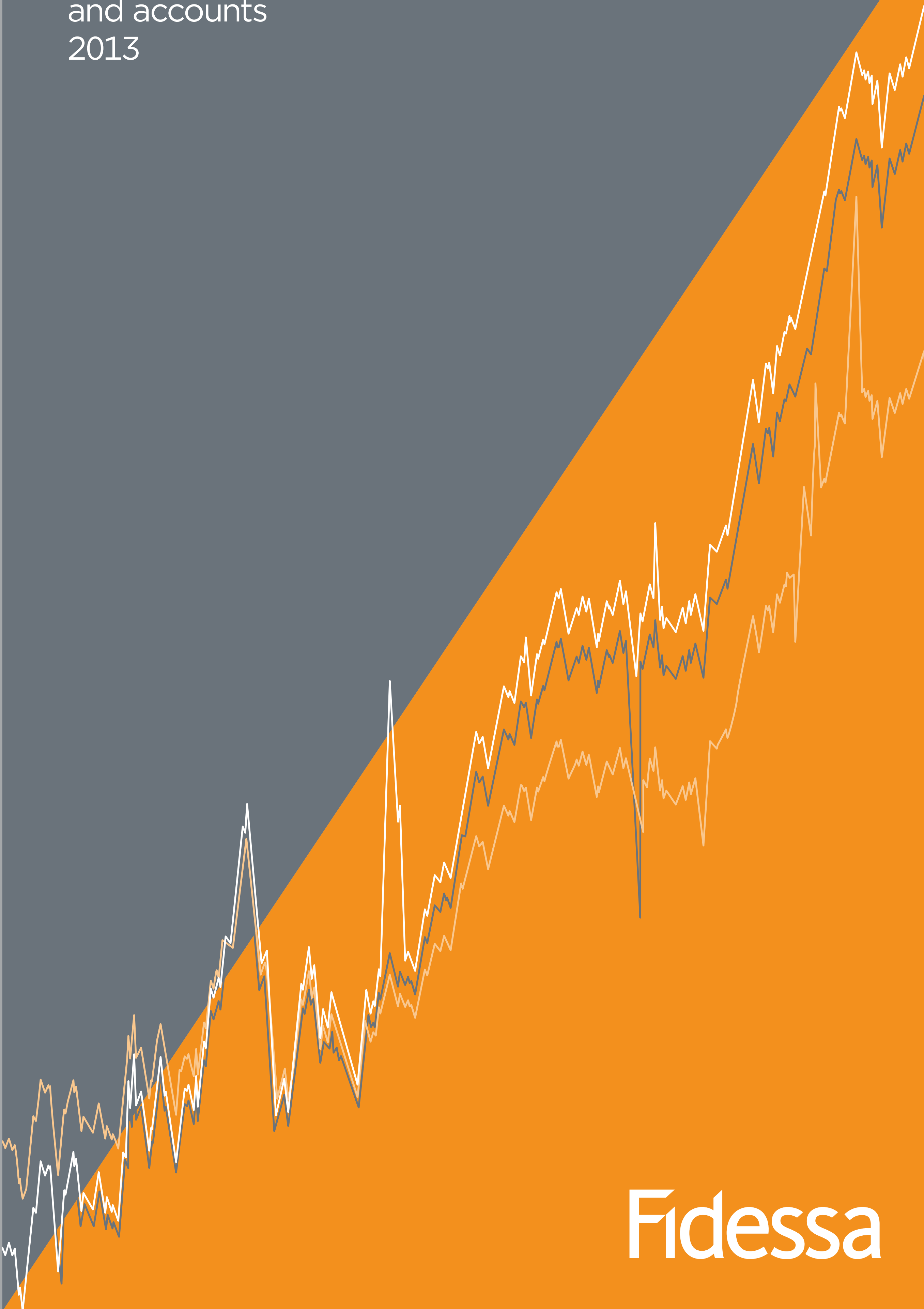
Annual report and accounts 2013



Fidessa

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

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

It's also why $12 trillion worth of transactions flow across our global network each year. Because we're a market leader, we can also offer access to one of the world's largest and most valuable trading communities of buy-side and sell-side professionals, from global institutions and investment banks to boutique brokers and niche hedge funds.

Fidessa is a global business with scale, resilience, ambition and expertise. We've delivered around 25% compound growth since our stock market listing in 1997 and we're recognised as a thought leader in our space. Ongoing investment in our suite of mission-critical products and services ensures Fidessa always continues to serve the ever-evolving needs of both the buy-side and sell-side communities.

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

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Results at a glance

Highlights for the year ended 31st December 2013

- Improving conditions in all customer markets.
- Multi-asset revenue more than doubled as derivatives programme bears fruit.
- Good base of new derivatives signings including two large banks.
- Increased interest in service-based solutions on both the buy-side and the sell-side.
- Good international spread, with 57% of total revenue now accounted for outside of Europe.
- Growth in recurring revenues, now accounting for 85% of total revenues.
- Normal strong cash generation, with £73.0 million cash balance after dividend payments of £30.5 million.

	2013	2012	Change	At constant currencies
Revenue	**£279.0m**	£278.6m	0%	+1%
Adjusted operating profit[1]	**£41.6m**	£42.4m	-2%	-1%
Operating profit	**£42.9m**	£41.7m	+3%	
Adjusted pre-tax profit[1]	**£41.8m**	£42.7m	-2%	
Pre-tax profit	**£43.1m**	£42.0m	+3%	
Adjusted diluted earnings per share[1]	**81.8p**	82.4p	-1%	
Diluted earnings per share	**83.5p**	80.9p	+3%	
Annual dividend per share	**37.0p**	37.0p	0%	
Special dividend per share	**45.0p**	45.0p	0%	
Cash	**£73.0m**	£72.1m	+1%	

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

Strategic report continued

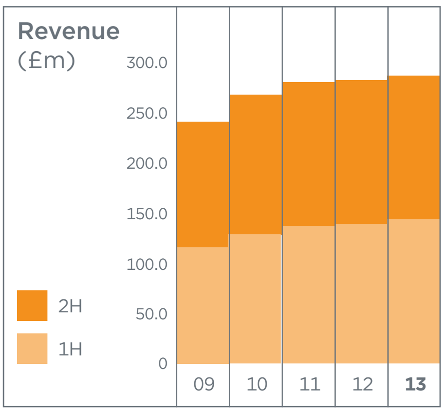
We will continue to play an important role as customers focus on efficiency, transparency, compliance and performance.

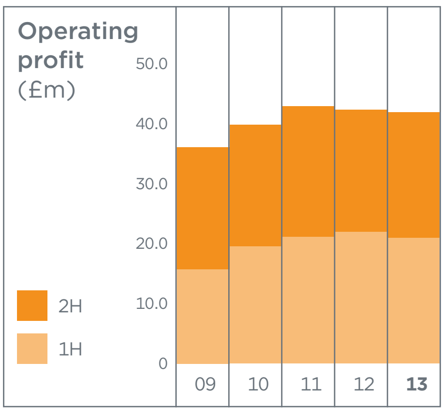
Overview

2013 has seen the first real improvement in the trading conditions faced by our customers since the start of the financial crisis over five years ago. As reported with the interim results, and consistent with the duration and depth of the downturn, this improvement has been somewhat uneven and means that many of our customers are still not able to make investment decisions with confidence. As a result, during 2013 we continued to see some attrition and price pressure although this was at a lower level than that seen during the previous year. Despite this pressure, we have sustained and increased our investment programme, expanding our capabilities across asset classes, services and regions, and continued to win new business. Our success in taking market share has allowed us to grow our important recurring revenues whilst our customers' tight focus on managing discretionary spending has meant that we have seen a reduction in consultancy revenue. As predicted in the interim results, the increase in our investment programme, particularly around our derivatives initiative as we build out our functional offering and roll out our first global platforms, has had a small impact on margin.

Coming into 2014, we are seeing continued improvement across the markets in which we operate and this is reflected in our current deal pipeline. As this improvement starts to take effect, it should gradually result in a reduction in the headwinds we face, allowing the growth we are generating through sales of our derivatives platforms, our service-based platforms and our regional expansion to flow through into overall revenue growth rather than being masked by the decline in equities. Whilst we expect to see a positive effect from this in 2014, our recurring revenue model has the effect that some of the impact from the attrition in 2013 will flow through into 2014, and this means that we expect modest constant currency growth in 2014.

Looking further ahead, we believe that as stability and opportunity return to the markets, the headwind reduction,





We are seeing continued improvement across the markets in which we operate.

coupled with further openings as our multi-asset initiative gains momentum, will enable us to return to growth levels closer to those we have seen in the past. We remain excited by the potential of our service-based offerings across all asset classes and segments of our market and believe that we will continue to play an important role as customers focus on efficiency, transparency, compliance and performance.

Finance review

In 2013, Fidessa achieved revenue of £279.0 million, fractionally ahead of that delivered in the prior year (2012: £278.6 million). Underlying the flat revenue was continued impact from the difficult conditions in the equity markets which impacted consultancy and this offset the growth achieved in recurring revenue. The revenue generated from derivatives has more than doubled and represented almost 5% of total revenue for the year. Further strong growth is expected in the derivatives revenue in 2014. The recurring revenue from derivatives solutions has also shown strong growth, having more than doubled in the year, and represented almost 4% of recurring revenue.

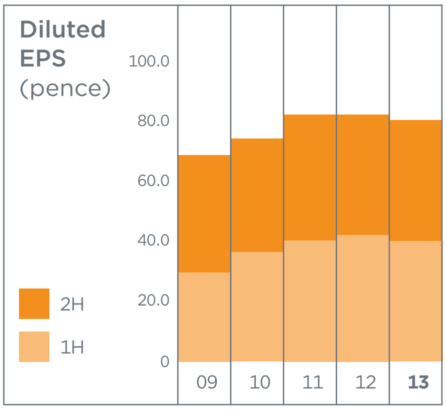
The consolidation, restructuring and closures across the customer base continued, and the direct effect of these events was a reduction in revenue of 5% (2012: 7%). From what is currently known, this turbulence will have a continued impact in the current year although it is hoped that the steadily improving market conditions will result in a slightly lesser level than that seen in 2013.

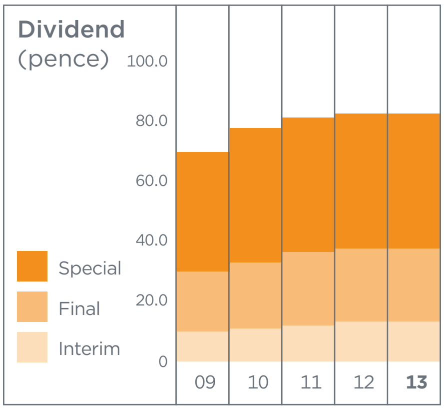
Recurring revenue increased by 2% and represented 85% of total revenue, being £238.5 million (2012: £233.6 million). Sell-side recurring revenue has increased by 2% to £220.7 million (2012: £216.6 million) whilst from the buy-side recurring revenue has increased by 5% to £17.9 million (2012: £17.1 million). Consultancy revenue continued to be impacted by the difficult market conditions and non-recurring revenue decreased by 10%, being £40.5 million (2012: £45.0 million).

On a regional basis, 57% of revenue is now accounted for outside of Europe. The Americas showed the strongest growth with an increase of 6% and accounted for 40% of total revenue, whilst Asia increased by 1% and accounted for 17% of total revenue. Europe decreased by 5% and accounted for 43% of total revenue. The performance in Asia consisted of a decline in Japan, almost entirely due to the Yen weakening, that offset strong growth in the remainder of Asia. Excluding the Yen currency effect, Asia would have been the strongest growing region.

The deferred revenue in the balance sheet at the end of the year was £51.8 million (2012: £50.4 million), an increase of 3%. The deferred revenue balance represented 19% of annualised revenue. Consistent with 2012, the accrued revenue balance was minimal.

EBITDA (earnings before interest, tax, depreciation and amortisation) has decreased by 1% to £52.3 million (2012: £52.7 million). Adjusted operating profit has decreased by 2%





Strategic report continued

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total dividend for the year.

to £41.6 million (2012: £42.4 million), being an operating margin of 14.9%. In the year, a gain was realised on sale of property of £2.0 million. The adjusted operating profit has been measured before the gain on property sale and amortisation of acquired intangibles. The unadjusted operating profit was £42.9 million (2012: £41.7 million), an increase of 3%. The investment in the derivatives opportunity continued and as expected the expenditure on product development increased, resulting in a 15% uplift in the value capitalised to £28.8 million (2012: £25.0 million).

The headline effective tax rate has improved to 26.3% (2012: 27.6%). The headline rate includes the exceptional gain on property sale and, removing this, the underlying effective tax rate was 25.5%. The decrease in tax rate was due to the lower UK corporation tax rate and the strongest growth arising in Asia (excluding Japan). Further decreases in the UK corporation tax rate have been announced and these are expected to provide another reduction in the effective tax rate in 2014.

Diluted earnings per share, adjusted to exclude the gain on property sale and acquired intangibles amortisation, decreased by 1% to 81.8 pence (2012: 82.4 pence). Fidessa believes this measure of earnings per share provides a better long-term indication of underlying performance. The unadjusted diluted earnings per share increased by 3% to 83.5 pence (2012: 80.9 pence).

Fidessa continued to be cash generative, closing the year with a cash balance of £73.0 million and no debt (2012: £72.1 million and no debt). During the year, annual and special dividends totalling £30.5 million (2012: £30.2 million) were paid and capital expenditure of £12.1 million represented 4.3% of revenue (2012: £10.1 million, 3.6% of revenue). The net cash generated from operating activities increased by 2% to £68.0 million (2012: £66.9 million), representing an operating cash conversion rate of 163% (2012: 159%).

The ordinary dividend for the full year has been maintained at 37.0 pence (2012: 37.0 pence). The final dividend, if approved by shareholders, will be 24.5 pence, to be paid on 13th June 2014 to shareholders on the register on 16th May 2014, with an ex-dividend date of 14th May 2014. In addition, a special dividend of 45.0 pence (2012: 45.0 pence) is proposed and, if approved by shareholders, will be paid at the same time as the final dividend.

In 2013 the changes in foreign currency exchange rates resulted in a small impact to revenue and operating profit. On a constant currency basis both would have been 1 percentage point better than the headline numbers, with revenue increasing by 1% and operating profit decreasing by 1%. In recent months Sterling has strengthened materially against the foreign currencies in which Fidessa operates and, if these exchange rates persist through 2014, the effect could offset any underlying growth generated across the business.

Business model and strategy

Fidessa's vision is to make it easier for firms to buy, sell and own financial assets of all types on a global basis. Its mission is to deliver solutions that use technology to automate workflow and 'take cost out of the system', and so make clients' business processes easier, quicker and cheaper.

Fidessa provides its multi-asset trading, investment and information solutions to both the buy-side and sell-side communities, and cover the complete lifecycle from investment decision through to actual trading in the marketplace. These solutions are delivered either on a bespoke, enterprise basis or increasingly as managed services through Fidessa's own global connectivity network and data centres.

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

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

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

Fidessa has strong cash generation due to being consistently profitable and non-acquisitive in nature. The annual dividend has a pay-out ratio of approximately 45% which provides a reasonable return to shareholders whilst also providing funds for potential acquisitions and replenishing the cash balance. However, in the absence of acquisitions, Fidessa has a track record of returning the additional cash to shareholders in the form of special dividends.

Market review

Introduction

The improvements seen in the financial markets during the first half of 2013 have continued, although overall market conditions still remained changeable with volumes in some of the larger markets relatively flat and mixed results being reported by our customers across the sector. However, the market improvement has led to a welcome reduction in the headwind resulting from consolidations and business closures within Fidessa's customer base, with this headwind reducing from 7% to 5% of revenue. Changes in the regulatory environment have remained slow to come through although some elements are now starting to move into place, particularly in the areas of transparency and reporting. Against this backdrop, Fidessa has continued its programme of investment, extending the range of asset classes it supports, expanding its regional coverage and building out its global infrastructure. The market conditions mean that Fidessa's customers continue to be very focused on cost, and this has led to increased interest in service-based solutions. These solutions allow customers to make use of Fidessa's sophisticated infrastructure, data services and global support capability to operate a platform on their behalf, in a very cost effective manner. This shift in approach is already showing through in revenue, where around 70% of recurring revenue is now generated by service-based solutions. However, as the number of larger platforms has increased, financial pressure and headcount reductions within smaller workstation customers have given Fidessa's user base a slightly different profile. As a result the total number of Fidessa users has dropped slightly, to around 24,000, whilst the total value of business going through Fidessa's connectivity network has increased by over 15% to around $1 trillion per month.

Strategic report continued

Fidessa's derivatives programme has made good progress with revenue more than doubling.

Sell-side trading

Fidessa's sell-side business has started to see some improvement in line with market conditions. In particular, there has been a reduction in both price pressure and in the number of closures and consolidations within Fidessa's customer base, with some firms beginning to look at a potential expansion in the services they take. Fidessa has also seen an increase in the number of sell-side equity trading platforms and trader workstations sold, with 31 new deals signed, and these deals well distributed across the regions. These new signings included customers who had previously taken solutions from other vendors but are now looking to put in place a more sophisticated offering in order to support the range of functionality they will need in the future and to ensure they can meet their ongoing compliance obligations.

Excluding Japan, Fidessa has seen very strong growth across the Asia region with new wins in the Chinese banking sector, extensions into Indonesia and the development of an ASEAN market trading service in partnership with a number of key Asian regional brokers. The new signings in Asia included China Securities International (CSCI), who selected Fidessa to support their Hong Kong institutional equities business, as they opened their first wholly-owned subsidiary outside mainland China. This major Chinese broker takes the number of significant Chinese firms using Fidessa for their international operations to seven and positions Fidessa well for future opportunities in this market. In Japan, Fidessa has continued to make progress with its new proprietary trading platform which included a new deal with one of the leading domestic proprietary trading firms. However, the local Japanese market has remained challenging and, coupled with an adverse currency movement in the Yen, this has masked the progress Fidessa has been making in the Asia region.

Across all the regions, the cost pressures within sell-side firms are expected to continue despite improvements in market conditions. This is causing Fidessa's customers to look increasingly at a service-based model as the most cost effective way to operate their platform. This model has already been widely used by Fidessa's smaller equities customers and across Fidessa's derivatives customer base. However, this approach is now gaining traction within larger equity firms as well and, as a result, Fidessa is becoming involved in looking at the feasibility of this model for some of these larger firms and, in some cases, is undertaking consultancy to examine the possibility in more detail.

Fidessa's derivatives programme has made good progress during the year with revenue more than doubling and an additional nine firms taking elements of this programme.
This includes deals with two large US banks and another significant firm in derivatives trading. Good progress has also been made in rolling out Fidessa's first large-scale global derivatives platforms, with very good feedback being received from customers and a

number of industry awards won. The delivery of these platforms required a significant focus during 2013, with an increased level of investment to strengthen Fidessa's position in this important new sector. This additional investment was focused in the areas of increased support levels across the globe, a strengthening of Fidessa's global infrastructure, improving data quality and bringing forward the development of new components of software. The new derivatives platforms, which are now live across Fidessa's first three global customers, are already handling substantial business and represent a major step forward in the products available to service this market. This successful roll out achieves a key goal for Fidessa's derivatives business and gives Fidessa a platform that can be fully referenced, and has led to increased interest and an increased pipeline of deals coming into 2014. During the coming year Fidessa will continue to build on its derivatives platform, extending into further areas such as middle office and hedge management services. Both of these last two areas also leverage Fidessa's experience and technology in equities which will enable it to rapidly deliver market leading solutions to meet these requirements.

Fidessa has continued to invest in its ability to deliver connectivity across all the regions in which its customers operate. Fidessa's global network now serves around 800 brokers, 4,000 buy-sides and 200 trading venues worldwide. The value of activity going across Fidessa's global network grew by over 15% to around $1 trillion per month. During the year, Fidessa has continued to bring on new markets, such as the DGCX in Dubai, enabling its customers to trade directly on these markets. Fidessa has also continued to invest in more low latency and co-location solutions as it builds out its market leading execution service. This investment will continue with further expansion of data centre, co-location and network facilities.

Fidessa's sell-side solutions continue to win awards around the world including for best equities trading platform and best derivatives sell-side platform with these awards spread across America, Europe and Asia.

Buy-side trading

During 2013 there have been signs that market conditions have improved for the buy-side, with assets under management reaching their highest level since the beginning of the financial crisis. The sentiment within the buy-side community remains mixed, although the appetite for new, large-scale, enterprise investment management deployments is slowly returning. The market conditions and financial pressures experienced by the buy-side still mean that there is a strong focus on finding ways to reduce cost and improve efficiency.

Although the speed of regulatory change remains slow, buy-side firms are preparing for the anticipated flow of new regulations, such as MiFID II and Dodd-Frank, and with more complex customer mandates and instructions, the need for comprehensive and flexible compliance systems remains strong. Historically compliance was seen as a post-trade function, checking and adjusting trading positions as necessary the following day. More recently this has been changing towards interactive checks so fund managers can use compliance limits when constructing orders and this real-time, pre-trade activity requires more sophisticated compliance systems. Fidessa's multi award-winning compliance solution, Sentinel, continues to be a market leader in this area. Available for many years on a software licence basis, Fidessa has now signed its first customer for its service-based version of Sentinel. This new service leverages Fidessa's global Software as a Service (SaaS) capability to allow the solution to be provided to customers in a highly efficient and cost effective manner and opens up a new potential customer base for Sentinel by allowing a broader range of firms to benefit from its market leading compliance capabilities.

The focus on cost and efficiency within buy-side firms is also allowing Fidessa to leverage its proven service-based delivery capabilities more broadly across its buy-side product suite. This has resulted in the first customer signing for a fully service-based implementation of Fidessa's enterprise investment management suite. In current market conditions Fidessa expects further customers to look seriously at this option, and believes Fidessa's track record of providing service-based solutions, along with its global infrastructure and consulting services, will allow it to engage successfully with these customers.

Strategic report continued

With its unique knowledge of both the buy-side and the sell-side, Fidessa is able to utilise its position to deliver innovative services which help both sides to work together more effectively. Fidessa has already been doing this for some time in the area of connectivity, allowing the buy-side and sell-side to interact with each other to manage Orders, Indications Of Interest (IOIs), Request for Quotes (RFQs) and Streaming Quotes. More recently Fidessa has introduced its Global Trading Service which provides buy-side firms with a flexible, service-based solution, fully integrated into Fidessa's global network, allowing broad access to venues and broker services around the world. The service covers foreign exchange, fixed income, futures, options and equities, as well as providing a suite of analytics and performance benchmarking tools, and is becoming an increasingly popular choice for buy-side firms looking to reduce the complexity of their operations.

Another example where Fidessa is able to leverage its knowledge of both the buy-side and the sell-side is in the area of post-trade confirmations and affirmations. In August, Fidessa announced the availability of its Post-trade Confirmation Hub which allows buy-side and sell-side firms to confirm trades between themselves via the industry standard FIX protocol. Fidessa has been working with some of the largest global asset managers helping to pioneer this work, enabling them to send and receive allocation and confirmation instructions to their brokers via this open, low cost protocol thereby removing the need for expensive, proprietary alternatives. Fidessa will continue working with the buy-side and sell-side community to establish a low cost, best practice for direct broker affirmation, which will simplify post-trade workflow for customers and remove unnecessary cost.

Fidessa's buy-side solutions continue to win awards including for best buy-side order management system and for compliance services with these awards spread across America and Europe.

Regulation

Fidessa's customers are still facing an uncertain and changing regulatory environment with much of the new regulation that was proposed following the financial crisis in 2008 still to be fully defined. There are, however, some areas where progress has been made, particularly in the areas of reporting and transparency. This has seen the establishment of the Swap Execution Facilities (SEFs) and potentially some restrictions on unlit trading venues (dark pools).

In a further area of regulatory change, there has been some evidence that the Chinese market may be starting to open up further to foreign firms. The limit on foreign investment under the Qualified Foreign Institutional Investor (QFII) programme almost doubled and proposals are in place to make it easier for foreign banks to set up subsidiaries in mainland China. Some of Fidessa's customers are becoming more optimistic about their prospects in China but Fidessa does not expect this process to proceed quickly.

Fidessa will continue to keep a close watch on all the areas of regulatory change as they progress and expects that these will gradually create significant new opportunities.

Outlook

Coming into 2014, Fidessa is seeing an improvement across the markets in which it operates and this is reflected in its current deal pipeline. As this improvement starts to take effect, it should gradually result in a reduction in the headwinds faced by Fidessa, allowing the growth being generated through sales of its derivatives platforms, its service-based platforms and its regional expansion to flow through into overall revenue growth rather than being masked by the decline in equities. Whilst Fidessa expects to see a positive effect from this in 2014, its recurring revenue model has the effect that some of the impact from the attrition in 2013 will flow through into 2014, and this means that it expects modest constant currency growth in 2014.

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

Risk factors and uncertainties

There are a number of potential risk factors that could have a material adverse effect on Fidessa's operations, its financial results or the value and liquidity of its securities. The following table identifies some of the primary risk factors but may not be exhaustive; there has been no overall change to Fidessa's risk factors from the previous year. There may also be risks that are not currently considered to be serious or which are currently unknown. Where reasonably possible, Fidessa has taken steps to mitigate the risks or potential risks but it cannot entirely safeguard against all of them.

Risk factor	Risk mitigation
Economic conditions: • Instability of the financial system, market disruptions or suspensions • A material downturn in financial markets or economic recession • The insolvency, closure, consolidation or nationalisation of parts of its customer base	Fidessa's business model generates a high level of recurring revenue which lessens the immediate effect of downturns in end markets. In addition, Fidessa is a global business which provides resilience against regional recession.
Service: • Inability to access an office or data centre facility • Delay to or failure of an implementation of Fidessa software or service • Lack of access to the Fidessa services or failure of data transmission • Saturation of network capacity • Failure of the software for individual or multiple customers • Test trades entering a live market	Through established controls and processes Fidessa aims to prevent many of these risks materialising. In addition, the service environment is monitored using tools and processes so that issues arising can be detected and reacted to at an early stage. In designing facilities, the resilience and capacity are of high importance so that continuity of service is expected.
Security and data: • Unauthorised access to and/or sabotage of systems and premises • Loss or corruption of customer data • Disaffected employees	Fidessa has robust information and physical security policies and procedures which provide a reasonable level of protection against sabotage. They also limit access to systems, office and data centre areas to appropriate personnel. Penetration and security testing is undertaken to monitor the effectiveness of security and identify areas for improvement.
Legal: • Contractual risk • Claims for infringement of a third party's intellectual property • Infringement of Fidessa's intellectual property	Fidessa maintains a rigorous process for approving contractual terms and deliverables to control the level of risk that is accepted. Where practical, focused patent searches are undertaken to identify areas that new products or services under development may conflict with third party patents.

Strategic report continued

Risk factor	Risk mitigation
Employees: • Loss of key employees • Skills shortage	Fidessa recognises that it is important to provide a stimulating environment in which to work, and provide the development and training to create successful careers whilst also rewarding fairly and competitively.
Financial: • Foreign exchange on transactions or balances that are denominated in a foreign currency • Collapse of financial institutions holding Fidessa's cash deposits • Lack of financial resources to respond to market, customer or regulatory changes • Acquisition or disposals and their potential negative impact on profitability • Impairment of goodwill arising from acquisitions	Fidessa has an established treasury policy that limits the level of single counterparty risk and foreign exchange hedging is not necessary as a significant level of natural hedge exists. Fidessa's business strategy does not require acquisitions to provide growth and being technology led there are likely to be few. Where acquisition opportunities are identified, appropriate due diligence is undertaken.
Regulation: • Changes in regulations in financial markets affecting the software and services that Fidessa provides • Health and safety, anti-corruption and environmental regulation affecting Fidessa's operations	Being a workflow provider, changes in financial market regulation are normally beneficial for Fidessa's business. It has a team of specialists who monitor regulatory developments and how they need to be reflected in the products and services offered. Fidessa maintains awareness of applicable laws that are likely to affect its operations whilst developing procedures and providing training to ensure compliance. Advice is obtained from external experts as necessary.

Employees, employee involvement and equal opportunities

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

Effective employee communications and openness with employees are vital and Fidessa promotes the understanding and involvement of all employees in its business aims and performance. The policy of providing employees with information about new products, operations and the performance and development of the overall business has continued through the intranet site, product seminars and interactive Group-wide meetings at which progress updates are given by the directors and senior management.

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

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

	Male	Female
Directors	6	1
Other senior managers	8	1
All employees	1,295	376

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

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

Corporate social responsibility and human rights

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

Whilst Fidessa does not have a specific human rights policy, it believes the policies relating to equality, equal opportunities and anti-corruption help avoid causing or contributing to negative human rights impacts.

Environmental

Fidessa recognises the importance of meeting globally recognised corporate responsibility standards as illustrated by it being a constituent company in the FTSE4Good Index Series. It is important to its employees, its customers and its suppliers that Fidessa acts in an environmentally responsible manner and it has endeavoured to manage the effect that it has on the environment and to support sustainability.

Fidessa’s environmental policy is regularly reviewed and is published on its website and intranet.

Strategic report continued

As a software product and services office-based provider, Fidessa has no activities that pose major environmental issues. Usage of energy to facilitate the computing requirements of its data centres and its employees, as well as international travel, are considered to be the greatest environmental impacts associated with its daily operations. Other factors include the use of electrical and electronic equipment, the consumption of water, the use of paper and the disposal of waste.

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

Greenhouse gas emissions

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Fidessa is required to make certain disclosures concerning greenhouse gas emissions.

- For the year ending 31st December 2013 the quantity of Scope 2 emissions in tonnes of carbon dioxide was 10,067 tonnes CO_2e.

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

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

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

Intensity ratios (tonnes of CO_2e per unit) Ratios of carbon emissions to:	**2013**
Total revenue	0.04
Recurring revenue	0.04
Operating profit	0.23
Employees	6.02
Number of connections to the network community	2.15
Number of Fidessa users	0.42

On behalf of the Board

Andy Malpass
Director
14th February 2014

Directors' and corporate governance report

This section of the Annual Report outlines how the Board maintains high standards of corporate governance as well as providing a summary of how each of the Board's committees function. As this is the first year the Annual Report contains expanded Directors' Remuneration and Audit Committee reports, we have taken the opportunity to adjust the layout of the Annual Report.

The Board believes in good governance and recognises the importance of complying with the various aspects of the UK governance framework. Crucial to good governance is a stable Board that contains the right balance of skills and experience; therefore, Board appointments are taken very seriously.

As previously notified to Fidessa's largest shareholders, succession planning will continue into 2014 with the Nominations Committee seeking a successor to Philip Hardaker as Chairman of the Audit Committee. This reflects his decision to step down as a non-executive director during 2014, following the appointment and handover to a new non-executive director after nine years of service to Fidessa. The Nominations Committee report details the recruitment process.

The Board continues to welcome interaction with shareholders and I and the other non-executive directors are available for dialogue as an alternative to meetings with the Chief Executive and Finance Director.

John Hamer
Chairman

The directors present their report and the audited financial statements for Fidessa group plc (company number 03234176) for the year ended 31st December 2013. These will be laid before the shareholders at the Annual General Meeting to be held on 30th April 2014.

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

Directors

The Board currently comprises a Chairman, four independent non-executive directors and two executive directors. During 2014 Philip Hardaker will stand down as a non-executive director (see Nominations Committee Report). The Board considers its overall size and composition to be appropriate, having regard to the experience and skills which the Board members bring together and the fact that the Board considers the non-executive directors to be independent of management. The serving directors are:

John Hamer (age 54), Chairman
John Hamer joined Fidessa in 1983. He has a BSc. Hons. in Computer Science from Leeds University and was Chief Executive of the Group between 1992 and 2001 when the Group had multiple divisions, each division having its own Chief Executive. John became Chairman in 2001 when the Group focused on the Fidessa business by divesting the help desk and call centre software businesses. The Board considers the Chairman role to be similar to that performed prior to 2001 when there were multiple businesses and there to be no conflict with Chris Aspinwall, the Chief Executive, who was already the Chief Executive of the Fidessa business prior to 2001. He currently has no other material business commitments.

Directors' and corporate governance report continued

Chris Aspinwall (age 50), Chief Executive
Chris Aspinwall joined Fidessa in 1986 as a software engineer and was appointed to the Board in 1992. He became Chief Executive of the Fidessa business in 1992 and has grown it to its current world leading position. In 2001 he became Group Chief Executive. He has a BSc. Hons. in Computer Science from York University.

Andy Malpass (age 52), Finance Director
Andy Malpass joined Fidessa in 1995 as Finance Director and has over 25 years' experience in the software industry, with both private and public companies. He has a BA Hons. in Accounting and Finance from Lancaster University and is a fellow of the Chartered Institute of Management Accountants.

Ron Mackintosh (age 65), Senior Independent Non-Executive Director
Ron Mackintosh was appointed to the Board in 2004. Ron has held a number of senior executive positions in European technology companies. Between 1992 and 2000 he was chief executive of Computer Sciences Corporation's (CSC) European business which had revenue of $2.5 billion. He is Chairman of CSR plc, a multifunction connectivity, audio and location platforms company that is a UK listed FTSE 250 company as well as being listed on NASDAQ. He is also the former chairman of each of Smartstream Technologies Limited, Northgate Information Solutions plc and Differentis Limited and a former director of Gemplus SA. He is currently Chairman of AlertMe.com Limited.

Philip Hardaker (age 66), Independent Non-Executive Director
Philip Hardaker joined the Board as a non-executive director in February 2005. Philip is an experienced Chartered Accountant who previously served for 20 years as a partner in KPMG UK. As a partner he led teams providing audit, advisory and transaction due diligence services to a broad portfolio of clients. In addition, he held a series of managerial and leadership positions in KPMG, both in the UK and overseas. Philip is a Trustee of Charities Aid Foundation, chairing the Audit, Risk and Compliance Committee, and is a non-executive director of CAF Bank Limited. He previously served as Chairman of The St. John of Jerusalem Eye Hospital.

Elizabeth Lake (age 71), Independent Non-Executive Director
Elizabeth Lake was appointed to the Board as a non-executive director in October 2008. Until June 2009, Elizabeth was a director and president of Securities Processing Solutions International, a subsidiary of Broadridge Financial Solutions, Inc (Broadridge), a global provider of technology based outsourcing solutions to the financial services industry. She was a partner in the consultancy practice of KPMG and has also held senior executive positions at CSC Index within the financial services sector and at Ziff Davis Technical Information Company, where she was responsible for software products and services for the financial services industry. Elizabeth is also an advisor to the Tokushukai Medical Group, a privately held Japan based organisation which has 68 hospitals, together with a number of primary care facilities, retirement homes and dialysis centres.

Mark Foster (age 54), Independent Non-Executive Director
Mark Foster was appointed to the Board as a non-executive director in October 2012. Mark was Accenture's Group Chief Executive, Global Markets and Management Consulting, where he had overall responsibility for Accenture's global management consulting practice consisting of some 15,000 professionals and $4 billion of revenues. Mark is also an independent director of Heidrick & Struggles International Inc, the NASDAQ-listed global search organisation. Mark is one of four commissioners of the Independent Commission for Aid Impact, charged with overseeing the circa £10 billion of UK International Aid spend to ensure value for money on behalf of the UK Parliament and the tax payer. In addition, Mark has been on the board of the Royal Shakespeare Company since 2005.

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

Andy Malpass, Finance Director, has informed the Board of his intention to retire in 2015. Andy has been with Fidessa for nearly 20 years, having joined in 1995. The Board will now commence the process of identifying a suitable replacement. Andy has committed to continue to work with Fidessa for as long as is necessary to ensure an orderly handover takes place.

At the Annual General Meeting it will be nine years since Philip Hardaker was first elected. He has informed the Board that he intends to step down as Chairman of the Audit Committee and as a non-executive director during 2014, following the appointment and handover to his successor.

At the 2014 Annual General Meeting it will be nine years since Ron Mackintosh was first elected as a non-executive director. The Board has undertaken a rigorous review of his independence and contribution to the Board and concluded that he remains independent in character and judgement. The Board found no information or circumstances to lead it to conclude otherwise than that he be reappointed as Senior Independent Non-Executive Director for a maximum of three years. The Board considers his valuable contribution to, and in-depth understanding of, Fidessa's business together with this fair and transparent participation in Board discussions as beneficial to the Board and Fidessa as a whole. In October 2013 the Chairman consulted with the largest 13 shareholders (holding over 60% of Fidessa's shares at that time) concerning the Board's desired intention to reappoint Ron.

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

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

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

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

Directors' and corporate governance report continued

The Board

At 31st December 2013 the Board comprised the Chairman, two executive directors and four non-executive directors whose Board and Committee responsibilities are set out in the table below:

		Board	Audit	Remuneration	Nominations
John Hamer	Chairman	Chairman	–	–	Chairman
Chris Aspinwall	Chief Executive	Member	–	–	–
Andy Malpass	Finance Director	Member	–	–	–
Ron Mackintosh	Senior Independent Non-Executive Director	Member	Member	Chairman	Member
Philip Hardaker	Independent Non-Executive Director	Member	Chairman	Member	Member
Elizabeth Lake	Independent Non-Executive Director	Member	Member	Member	Member
Mark Foster	Independent Non-Executive Director	Member	Member	Member	–

The Board meets formally on a regular basis to monitor operating issues, risk and trading performance, to review forecasts, strategy and policy, to consider key projects and major investments and to oversee appropriate shareholder reporting. During 2013 the Board met on 10 scheduled occasions for this purpose. In addition, if required, impromptu Board meetings occur to consider specific issues as and when necessary. Meetings were held by the Chairman with the non-executive directors, without the executive directors present, to discuss the performance of management. The Chairman and non-executive directors also held meetings throughout the year with various senior managers to improve insight into the business operations and marketplace. The attendance of individual directors at Board meetings and Committee meetings is presented in the table below:

	Board meetings attended	Audit Committee meetings attended	Remuneration Committee meetings attended	Nominations Committee meetings attended
John Hamer	10/10	–	–	3/3
Chris Aspinwall	10/10	–	–	–
Andy Malpass	10/10	–	–	–
Ron Mackintosh	9/10	5/5	5/5	3/3
Philip Hardaker	10/10	5/5	5/5	3/3
Elizabeth Lake	10/10	5/5	5/5	3/3
Mark Foster	8/10	4/5	5/5	–

Absences were due to prior commitments or unavoidable circumstances.

The Board is responsible for corporate governance and delegates operational control to the executive directors. At each Board meeting it considers strategic issues, finance, business development, governance and risks facing the business. There is a formal schedule of matters reserved for the decision of the Board that covers key areas of Fidessa's affairs. The schedule includes approval of the Annual Report and any other financial statements, the adoption of budgets or business plans, decisions on acquisitions and disposals, material financial commitments and the release of inside information. Certain matters require Board approval and other matters may be approved by senior management, but notification to the Board is required. The schedule of matters reserved for the Board is reviewed annually. A procedure exists to allow the directors to seek independent legal advice in respect of their duties at Fidessa's expense where the circumstances are appropriate. No such advice was sought by any director during the year. All directors have access to the Company Secretary for his advice and services.

There was a formal evaluation of the performance of the Board during 2013. This consisted of an internally run review conducted by the Chairman with the Company Secretary. The performance evaluation questionnaire was based on the Code process and it covered the areas of Board structure, effectiveness, Committees, information and communication. Questionnaires were completed by the directors and submitted for discussion. The feedback generated from the questionnaires was discussed by the Board, together with potential improvements that could be made. The conclusion was reached that the Board is operating effectively. An evaluation of the Chairman by the non-executive directors without the executive directors present was also carried out and it was concluded that he was performing his role effectively.

There is a formal written policy on the division of responsibilities between the Chairman and the Chief Executive such that their roles are complementary to each other. John Hamer as Chairman is principally responsible for leading the Board, promoting constructive debate amongst the Board and facilitating communication with shareholders as well as overseeing strategy. Chris Aspinwall as Chief Executive is responsible for all aspects of Fidessa's operations; he leads and develops the strategy plans for the business and identifies risk factors.

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

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

Under the Companies Act 2006 a statutory duty on directors to avoid conflicts of interest came into effect from 1st October 2008. The Articles of Association allow the directors to consider and if they deem fit to authorise conflicts of interest. The Articles of Association set out the process for authorisation of such conflicts and any such conflicts will be recorded in the Board minutes and maintained on a register which will be reviewed on an annual basis by the Nominations Committee and by the Board. No conflicts have arisen since the legislation came into effect.

Committees of the Board
The constitution and responsibilities of the Board's committees are set out below.

Directors' remuneration report

Annual statement from the Chairman of the Remuneration Committee
As Chairman of the Remuneration Committee I am pleased to introduce the Directors' Remuneration Report for the year ended 31st December 2013.

The Committee continues to believe that a significant proportion of the remuneration for the executive directors should be performance-related. The elements of each executive's package that are performance-related are the annual cash bonus, which is directly linked to the year's operating profit, and long-term share incentives. The performance-related elements are underpinned by a competitive salary with very limited benefits. These principles are reflected in the remuneration policy with the focus of the performance-related elements on consistent financial performance over multiple years and the operation of shareholding guidelines providing strong alignment with Fidessa's strategy and shareholders' interests. The policy has been applied consistently through the last two years and the approval of the policy at the forthcoming Annual General Meeting will continue its application through 2014.

Directors' and corporate governance report continued

In 2013 the Committee continued to be cognisant of the general constraint on remuneration packages within Fidessa due to the market conditions and financial performance of Fidessa. This sensitivity resulted in the aggregate of fixed remuneration and annual bonus reducing by 3% and 4% for the executive directors and no awards of long-term performance-related share incentives in the year. In the year the Exceptional Growth Rate Incentive Plan (EGRIP) options awarded in 2008 reached the end of their measurement period and vested. These options required three performance conditions to be satisfied and there was a material outperformance for each: the total shareholder return condition was exceeded by 11%, the earnings per share condition was exceeded by 39% and the techMARK All-Share Index was outperformed by 10%.

The general constraint on remuneration packages within Fidessa is expected to continue into 2014. This will be reflected in the executives' remuneration for the year, for whom there will be no increase in salaries, no change in benefits and the annual bonus aligned to operating profit performance in a similar way to 2013.

Ron Mackintosh
Chairman of the Remuneration Committee

Introduction
This report by the Remuneration Committee has been approved by the Board for submission to shareholders in accordance with the UK Corporate Governance Code, the requirements of the Listing Rules of the UK Listing Authority and the reporting requirements of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations).

The report has been split into two sections: the Directors' Remuneration Policy, which sets out the policy on the remuneration of the executive and non-executive directors for the next three years, and an Annual Report on Remuneration, which discloses the directors' remuneration for the year ending 31st December 2013. Fidessa will be seeking shareholders' support for both sections of the report at the forthcoming Annual General Meeting. The Directors' Remuneration Policy is intended to become effective from the 2014 Annual General Meeting and remain in place for three years. During the period from 1st January 2014 until the Annual General Meeting, Fidessa shall follow the Directors' Remuneration Policy as set out in this report.

Directors' remuneration policy

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

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

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

Executive directors' remuneration policy

Salary	Each executive director's salary is paid monthly and reviewed annually. When setting salary levels the Committee takes into account an individual's experience, knowledge and performance in the role, business and individual performance, achievement of objectives, comparative salaries and periodic reviews from the Committee's remuneration advisers. In addition, the Committee considers the salary increases being provided to Fidessa employees over recent years and the period under review to take account of potential sensitivity of salary increases to executive directors. Recent benchmarking undertaken by the Committee's remuneration advisers showed that the executive directors' salaries are in line with comparative salaries. Maintaining this alignment is one of the factors the Committee takes into account when setting salary levels. This approach should assist in the recruitment, motivation and retention of high performing individuals.
Benefits	Benefits are very limited as the Committee strongly believes in focusing directors' remuneration on types of remuneration that can be aligned with the interests of shareholders. Executive directors are entitled to life insurance, ill health income protection and private medical insurance. The benefits offered may vary during the policy period but they shall not exceed those benefits generally offered to employees.
Annual bonus	The purpose of the annual bonus is to reward the performance of the executive directors based on an annual business target. It is based on financial performance measures which are reviewed annually. The applicable sections of the Annual Report on remuneration sets out details of the performance measures and the operation of the annual bonus for both 2013 and 2014. To be consistent with other tiers of management, the annual bonus is paid in two instalments, an interim and final bonus being paid after the half-year and final results are announced respectively. The proportion of the bonus payable as an interim bonus is around one third of the likely annual bonus payable. In the unlikely event that the overall amount due for the annual bonus is less than that already paid as an interim bonus, the excess is clawed back. The rationale for the methodology is to directly align the bonus with the financial performance, whilst at the same time avoid reward for poor performance. A component of the annual bonus may be deferred, through the use of the Deferred Annual Bonus Plan (DABP), thus encouraging a longer term focus. If an element of the annual bonus constitutes an award under the DABP, that award, together with dividends earned, will vest three years after the grant, subject to continued employment. A summary of the DABP is set out in note 19 to the financial statements. The Committee will take into consideration the executive directors' shareholdings and existing long-term share-based incentives when determining whether deferral of an annual bonus is appropriate or not. The maximum bonus payable is subject to an upper limit of 125% of salary for the Chief Executive and 100% of salary for the Finance Director. The maximum proportion of the annual bonus that can be deferred as an award under the DABP in any year will be ordinary shares with a market value at the time of the award of 50% of the annual bonus for that year.

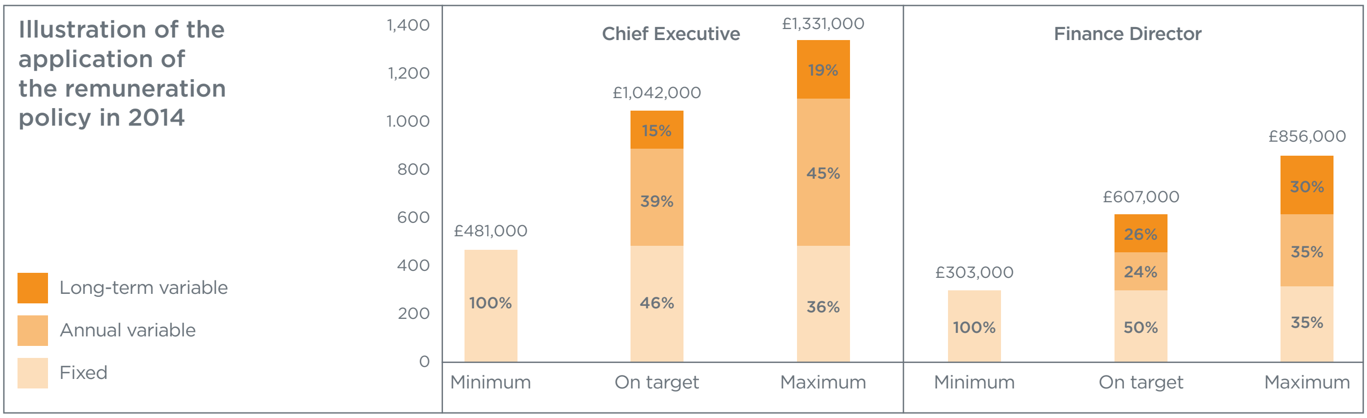
Directors' and corporate governance report continued

Long-term incentives	Long-term incentives are an important form of overall compensation when judiciously combined with other forms of remuneration. Such incentives are also key to aligning long-term remuneration with the long-term interests of shareholders. These incentives also encourage employee retention and consistent performance when the vesting conditions are based on average or aggregate measures over multiple years. The EGRIP was previously the primary long-term incentive plan and all outstanding awards under that plan are now in the latter part of their measurement period. The current primary long-term incentive plan the executive directors can receive awards from is the Performance Share Plan (PSP) which was overwhelmingly approved by shareholders in May 2011. Each award from the PSP has a vesting period of four years and a performance condition related to growth in earnings per share measured over four years. The maximum annual award under the PSP to an executive director is £500,000 (based on the market value of the shares at the time of the award). When determining the value of the awards to grant to the executive directors, the Committee takes into account, and ensures consistency with, the awards granted to other employees. The previous share schemes in which the executive directors have an interest are the EGRIP and the Share Bonus Plan (SBP). The performance measurement period is ongoing for the 2009 and 2010 EGRIP awards and therefore awards from the EGRIP may vest during the policy period. The final award from the SBP has vested in 2013 and all awards will be exercised or lapse during 2014. A summary of these plans, their operation, performance conditions and clawback arrangements is set out in note 19 to the financial statements.
Pension	The provision of a pension contribution may be important in helping Fidessa attract and recruit high performing individuals. The directors are entitled to participate in a money purchase pension scheme, but the current executive directors do not participate. The maximum contribution that Fidessa may make to a director's money purchase pension scheme shall be consistent with other employees in the same location. In 2014, Fidessa will match the contributions of employees participating in the UK money purchase pension scheme up to a maximum of 3% of salary. Such contribution will be taken into consideration when agreeing a director's salary so that it does not result in an inappropriate proportion of fixed remuneration.
Other	The executive directors are also eligible to participate in the Share Incentive Plan (SIP) and Monthly Share Purchase Plan (MSPP) on terms that are no better than other employees. These plans are applicable to over 90% of employees and provide a matching share for each share purchased. The directors' participation in these plans is limited to the maximum allowed in the relevant UK legislation (£125 per month until April 2014 and then £150 per month thereafter). A summary of these plans and their operation is set out in note 19 to the financial statements.

The performance measures for the annual bonus are set by reference to the financial performance as reported to the Operating Board. When considering the relevant targets the Committee takes into account the directors' on target earnings (i.e. salary and bonus) for the year and sets a target level that is sufficiently demanding taking into account market conditions prevailing at the time and the expected financial performance for the year. The Committee chooses financial performance measures which are simple to operate, transparent and can be applied accurately. The financial performance measures consist of a threshold and a sliding scale of payment once that threshold has been achieved.

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

The chart below illustrates the levels of remuneration that would be received by each executive director at different levels of performance for the first year to which the remuneration policy applies.



The illustration above, which excludes benefits and awards under the SIP and MSPP (as they represent a very small amounts), was calculated on the following basis:

- minimum remuneration is solely fixed remuneration comprising salary and benefits (the current executive directors do not receive a pension contribution from Fidessa);
- on target remuneration comprises fixed remuneration, the anticipated annual bonus for the year calculated on principles similar to those applying in 2013 and the expected face value of PSP at the time of award for mid-point vesting; and
- maximum remuneration comprises fixed remuneration, the annual bonus based on the maximum multiple of salary and the expected face value of PSP at the time of awards for full vesting.

Directors' and corporate governance report
continued

Non-executive directors' remuneration policy

Fees	The fees of the Chairman and non-executive directors are paid monthly and reviewed annually taking into account time commitment, responsibilities and fees paid by listed companies with a similar market capitalisation. The Committee sets the Chairman's fee and the Board, excluding the non-executive directors, sets the non-executive directors' fees. The fee increases will take into account the outcome of the annual review and other factors, such as inflation. Additional fees for non-executive directors for duties outside the ordinary course of their service may be payable from time to time to reflect the time and responsibility involved.
Benefits	The Chairman is entitled to life insurance, ill health income protection and private medical insurance. Those benefits shall be provided on terms that are no better than those available to other employees.
Annual bonus	n/a
Long-term incentives	n/a
Pension	n/a
Other	The Chairman participates in the Share Incentive Plan (SIP) on terms that are no better than those available to other employees. Fidessa provides a matching share for each share purchased in the SIP. The Chairman's participation in the SIP is limited to the maximum allowed in the relevant UK legislation (£125 per month until April 2014 and then £150 per month thereafter). A summary of the SIP and its operation is set out in note 19 to the financial statements.

Service contracts – executive directors

The contracts of service for Chris Aspinwall and Andy Malpass were entered into on 2nd June 1997, and have been amended on three occasions (in October 2003, January 2012 and February 2014) to reflect current market practice. The key terms are shown in the table below:

Provisions	Summary
Term and notice	Indefinite with 12 months' notice from either party.
Payment	Salary and annual bonus.
Benefits and other entitlements	Private medical insurance, life insurance and ill health income protection. Entitled to participate in the SIP and MSPP and receive matching shares in relation to those share plans. Entitled but not participating in Fidessa's defined contribution pension plan.
Termination	The executive director will be entitled to receive salary, pro-rata bonus for the period of time worked up to the date of termination and benefits during the notice period. Alternatively, if Fidessa terminates the employment, the executive director will be entitled to receive in lieu of the required notice period, or unexpired part thereof, salary and the cash equivalent of benefits. The executive director will also be entitled to receive a pro-rata bonus for the period of time worked up to the date of termination. The executive directors are not entitled to receive any annual bonus payment in lieu of the required notice period or unexpired part thereof. Where an executive director continues to work during his notice period it may be beneficial to Fidessa and its shareholders for the terms of the annual bonus to be varied. If such circumstances arise, the Committee in its absolute discretion may determine that an alternative bonus for the executive director be paid. The alternative bonus shall not exceed 125% of salary for the Chief Executive and 100% of salary for the Finance Director (or such other limits as the directors' remuneration policy shall permit) and shall be in lieu of the executive directors' entitlement to receive an annual bonus. The remuneration policy relating to payments for loss of office sets out how the Committee may exercise its discretion. For the avoidance of doubt, the executive directors are not entitled to receive an alternative bonus in lieu of the required notice period or unexpired part thereof. Payments during the notice period or payments in lieu of notice will be payable in equal monthly instalments on the normal payroll date, except that any bonus shall be payable at such time as that bonus would otherwise have been payable. Payments made in lieu of notice are subject to the executive director using reasonable endeavours to obtain suitable alternative employment; in the event that alternative employment is secured, amounts payable pursuant to the new employment shall be deducted from any payment made by Fidessa during the unexpired notice period. Service contracts may be terminated without notice and without compensation for gross misconduct. Further amounts may become due to settle statutory entitlements, compromise claims and legal expenses.

The executive directors do not hold any external non-executive positions.

Directors' and corporate governance report continued

Service contracts – non-executive directors

The contract of service for John Hamer was entered into on 2nd June 1997 and the key terms are shown in the table below:

Provisions	Summary
Term and notice	Indefinite with six months' notice from either party.
Payment	Salary.
Benefits and other entitlements	Private medical insurance, life insurance and ill health income protection. Entitled to participate in SIP and receive matching shares from Fidessa in relation to that share plan.
Termination	Payment in lieu of notice equal to six months' pay.

Each of the non-executive directors has a letter of appointment for a term of three years that is subject to termination by either party on one month's notice, except that in the case of Philip Hardaker, his term has been extended until such time as his successor has been appointed and a handover completed. The terms commenced in: 2011 for both Philip Hardaker and Elizabeth Lake; 2012 for Mark Foster; and 2013 for Ron Mackintosh.

Remuneration policy for new directors

In the event that a new executive director is appointed or a new service contract is entered into, the service contract would be subject to a notice period of not greater than 12 months with the director entitled to receive salary, bonus and benefits as well as participate in the current share plans. The remuneration package for the new director would be set in accordance with the terms of Fidessa's approved remuneration policy in force at the time of appointment whilst at the same time reflecting the experience and skill of the individual.

The new director's total remuneration would be consistent with comparative packages as advised by the Committee's remuneration advisers and the proportions of the various elements of the remuneration package would be broadly similar to those relating to the current executive directors. The total remuneration for a new director is not expected to be higher than the current Chief Executive's total remuneration. In the year of joining, the annual bonus and associated performance measures will be varied to reflect the part year. In addition, when recruiting new executive directors the Committee may need to offer additional cash and/or share-based elements on a one-time basis when it considers these to be in the best interests of Fidessa and its shareholders. Such payments would be limited to the remuneration lost when leaving the former employer to take up a position with Fidessa and would reflect the delivery mechanism (e.g. cash, shares, options), time horizons and whether performance requirements are attached to that remuneration. Shareholders will be informed of such payments at the time of appointment. In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, other ongoing remuneration obligations existing prior to appointment would continue as appropriate, provided that they are put to shareholders for approval at the earliest opportunity. For external and internal appointments, the Committee may agree that Fidessa will meet reasonable relocation expenses in line with market practice.

The appointment of non-executive directors shall be on terms substantially similar to those of the existing non-executive directors and in accordance with the remuneration policy for non-executive directors applicable at the time.

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

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

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

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

Employees and shareholders
Fidessa expects the total remuneration for employees to be at a level appropriate to attract, recruit, motivate and retain the most suitable individuals. Employees receive a bonus, which in many cases will be a percentage of salary with an element determined by personal performance and an element determined by Fidessa's financial performance. For more senior employees, a higher proportion of remuneration is payable as a bonus. The benefits available are dependent on market practice in each country. The pension scheme available to an employee varies according to location with contributions at a competitive level for each country; Fidessa only offers defined contribution pension schemes.
There is no formal mechanism through which Fidessa consults with employees when determining executive directors' remuneration but the Committee takes into consideration the pay and benefits of employees when reviewing the remuneration of the executive directors.

Fidessa's shareholders have been very supportive long-term of the remuneration philosophy and policy. On the few occasions that dialogue has been required, this has been constructive and positive. In 2012 the balance between salary and bonus for the executive directors was reset to be more comparable to that seen in other companies in the IT sector and listed companies with a similar market capitalisation. Some shareholders, whilst comfortable with the overall sum of salary and bonus, expressed concern at the extent of the re-balancing. Following a constructive dialogue it was agreed with major shareholders that for 2013 the Chief Executive's salary be decreased by 13% and the target annual bonus increased by a similar value. In prior years there has been correspondence regarding share plans. As has been the case in the past, the Committee will consider shareholder feedback provided for the forthcoming Annual General Meeting and throughout the year when setting the overall policy.

Directors' and corporate governance report
continued

Annual report on remuneration

Membership, meetings and evaluation

During the year the Committee comprised Ron Mackintosh, Philip Hardaker, Elizabeth Lake and Mark Foster. All members of the Committee are independent non-executive directors. None of the members of the Committee has any personal financial interest (other than as shareholders, to the extent disclosed in this report), conflicts of interest arising from cross-directorships, or day-to-day involvement in running the business. The Chairman and executive directors may attend committee meetings by invitation. The Company Secretary acts as secretary to the Committee.

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

Responsibilities

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

The Committee is responsible for determining the policy and application for remuneration, other benefits and terms of employment, including performance-related bonus schemes and oversight of share plans, for executive directors, senior management and the Chairman.

Remuneration consultants

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

For the year under review, NBS received fees of £14,756 in connection with its work for the Committee.

Remuneration details

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

Executive directors

£'000		Salary	Benefits	Annual bonus	Long-term incentives vested	Other	Total
Chris Aspinwall	2013	480	2	365	576	1	1,424
	2012	553	1	331	30	1	916
Andy Malpass	2013	302	2	133	576	1	1,014
	2012	302	2	147	30	1	482

Fidessa's approach to annual bonuses for 2013 was consistent with the remuneration policy and the approach approved by shareholders in 2012. The reduction in salary and broadly offsetting increase in bonus for the Chief Executive resulted in the percentage applied to operating profit for his bonus increasing between 2012 and 2013. The benefits received by the executive directors are life insurance, ill health income protection and private medical insurance. The item in the column headed 'other' comprises the matching shares awarded under the SIP. The table below sets out the bonus thresholds and percentages for both directors.

£'000		Operating profit	Operating profit threshold	Percentage payable above the threshold	Annual bonus amount
Chris Aspinwall	2013	36,593	20,000	2.2%	365
	2012	38,371	20,000	1.8%	331
Andy Malpass	2013	36,593	20,000	0.8%	133
	2012	38,371	20,000	0.8%	147

The executive directors' annual bonus was a flat percentage above a threshold of the operating profit as presented to the Operating Board (as disclosed in note 5 to the financial statements), excluding any items that the Committee considers to be exceptional or inappropriate. When setting both the threshold and the flat line percentage the Committee took into account the directors' on target earnings (i.e. salary and bonus) for the year, the projected operating profit for the year and determined that the figures chosen were sufficiently demanding taking into account the market conditions, expected financial performance and intended investments for the year.

In 2013 the long-term incentives that vested were the 2008 EGRIP award and the 2010 SBP award.

For the 2008 EGRIP award, the performance measures and targets are set out in note 19 to the financial statements with the actual performance for the 2008 EGRIP award being: the total shareholder return target was exceeded by 11%; the cumulative diluted earnings per share target was exceeded by 39%; and the overall outperformance of techMARK All-Share Index comparative index was 10%.

For the 2010 SBP award, the performance measure and targets are set out in note 19 to the financial statements with actual performance being: the total shareholder return element fully vested with the return materially greater than the target; the earnings per share element fully vested with the aggregate 4% ahead of the highest threshold; but the business development element failed to vest, which resulted in the overall vesting of the matching shares being restricted to 75%.

In 2012 the only long-term incentive that vested was the 2009 SBP award as the performance conditions for the 2007 EGRIP award were not satisfied; consequently, of the three EGRIP awards that have reached the end of their measurement period, one has lapsed and two have vested.

Directors' and corporate governance report continued

Non-executive directors

£'000		Salary and fees	Benefits	Other	Total
John Hamer	2013	145	1	1	147
	2012	145	1	1	147
Ron Mackintosh	2013	49	–	–	49
	2012	49	–	–	49
Philip Hardaker	2013	49	–	–	49
	2012	49	–	–	49
Elizabeth Lake	2013	43	–	–	43
	2012	43	–	–	43
Mark Foster	2013	43	–	–	43
	2012	8	–	–	8

During the year, certain directors received awards to equally match shares purchased under the SIP. The table below sets out the details of those awards. No other awards were made to directors under other share plans during the year.

	SIP awards Number of shares	Face value £'000
Chris Aspinwall	77	1
Andy Malpass	77	1
John Hamer	77	1

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

Directors' shareholdings

The executive directors' shareholding guidelines have been structured to encourage executive directors to acquire and maintain a meaningful shareholding in Fidessa. For both executive directors this is a minimum value equal to 100% of salary. Their shareholdings have been substantially greater than the guideline throughout 2013. There is no shareholding guideline for the non-executive directors.

The interests of the directors and their connected persons in Fidessa's ordinary shares as at 31st December 2013 were as follows:

	Shareholding	Vested performance shares	Unvested performance shares	Deferred shares
Chris Aspinwall	121,240	–	33,000	168
Andy Malpass	85,906	1,551	33,000	168
John Hamer	66,386	–	–	168
Ron Mackintosh	1,000	–	–	–
Philip Hardaker	2,000	–	–	–
Elizabeth Lake	–	–	–	–
Mark Foster	2,750	–	–	–

Between 31st December 2013 and the date of this report the interests of John Hamer, Chris Aspinwall and Andy Malpass have each increased by five shares as a result of a regular monthly purchase by the SIP.

Directors' and corporate governance report
continued

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

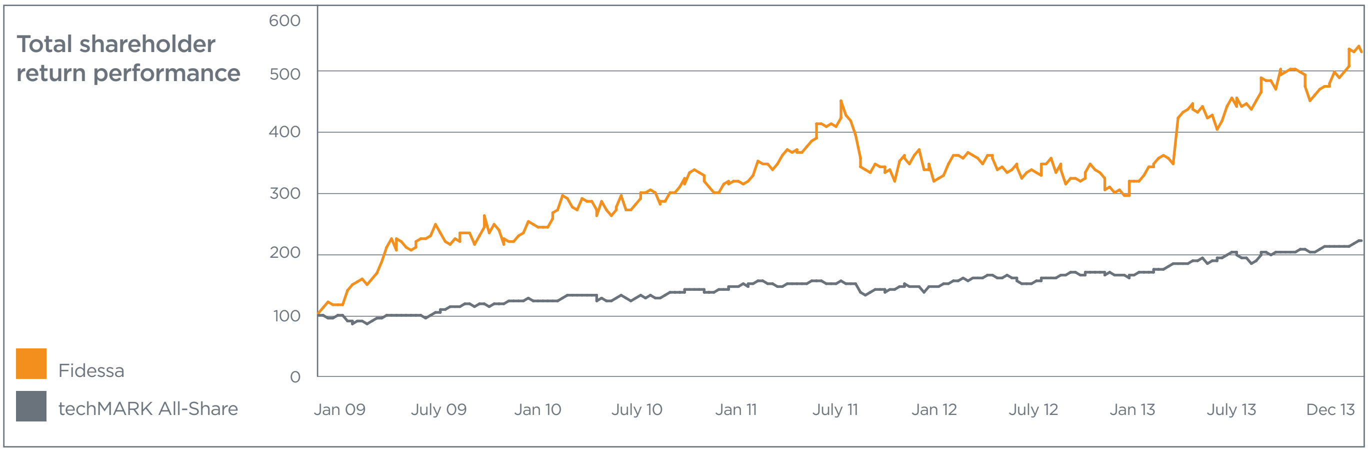
	At 1st January 2013	Awarded	Lapsed	Exercised	At 31st December 2013	Share price on award	Share price on exercise	Vesting date	Expiry date
Chris Aspinwall									
Vested performance shares:									
EGRIP 2008	25,000	–	–	25,000	–	920p	2026p		
SBP 2009	2,115	–	–	2,115	–	1144p	1788p		
SBP 2010	1,924	–	(482)	1,442	–	1546p	2269p		
Unvested performance shares:									
EGRIP 2009	18,000	–	–	–	18,000	1154p		2014	2015
EGRIP 2010	15,000	–	–	–	15,000	1421p		2015	2016
Deferred shares:									
SIP matching shares	91	77	–	–	168				
Andy Malpass									
Vested performance shares:									
EGRIP 2008	25,000	–	–	25,000	–	920p	2026p		
SBP 2009	2,129	–	–	2,129	–	1136p	1757p		
SBP 2010	2,069	–	(518)	–	1,551	1438p			2014
Unvested performance shares:									
EGRIP 2009	18,000	–	–	–	18,000	1154p		2014	2015
EGRIP 2010	15,000	–	–	–	15,000	1421p		2015	2016
Deferred shares:									
SIP matching shares	91	77	–	–	168				
John Hamer									
Deferred shares:									
SIP matching shares	91	77	–	–	168				

Details of the current and previous share plans together with the total permitted dilution in relation to those share plans are set out in notes 16 and 19 to the financial statements.

Performance graphs and comparator tables

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

- The performance graph of total shareholder return compared to a broad equity market index for a period of five years. The Board believes that the techMARK All-Share Index, of which Fidessa is a constituent, provides the best benchmark for comparison. The Fidessa share price and the techMARK All-Share Index are both set to 100 at the start of the five year period.



Source: Fidessa

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

	Chief Executive's salary, bonus and benefits £'000	Chief Executive's vested long-term incentives £'000	Chief Executive's total remuneration £'000	Bonus received (as a percentage of the maximum receivable)	Vested long-term incentives (as a percentage of the maximum receivable)
2009	841	–	841	80%	0%
2010	853	51	904	82%	88%
2011	920	1,065	1,985	82%	99%
2012	885	31	916	60%	6%
2013	847	577	1,424	61%	98%

Directors' and corporate governance report
continued

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

	Percentage annual change for Chief Executive's salary	Percentage annual change for UK employees' salary	Percentage annual change for Chief Executive's annual bonus	Percentage annual change for UK employees' annual bonus	Percentage annual change for Chief Executive's benefits	Percentage annual change for UK employees' benefits	Percentage annual change for Chief Executive's total	Percentage annual change for UK employees' total
2009	0%	0%	-2%	+25%	0%	0%	-2%	+4%
2010	0%	+4%	+2%	+3%	0%	0%	+2%	+4%
2011	+8%	+6%	+8%	-2%	0%	0%	+8%	+5%
2012	+157%	+2%	-53%	+15%	0%	0%	-4%	+4%
2013	-13%	+4%	+10%	+1%	0%	0%	-4%	+3%

- Fidessa's employees are vital to the growth and success of the business. As a software business with a strategy focused on organic development, its primary costs are related to its employees. The strategy also delivers a stable margin and strong cash flows. The cash generation has allowed Fidessa to distribute the majority of profit after tax to shareholders in the form of annual and special dividends. The profit and corporation tax figures have been included to provide greater context to staff remuneration and the total distributions to shareholders.

	Staff remuneration £'000	Profit before tax £'000	Corporation tax £'000	Corporation tax rate	Dividends £'000	Profit after tax distributed to shareholders
2009	100,537	31,013	10,001	32.2%	9,531	45%
2010	107,755	39,714	11,957	30.1%	25,255	91%
2011	120,208	42,452	12,526	29.5%	28,824	96%
2012	119,796	41,984	11,578	27.6%	30,227	99%
2013	120,944	43,146	11,329	26.3%	30,475	96%

Annual General Meeting of 30th April 2013 directors' remuneration report voting results

Ordinary Resolution	For	Against	Withheld
To approve the Directors' Remuneration Report for the year ended 31st December 2012	24,130,706 (85.3%)	4,163,502 (14.7%)	969,803

As noted in the opening statement of this report, a dialogue with major shareholders was underway in advance of the Annual General Meeting regarding the balance between salary and bonus within the overall remuneration package for the executive directors. This dialogue concluded after the Annual General Meeting with a decrease in the proportion that is salary and an increase in the proportion that is bonus for the Chief Executive.

Directors' remuneration for the year commencing 1st January 2014

Executive directors

Salary	The Committee will continue to monitor the remuneration of executive directors of other companies in the IT sector and other listed companies with similar market capitalisation to ensure that the executive directors remain sufficiently rewarded to promote long-term success. In line with the directors' remuneration policy, salary for the executive directors will be the same as in 2013.
Benefits	The benefits received by the directors will remain substantially unchanged from 2013, being life insurance, ill health income protection and private medical insurance.
Annual bonus	An annual bonus will be paid to the executive directors in accordance with the directors' remuneration policy and the operation method adopted in 2013. The percentage payable on operating profit greater than the threshold will be set to provide a similar overall outcome and material adjustments to these parameters are unlikely. An interim bonus payment will be made after the half year results are announced. The performance measure for, and the operation of, the annual bonus for 2014 is not being disclosed in this report as that information is deemed to be a forecast and therefore commercially sensitive. That information will be disclosed in the 2014 Annual Report and Accounts.
Long-term incentives	It is proposed that the Committee may approve the granting of awards to the executive directors under the PSP no greater than the maximum permitted under the approved Directors' Remuneration Policy and the terms of the relevant share plan. The performance targets for awards made under the PSP will be based on the satisfaction of an earnings per share growth performance condition, as described in note 19 to the financial statements. 2009 awards under the EGRIP may vest in September 2014 subject to the performance conditions being satisfied.
Pension	The directors will continue to not participate in the pension scheme.
Other	The directors will continue to be awarded matching shares as a result of their participation in the SIP.

In relation to the non-executive directors, it is proposed that their fees and all other elements of remuneration remain the same as in 2013 and consistent with the directors' remuneration policy.

On behalf of the Board

Ron Mackintosh
Chairman of the Remuneration Committee
14th February 2014

Directors' and corporate governance report continued

Audit Committee's report

As Chairman of the Audit Committee, I am pleased to introduce the Audit Committee Report for the year ended 31st December 2013.

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

Philip Hardaker
Chairman of the Audit Committee

Membership, meetings and evaluation

The composition of the Committee has not changed in 2013 and comprises both financial and operational skills and experience. The Committee is chaired by Philip Hardaker who, in line with the Code, has significant, recent and relevant financial experience as a former partner of KPMG and through his other current and recent appointments. In addition to Philip, the Committee comprises Ron Mackintosh, Elizabeth Lake and Mark Foster. Philip Hardaker will step down as Chairman of the Audit Committee and as a non-executive director during 2014 following the appointment of his successor.

The Chairman and executive directors were invited to attend for part of the meetings held by the Committee during the year. The Company Secretary acts as secretary to the Committee.

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

Responsibilities

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

The Committee's main responsibilities are:

- to make recommendations to the Board on the appointment and remuneration of the external auditor, review and monitor the external auditor's performance, expertise, independence and objectivity along with the effectiveness of the audit process and its scope;
- to assist the Board in monitoring the integrity, completeness and clarity of the financial statements and ensuring the Annual Report is fair and balanced;
- to monitor the appropriateness of accounting policies and practices along with consistent treatment year to year;
- to monitor and review the internal financial controls and risk management systems;
- to monitor and review the effectiveness of the internal auditor together with the terms of reference, programme, scope of work and reports; and
- to review annually the environmental report, the overall results of ISO 9001:2000 (TickIT) compliance and the results of independent ISAE 3402/SSAE16 audits.

Key matters considered and activities during the year

During 2013, the Committee met to review the results of the external audit for the previous financial year, the external auditor's half year review and the half year results, the audit plan for 2013 and the internal auditor's report for 2013. In February 2014 the Committee met to receive KPMG's update and report on its audit activity and to review this Annual Report and the financial statements contained within it.

The Committee's prime areas of focus have been:

- the integrity, completeness and consistency of financial reporting, including the adequacy, clarity and appropriateness of disclosures;
- the areas where significant judgements and estimates are required in the financial statements;
- the scope and programme of audits, along with the quality and effectiveness of audit processes so that they complement the other risk management activities within Fidessa;
- the materiality level to apply to the audit, concluding that it should be consistent with the previous year;
- whether the going concern basis of accounting should continue to apply in the preparation of the annual financial statements; and
- the appropriateness of transactions separately identified as exceptional in order to highlight the underlying performance for the periods presented in the financial statements.

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

- Revenue recognition in relation to significant fixed price implementation contracts, in particular those for multi-asset services. The Committee assessed the extent of completion, the work remaining to complete, the technical and commercial risk remaining and in respect of these uncertainties the value of revenue being deferred. For services post-implementation, the extent of commercial or other risk was assessed. In addition, the Committee considered material cross-border contracts and the appropriateness of where and when revenue is recognised. The Committee received updates throughout the year from the Finance Director and reports from the external auditor in advance of the interim and preliminary results being approved.
- Development costs and the continued approach to their capitalisation. The areas that the Committee reflected on during the year were the continual development programme, tightly integrated product set resulting from the ongoing development, consistency of treatment with prior years in the financial statements, appropriateness of the short amortisation period, the potential for impairments to have materialised and the overall carrying value compared to revenue being generated from the product set. The technical feasibility of material elements of development and the ability to generate future economic benefit were also considered. Also, the Committee reviewed and approved the appropriateness of Fidessa's accounting for the continual development programme.
- The tax complexity and risk related to the multinational operations of Fidessa and many of its customers. The Committee considered Fidessa's operations and how material contracts covering more than one country were delivered. The recognition of tax assets and liabilities requires estimates of the likely outcome of decisions by tax authorities. During the year the Committee received updates from the Finance Director as well as reports from the external auditor in advance of the interim and preliminary results being approved. Also, the appropriateness of tax provisions and the recognition of deferred tax assets were discussed and considered fair and reasonable.

Directors' and corporate governance report continued

- The carrying value of goodwill and intangible assets in connection with the acquisition of LatentZero in 2007 and the potential impairment of those assets. The determination of whether or not goodwill has been impaired requires a review of the value in use of the asset. The main judgements in relation to the review were considered to be the achievability of the long-term business plan, the potential impact on the business plan of macroeconomic and regulatory factors and the discount rate being applied to projected future cash flows. The calculation of the value in use was undertaken in December 2013 and the Committee considered the conclusions and sensitivity calculations that had been undertaken as part of the review.

The Committee conducted an annual review of the performance of the external auditor, including receiving feedback from management and the finance team, and the Committee is satisfied that KPMG continues to provide an effective audit service.

External auditor and non-audit work
The Committee acknowledges the revised Code published in September 2012 and the requirement that audit services contracts are put out to tender at least once every 10 years. KPMG has been auditor for over 10 years. The current audit engagement partner at KPMG was appointed in 2012 following a scheduled rotation and will be required to stand down no later than the end of the Annual General Meeting in 2017. Accordingly, and in line with the transitional arrangements published by the Financial Reporting Council, the Committee continues to recommend to the Board that the tendering of the external audit services contract should be either at the next rotation of audit engagement partner or earlier, if appropriate circumstances arise. The Committee maintains appropriate contact with potential alternative suppliers for audit services.

The Board receives written confirmation from the auditor of any relationships it has which may cause a conflict of interest, together with a declaration that it considers itself to be independent. The Board has approved the auditor undertaking certain other limited activities but assignments outside these activities requires separate Board approval. The non-audit activity undertaken by the auditor has been assistance on a limited number of tax matters in the reported periods. The fees for non-audit activity are considered to be immaterial in relation to the fees for audit activity and are detailed in note 7 to the financial statements. Following its review, the Board is satisfied that independence has been maintained and is satisfied that it is appropriate to continue with the reappointment of KPMG as the auditor. For details of the auditor's fees, please refer to note 7 to the financial statements.

Disclosure of information to auditor
The directors who held office at the date of approval of this Directors' and Corporate Governance Report confirm that, so far as they are each aware, there is no relevant audit information of which the auditor is unaware and each director has taken the steps that he or she ought to have taken as a director to ascertain any relevant audit information and to establish that the auditor is aware of that information.

Auditor

KPMG LLP is proposed as the auditor and a resolution for its appointment will be submitted to the Annual General Meeting. The contracting party for the audit services will change from KPMG Audit Plc (a fellow KPMG group company). The team providing the audit service continues and there is no change to the time by which the audit engagement partner is scheduled to change or the audit has to be tendered.

Internal audit

The Committee focuses the activity of the internal auditor on those areas where it considers the need to test processes and monitor risk levels. Fidessa engages an external consultant, who reports directly to the Audit Committee, to conduct the internal audits. The Audit Committee has considered the independence of the internal audit function and is satisfied that independence has been maintained.

Internal control

The Board is ultimately responsible for the system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Code requires that directors review the effectiveness of the system of internal controls, including those of an operational and compliance nature, as well as internal financial controls. The Committee is of the view that there is an ongoing process for identifying, evaluating and managing significant risks and that this has been in place for the period under review and up to the date of approval of the Annual Report. Fidessa has established control processes and procedures to be compliant with the best practice governance provisions. The Board's agenda includes a regular item for consideration of issues, risk and control, and any actions that may be considered necessary, and it receives reports thereon from the executive directors. Business unit performance and internal control are monitored by regular Operating Board meetings. Management is responsible for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including competition, control breakdowns, disruption in information systems, natural catastrophe and regulatory requirements. A process of control assessment and reporting is established and defined in Fidessa plc's Quality Management System. This system continues to be independently audited on a regular basis and was successfully audited to ISO 9001:2000 (TickIT) in the year. The UK and US operations maintained the track record of successfully completing the ISAE 3402/SSAE 16 audits during the year. The directors believe these audits are particularly important to customers in enabling them to satisfy their Sarbanes-Oxley requirements when using a Fidessa solution. The treasury function operates within guidelines established by the Board.

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

Directors' and corporate governance report
continued

Nominations Committee's report

Membership, meetings and evaluation

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

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

Responsibilities

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

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

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

Matters considered during the year

During 2013, the Committee carried out the following work:

- Recruitment of Philip Hardaker's replacement as Chairman of the Audit Committee. Following an initial search process involving the alumni networks of the 'Big Four' accountancy firms and individuals suggested by non-executive directors, the Committee recommended to the Board that a replacement be sought through the use of independent recruitment consultants, Russell Reynolds Associates. The consultants have commenced the search process. Throughout the selection process the Committee will be mindful of the recommendations made by Lord Davies in 2011 (see below).

- Recommendation to the Board of the reappointment of Ron Mackintosh as Senior Independent Director.

Gender diversity

The Nominations Committee's conclusions originally reported in 2012 continue to apply, namely that while diversity – including gender diversity – is important when reviewing the composition of the Board and possible new appointees, the single most important factor is to identify and recruit people based on merit. The Nominations Committee continues to note that achieving gender diversity in certain sectors, including the technology sector, presents particular challenges when considering the profile of the available talent pool in those sectors. Accordingly, the Board confirms that it is still not in favour of setting specific targets for Board representation to be achieved by particular dates. The Nominations Committee will, however, ensure that appointed recruitment consultants observe Lord Davies' recommendations when considering new appointments to the Board.

Currently there is one female member of the Board, who, immediately following the 2014 Annual General Meeting, represents 14% of Board membership.

Other statutory disclosures

In accordance with Section 414C(11) of the Companies Act 2006, to the extent they are not addressed in the Directors' and Corporate Governance Report, the disclosures relating to the following matters are included in the Strategic Report: current and proposed product development and investment; risk management; equal opportunities for disabled persons, employee engagement; environmental matters, including greenhouse gas emissions; and corporate social responsibility.

The financial results and position are shown in the financial statements. A fuller explanation of the results, including the recommended dividend and financial position, is provided in the Overview, the Finance Review, the Market Review and Outlook sections of the Strategic Report and the notes to the financial statements.

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

No political donations were made during 2013.

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

Share capital and articles of association

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

The appointment and replacement of directors is governed by the Articles of Association and the Nominations Committee's Terms of Reference. The Articles of Association may be amended by a special resolution.

Authority to purchase own shares

At the Annual General Meeting held on 30th April 2013 shareholders approved a general authority to re-purchase up to 3,715,498 ordinary shares in the market. This represented approximately 10% of the issued ordinary share capital at the time. No purchase of shares has been made pursuant to this authority. There is no present intention to use such authority, but the Board considers it desirable that the possibility of making such purchases under appropriate circumstances remains available. A similar authority will be requested at the forthcoming Annual General Meeting, again limited to a maximum of 10% of the issued share capital. The Board intends only to exercise this authority if it believes that it will lead to an increase in earnings per share for the remaining shareholders.

Directors' and corporate governance report continued

Significant agreements – change of control

The only significant agreements with change of control provisions are the share incentive plans. Under the CSOP, DABP, MSPP and SIP plans, on a change of control, options and awards would vest in full subject to the satisfaction of any performance conditions at the time. Part of the EGRIP and PSP awards would also vest subject to the satisfaction of any performance conditions at the time but these would be time pro-rated. Fidessa is not party to any other significant agreements that take effect, alter or terminate upon a change of control following a takeover or upon a takeover bid.

Compliance with the UK Corporate Governance Code

Fidessa is committed to high standards of corporate governance and is subject to the principles of the UK Corporate Governance Code. In respect of the year ended 31st December 2013 Fidessa has complied with all of the provisions of the Code.

Dialogue with shareholders

Fidessa values the views of its shareholders and recognises their interests in its strategy and performance. The Chief Executive and Finance Director hold briefing meetings with analysts and institutional shareholders, primarily following the announcement of interim and preliminary results but also at other times during the year as may be suitable. The Chief Executive and Finance Director provide feedback to the Board from meetings with shareholders. The Board also obtains formal feedback from analysts and institutional shareholders via Fidessa's PR adviser and financial advisers. Communication with private investors is through the Annual Report and the Annual General Meeting. Financial and other information is made available on the website, www.fidessa.com, which is regularly updated. The Chairman and Senior Independent Non-Executive Director also meet with major shareholders as and when there is a requirement to do so.

Principal shareholders

The following have disclosed that they have an interest in 3% or more of the issued ordinary share capital. As at 14th February 2014, the last holding disclosed is shown below.

	Ordinary 10p shares	Percentage of issued share capital
Lindsell Train Limited	3,669,031	9.7%
Kames Capital	2,917,504	7.7%
Prudential plc group of companies	2,750,600	7.3%
BlackRock, Inc.	2,239,395	5.9%
Ameriprise Financial, Inc and its group	1,932,650	5.1%
Legal & General Group plc	1,425,065	3.8%
FMR LLC	1,243,151	3.3%
The Capital Group Companies, Inc	1,240,000	3.3%
DA Taylor	1,153,049	3.0%

Going concern

Fidessa's business activities and position in its market are described in the Overview, Business Model and Strategy, Market Review, Outlook and Risks and Uncertainties sections of the Strategic Report. The financial position, cash flows and liquidity position are described in the Finance Review and the notes to the financial statements. In addition, the notes to the financial statements include Fidessa's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit and liquidity risk. Having reviewed the future plans and projections for the business and its current financial position, the Board believes that Fidessa is well placed to manage its business risks successfully despite the ongoing economic uncertainties. Fidessa has considerable financial resources, no borrowings, a high level of recurring revenue and a very broad spread of customers. As a consequence of these factors and having reviewed the forecasts for the coming year, the Board has a reasonable expectation that Fidessa has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, it continues to adopt the going concern basis of accounting in preparing the annual financial statements.

Directors' responsibilities statement in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain transactions and disclose with reasonable accuracy at any time the financial position and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

Directors' and corporate governance report continued

The directors are responsible for the maintenance and integrity of the corporate and financial information included on Fidessa's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU and applicable law, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Directors' and Corporate Governance Report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Andy Malpass
Director
14th February 2014

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

Opinion and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the group financial statements of Fidessa group plc for the year ended 31st December 2013 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the group and parent company balance sheets, the group and parent company cash flow statement, the group and parent company statement of changes in equity and related notes. In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

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

Revenue recognition (£279.0 million)

Refer to Audit Committee's report, accounting policy (note 2d) and financial disclosures (note 5).

The risk – The group provides its products and services to customers in bundled packages. These packages may contain two or more of the following elements: software rental, consultancy services, data charges and connectivity services.

Consultancy services may be provided on a fixed price basis and such services are recognised based on the percentage of completion ("POC"). Determining the POC of the contract, which may include making estimates of potential cost contingencies, requires significant judgement.

The group must also consider when it is appropriate to commence revenue recognition of each element included in the contract. Where the products or services are being deployed at multiple customer sites, judgement may be required to determine whether the group has fulfilled its obligations associated with each element.

Our response – In this area our audit procedures included, among others:

- For fixed price consultancy services which were not completed at the balance sheet date, we assessed the calculation of the stage of completion. This included assessing the inputs used to determine the amount of costs incurred to date and challenging the assessment of forecast costs to complete. Where contingencies were included in the calculation of costs to complete, we discussed the basis for their calculation with the directors and project managers who are responsible for delivering the projects, and evaluated the historical accuracy of the utilisation of contingencies.

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

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

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

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

The risk – There is a risk of irrecoverability of goodwill. This is due to historical valuations identifying that there was significant sensitivity to changes in forecast operating margin. As such, there is inherent uncertainty involved in forecasting and discounting future cash flows, which form the basis for the assessment of the goodwill recoverability.

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

Capitalisation of development costs (£41.3 million)
Refer to Audit Committee's report, accounting policy (note 2j) and financial disclosures (note 13).

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

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

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

We evaluated the group's assessment that the expected future cash flows derived from the sale of the products or services would support the capitalised amounts. This was performed by considering the level of contracted revenues at the balance sheet date, evaluating whether any recently launched products or services had been discontinued and considering the pipeline of anticipated sales. We also considered the adequacy of the disclosures in respect of research and development costs.

Tax (£11.3 million charge in the year)
Refer to Audit Committee's report, accounting policy (note 2h) and financial disclosures (note 9).

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

Our response – In this area our audit procedures included, among others, the use of our own international and local tax specialists to assess the tax positions, to consider correspondence with the relevant tax authorities to analyse and challenge the assumptions used to determine tax provisions using our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts. We also considered the adequacy of the disclosures in respect of tax and uncertain tax positions.

3 Our application of materiality and an overview of the scope of our audit
The materiality for the group financial statements as a whole was set at £2 million. This has been determined with reference to a benchmark of group profit before income tax (of which it represents 4.6%) which we consider to be one of the principal considerations for members of the company in assessing the financial performance of the group.

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

Audits for group reporting purposes were performed at the key reporting components in UK, North America and Hong Kong. The UK audit team performed the work in the UK and North America and the work in Hong Kong was completed by component auditors. These audits covered 94% of total revenue; 90% of profit before taxation; and 96% of total assets. A review for group reporting was performed on the operations in Japan by a local review team.

The audits undertaken for group reporting purposes at the key reporting components of the group were all performed to local materiality levels set by, or agreed with, the group audit team. These local materiality levels were set individually for each component and ranged from £0.2 million to £1.0 million. The review work in Japan was completed using a materiality set by the group audit team.

Detailed audit and review instructions were sent to each auditor in these locations. These instructions covered the significant areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team. Telephone meetings were held with the auditor in Hong Kong and the team performing the review in Japan.

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

- the part of the Directors' Remuneration Report to be audited from the section titled Directors' remuneration policy to Directors' remuneration for the year commencing 1st January 2014 inclusive has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

5 We have nothing to report to you in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

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

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

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

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

Under the Listing Rules we are required to review:

- the directors' statement in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

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

Scope and responsibilities

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

This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

14th February 2014

Consolidated income statement

for the year ended 31st December 2013

	Note	2013 £'000	2012 £'000
Revenue	5	**279,018**	278,626
Operating expenses before gain on property sale and amortisation of acquired intangibles	6	**(237,615)**	(236,417)
Other operating income		**207**	226
Operating profit before gain on property sale and amortisation of acquired intangibles		**41,610**	42,435
Gain on property sale	6	**2,032**	–
Amortisation of acquired intangibles		**(730)**	(730)
Operating profit		**42,912**	41,705
Finance income		**234**	279
Profit before income tax		**43,146**	41,984
Income tax expense on ordinary activities	9	**(10,480)**	(11,578)
Income tax expense on property sale		**(849)**	–
Total income tax expense		**(11,329)**	(11,578)
Profit for the year attributable to owners		**31,817**	30,406
Basic earnings per share	10	**85.5p**	82.5p
Diluted earnings per share	10	**83.5p**	80.9p

Consolidated statement of comprehensive income

for the year ended 31st December 2013

	2013 £'000	2012 £'000
Profit for the year from the income statement	**31,817**	30,406
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**(1,791)**	(2,167)
Total comprehensive income for the year	**30,026**	28,239

Consolidated balance sheet

at 31st December 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**19,104**	20,640
Intangible assets	13	**89,327**	85,745
Deferred tax assets	14	**8,251**	5,299
Other receivables		**905**	2,004
Total non-current assets		**117,587**	113,688
Current assets			
Trade and other receivables	15	**72,806**	73,168
Cash and cash equivalents		**73,019**	72,078
Total current assets		**145,825**	145,246
Total assets		**263,412**	258,934
Equity			
Issued capital	16	**3,784**	3,715
Share premium		**27,921**	23,838
Merger reserve	16	**17,938**	17,938
Cumulative translation adjustment	16	**564**	2,355
Retained earnings		**98,319**	92,279
Total equity		**148,526**	140,125
Liabilities			
Non-current liabilities			
Other payables	17	**7,280**	8,742
Provisions	18	**2,655**	3,536
Deferred tax liabilities	14	**6,340**	5,870
Total non-current liabilities		**16,275**	18,148
Current liabilities			
Trade and other payables	17	**91,578**	92,807
Provisions	18	**1,158**	314
Current income tax liabilities		**5,875**	7,540
Total current liabilities		**98,611**	100,661
Total liabilities		**114,886**	118,809
Total equity and liabilities		**263,412**	258,934

The consolidated financial statements were approved by the Board of directors on 14th February 2014 and were signed on its behalf by

A Malpass

Consolidated statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balances at 1st January 2012		3,698	22,466	17,938	4,522	90,964	139,588
Total comprehensive income for the year							
Profit for the year		–	–	–	–	30,406	30,406
Other comprehensive income		–	–	–	(2,167)	–	(2,167)
		–	–	-	(2,167)	30,406	28,239
Transactions with owners							
Issue of shares - exercise of options	16	17	1,372	–	–	–	1,389
Employee share incentive charges	6	–	–	–	–	1,448	1,448
Current tax recognised direct to equity		–	–	–	–	780	780
Deferred tax recognised direct to equity		–	–	–	–	(450)	(450)
Purchase of shares by employee share trusts		–	–	–	–	(782)	(782)
Sale of shares by employee share trusts		–	–	–	–	140	140
Dividends paid	11	–	–	–	–	(30,227)	(30,227)
Balances at 1st January 2013		3,715	23,838	17,938	2,355	92,279	140,125
Total comprehensive income for the year							
Profit for the year		**–**	**–**	**–**	**–**	**31,817**	**31,817**
Other comprehensive income		**–**	**–**	**–**	**(1,791)**	**–**	**(1,791)**
		-	**-**	**-**	**(1,791)**	**31,817**	**30,026**
Transactions with owners							
Issue of shares - exercise of options	16	**69**	**4,083**	**–**	**–**	**–**	**4,152**
Employee share incentive charges	6	**–**	**–**	**–**	**–**	**2,128**	**2,128**
Current tax recognised direct to equity		**–**	**–**	**–**	**–**	**1,960**	**1,960**
Deferred tax recognised direct to equity		**–**	**–**	**–**	**–**	**1,308**	**1,308**
Purchase of shares by employee share trusts		**–**	**–**	**–**	**–**	**(749)**	**(749)**
Sale of shares by employee share trusts		**–**	**–**	**–**	**–**	**51**	**51**
Dividends paid	11	**–**	**–**	**–**	**–**	**(30,475)**	**(30,475)**
Balances at 31st December 2013		**3,784**	**27,921**	**17,938**	**564**	**98,319**	**148,526**

Consolidated cash flow statement

for the year ended 31st December 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Profit before income tax for the year		**43,146**	41,984
Adjustments for:			
Staff costs - share incentives	6	**2,128**	1,448
Depreciation of property, plant and equipment	6	**12,578**	13,336
Amortisation of product development	6	**23,764**	20,919
Amortisation of acquired intangibles	6	**730**	730
Amortisation of other intangible assets	6	**1,120**	965
Profit on sale of property, plant and equipment	6	**(2,040)**	(4)
Finance income		**(234)**	(279)
Cash generated from operations before changes in working capital		**81,192**	79,099
Movement in trade and other receivables		**(528)**	(2,269)
Movement in trade and other payables		**(435)**	(1,099)
Cash generated from operations		**80,229**	75,731
Income tax paid		**(12,263)**	(8,817)
Net cash generated from operating activities		**67,966**	66,914
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(11,704)**	(8,720)
Proceeds from sale of property, plant and equipment		**2,316**	4
Purchase of other intangible assets	13	**(417)**	(1,345)
Product development capitalised	13	**(28,781)**	(24,983)
Interest received on cash and cash equivalents		**234**	279
Net cash used in investing activities		**(38,352)**	(34,765)
Cash flows from financing activities			
Proceeds from shares issued		**4,152**	1,389
Purchase of shares by employee share trusts		**(749)**	(782)
Proceeds from sale of shares by employee share trusts		**51**	140
Dividends paid	11	**(30,475)**	(30,227)
Net cash used in financing activities		**(27,021)**	(29,480)
Net increase in cash and cash equivalents		**2,593**	2,669
Cash and cash equivalents at 1st January		**72,078**	70,885
Effect of exchange rate fluctuations on cash held		**(1,652)**	(1,476)
Cash and cash equivalents at 31st December		**73,019**	72,078

Notes to the consolidated financial statements

Fidessa group plc (Fidessa or the Company), is a company incorporated in England and Wales. The financial statements are presented in Sterling, rounded to the nearest thousand.

The financial statements were authorised for issue by the directors on 14th February 2014.

The consolidated financial statements consolidate those of the Company and its subsidiaries.

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

The consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS or IFRSs) as adopted by the European Union.

1 Basis of preparation

The financial statements are prepared on the historical cost basis with the exception of financial instruments which are stated in accordance with IAS39 Financial Instruments: Recognition and Measurement. The following standards, amendments and interpretations have been adopted for the first time in these financial statements, none of which had an impact on the consolidated or Company's financial statements:

- Amendment to IAS1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*.
- Amendment to IFRS1 *First-time Adoption of International Financial Reporting Standards: Government Loans.*
- Amendment to IFRS7 *Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities*.
- IFRS10 *Consolidated Financial Statements.*
- IFRS11 *Joint Arrangements*.
- IFRS12 *Disclosure of Interests in Other Entities*.
- Amendments to IFRS10, IFRS11 and IFRS12 *Transition Guidance*.
- IFRS13 *Fair Value Measurement*.
- IAS19 *Employee Benefits (2011)*.
- IAS27 *Separate Financial Statements (2011)*.
- IAS28 *Investments in Associates and Joint Ventures (2011).*
- IFRIC20 *Stripping Costs in the Production Phase of a Surface Mine.*
- Various standards resulting from *Annual Improvements to IFRS 2009-2011 Cycle.*

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates, assumptions and judgements that are likely to contain the greatest degree of uncertainty are summarised in note 4.

Notes to the consolidated financial statements
continued

The accounting policies set out below have, unless otherwise stated, been applied consistently in the consolidated and Company financial statements to all periods presented. The segment reporting for the prior year has been restated to reflect the revised structure of the business that came into effect during 2013.

2 Significant accounting policies

a Basis of consolidation

The consolidated financial statements include the financial statements of Fidessa group plc and its subsidiaries. There are no associates or joint ventures.

Subsidiaries are all entities over which there is the power to govern the financial and operating policies so as to obtain the benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred until the date on which control ceases. Intra-group balances, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Sterling at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Sterling at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in the translation reserve. Exchange gains and losses arising on the translation of the net investment in foreign entities are recognised in the translation reserve. On disposal of a foreign entity the cumulative translation differences are recycled to the income statement and recognised as part of the gain or loss on disposal.

c Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

For acquisitions on or after 1st January 2010, goodwill is measured at the acquisition date as the fair value of the consideration transferred plus the recognised amount of any non-controlling interests in the acquiree less the net recognised amount of the identifiable assets acquired and liabilities assumed. When the excess is negative, a purchase gain is recognised immediately in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that are incurred in connection with a business combination are expensed as incurred. Any contingent consideration payable is recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration are recognised in profit or loss.

For acquisitions between 1st January 2004 and 31st December 2009, goodwill represents the excess of the cost of acquisition over the interest in the recognised amount of identifiable assets, liabilities and contingent liabilities of the acquiree. Transaction costs that were incurred in connection with a business combination were capitalised as part of the cost of the acquisition. Any contingent consideration payable was recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration were recognised as an adjustment to the carrying value of goodwill.

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

d Revenue

Revenue represents the fair value for consideration received or receivable from customers for software and related services supplied, net of discounts, VAT and other sales related taxes. Revenue is only recognised where there is persuasive evidence that a contract exists, delivery has occurred, the fee is fixed or determinable and collection of the resulting receivable is considered probable. Full allowance is made for all known or expected losses.

Recurring revenue is derived from the provision of software rental, software as a service, connectivity services, market data and support services. Revenue for these services is recognised pro-rata over the period that the service is to be provided, taking account of any free of charge periods. Non-recurring revenue is derived from the provision of implementation, consultancy, reconfiguration support and training services, in all cases being entirely related to Fidessa products. These services are predominantly chargeable on a time and materials basis and the relevant revenue is recognised when the work is performed. When implementations are performed on a fixed price basis the relevant revenue is recognised over the period of implementation in accordance with the estimated percentage completed for each contract, based on the anticipated number of days of effort for the implementation. Recurring and non-recurring services can be separately identified in contracts and the fair value determined respectively.

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

e Share-based payments

A number of equity-settled share plans are operated. The fair value of the awards is recognised as an employee expense over the vesting period with a corresponding increase in equity. The fair value of the awards is measured using a Black-Scholes model, binomial model or a Monte Carlo simulation model, taking into account the terms and conditions upon of the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest except where forfeiture is only due to the share price not achieving the threshold for vesting.

Where options over shares are granted to employees of subsidiaries Fidessa recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its subsidiaries' financial statements, with the corresponding credit being recognised directly in equity.

Notes to the consolidated financial statements continued

f Post-employment benefits

Certain subsidiaries operate defined contribution pension schemes for their employees. Pension costs are charged to the income statement as they arise.

g Interest receivable

Interest receivable on interest-bearing financial assets is recognised on an accruals basis using the effective interest rate method. The effective interest rate used reflects the anticipated cash flows to be received.

h Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

i Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. The cost is the purchase price of the goods received. Purchased software that is integral to the related equipment is capitalised as part of that equipment.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

- Furniture and equipment 3 - 5 years
- Leasehold improvements 5 - 10 years or remainder of lease if shorter
- Long leasehold buildings 25 years
- Computers 2 - 3 years

j Intangible assets

Research and development

Expenditure on research into areas such as potential new technologies, methodologies and architectures is recognised as an expense as incurred. Product development relates to the design, programming and testing of new and enhanced inter-related features in the product suite. There is a rolling programme of releases that form part of a continual process of updates to and expansion of the overall product suite with a result that there are not defined end dates. Costs incurred on product development are capitalised as an intangible asset when it is probable that the development will provide economic benefits, considering its commercial and technological feasibility, resources are available for the development, and costs can be measured reliably. The expenditure capitalised is the direct labour cost and is managed and controlled centrally. Other development expenditure is recognised as an expense as incurred. Product development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised product development expenditure is stated at cost less accumulated amortisation and impairment. Product development costs that have been capitalised are amortised from the time of development on a straight-line basis over three years.

Goodwill
Goodwill represents the excess of the cost of acquisition over the fair value of the interest in identifiable assets, liabilities and contingent liabilities acquired in a business combination. Goodwill is stated at the amount recognised on acquisition date less accumulated impairment.

Acquisition intangibles
Intangible assets acquired from a business combination are capitalised at fair value as at the date of acquisition and amortised over their estimated useful economic life. Their carrying value is the fair value at acquisition less cumulative amortisation and impairments. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights. The estimated useful lives of the intangible assets are as follows:

- Customer relationships 10 years

Other intangible assets
Other purchased intangible assets are stated at cost less accumulated amortisation and impairments. The cost is the purchase price of the asset. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the assets. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred. Software purchased for internal use is amortised over two years.

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

In an impairment test, the recoverable amount of the cash generating unit or asset is estimated to determine the extent of an impairment. The recoverable amount is the higher of fair value less costs to sell and the value in use. An impairment is recognised to the extent that the carrying value exceeds the recoverable amount.

In determining a cash generating unit's or asset's value in use, estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash generating unit or asset that have not already been included in the estimate of future cash flows.

Notes to the consolidated financial statements continued

l Leased assets
Where an operating lease is entered into the rentals are charged as an expense on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

m Investments and financial instruments
Investments in subsidiary companies, which are all unquoted equity investments, are stated at cost less provision for any impairment in value.

A financial instrument is recognised if Fidessa becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when contractual rights to the cash flows from the financial assets expire or if the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised when obligations specified in the contract expire or are discharged or cancelled.

Where financial guarantee contracts are created to guarantee the indebtedness of subsidiaries, they are considered to be insurance arrangements and are accounted for as such. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that a payment will be required under the guarantee.

n Trade receivables
Trade receivables are stated at amortised cost, their carrying value being reduced by appropriate allowances for estimated irrecoverable amounts.

o Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

p Trade payables
Trade payables are stated at amortised cost.

q Grants
Grants that compensate for expenses incurred are recognised in profit or loss as a deduction from the related expense over the periods in which the expense is recognised.

r Employee share trusts
The trusts and share plan trustees, which purchase and hold shares in connection with employee share plans, are included in the financial statements and presented as a deduction from equity. Any consideration paid or received by them for the purchase or sale of the shares is shown as a movement in shareholders' equity.

s Provisions and contingent liabilities
A provision is recognised in the balance sheet when a present legal or constructive obligation exists as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material the provision is determined by discounting the expected future cash flows. No provision is recognised when it is not probable that an outflow of economic benefits will be required to settle an obligation or the amount of the obligation cannot be measured with sufficient reliability and instead a contingent liability is disclosed.

3 Recent accounting developments

At the date of approval of these financial statements, the following standards, interpretations and amendments were issued but not yet mandatory and early adoption has not been applied.

- Amendments to IFRS10, IFRS12 and IAS27 *Investment Entities.*
- Amendments to IAS32 *Offsetting Financial Assets and Financial Liabilities.*
- Amendments to IAS36 *Recoverable Amount Disclosures for Non-Financial Assets.*
- IFRIC21 *Levies*.
- Amendments to IAS39 *Novation of Derivatives and Continuation of Hedge Accounting*.
- Amendments to IAS19 *Defined Benefit Plans: Employee Contributions.*
- IFRS9 *Financial Instruments.*

It is considered that the above standards, amendments and interpretations will not have a significant effect on the consolidated or Company results or net assets.

4 Accounting estimates and judgements

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

a Development expenditure

Fidessa invests in the development of future products and enhancement of existing products in accordance with the accounting policy. In deciding whether development expenditure should be capitalised the assessment as to whether material elements of this expenditure will be technically feasible, generate future economic benefit or the period over which to amortise the expenditure is a matter of judgement. The carrying value of product development capitalised and the amounts capitalised and amortised in the year are detailed in note 13.

b Income taxes

Fidessa operates internationally and therefore spans several tax jurisdictions. In recognising income tax assets and liabilities estimates have to be made of the likely outcome of decisions by tax authorities on transactions and events whose treatment for tax purposes is uncertain and on the expected manner of realisation or settlement of deferred tax assets and liabilities.

c Revenue

In determining the revenue to recognise each period for fixed price implementations an estimate has to be made of the extent of completion, the work remaining to complete, the technical and commercial risk remaining and, in respect of these uncertainties, the value of revenue recognised or deferred. For services post-implementation an estimate has to be made of the extent of commercial or other risk and the effect of any such uncertainties on revenue recognised or deferred.

Notes to the consolidated financial statements
continued

d Fair values

IFRSs require many assets, liabilities and expenses to be recognised at fair value. This includes the intangible assets (note 13) and share-based payments (note 19). By their nature fair values are estimates and subject to assumptions and different interpretation.

e Impairment of goodwill

The determination of whether or not goodwill has been impaired requires an estimate to be made of the value in use of the cash generating unit to which goodwill has been allocated. The value in use calculation includes estimates about the future financial performance of the cash generating unit, the discount rate to apply to projected future cash flows, long-term operating margins and long-term growth rates (note 13). If the results of the cash generating unit in future periods are materially adverse to the estimates used for the impairment testing an impairment charge may be triggered.

f Expected useful lives

The carrying value of property, plant and equipment and intangible assets and the respective depreciation and amortisation of these assets is affected by the assumptions made in determining the expected useful lives of the assets. Management makes estimates of the useful lives.

5 Segment reporting

During 2013 the business has restructured with the former Enterprise and Hosted business units combining to form the Sell-side business unit. This change reflects the marketplace trend for larger customers to want to take more of their solution on a managed service basis. The primary management and performance monitoring continues to be undertaken by the Operating Board which comprises the heads of the business units and global functional heads.

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

The Operating Board monitors overall operating profit excluding amortisation of acquired intangibles and product development capitalisation and amortisation, which is not an IFRS measure. Finance income, assets and liabilities are not reported by business unit.

No single external customer accounts for 5% or more 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.

The following segment information for 2012 has been restated to reflect the new business structure.

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

For the year ended 31st December 2012	Sell-side restated £'000	Buy-side restated £'000	Total restated £'000
Recurring revenue	216,549	17,100	233,649
Non-recurring revenue	36,889	8,088	44,977
Total revenue from external customers	253,438	25,188	278,626
Inter-business unit revenue	–	4,921	4,921
Operating profit	34,324	4,047	38,371

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

	2013 **£'000**	2012 restated £'000
Operating profit as monitored by the Operating Board	**36,593**	38,371
Amortisation of acquired intangibles	**(730)**	(730)
Gain on property sale	**2,032**	–
Product development capitalised	**28,781**	24,983
Product development amortised	**(23,764)**	(20,919)
Operating profit	**42,912**	41,705
Finance income	**234**	279
Profit before income tax	**43,146**	41,984

Notes to the consolidated financial statements continued

Other segmental disclosures:

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

	Sell-side restated £'000	Buy-side restated £'000	Total £'000
For the year ended 31st December 2012			
Depreciation of property, plant and equipment	13,336	–	13,336
Amortisation of intangible assets	18,504	4,110	22,614
Balances at 31st December 2012			
Property, plant and equipment	20,640	–	20,640
Intangible assets	31,760	53,985	85,745

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.

	2013 £'000	2012 £'000
Europe	**118,733**	125,004
Americas	**111,725**	105,514
Asia	**48,560**	48,108
Total revenue	**279,018**	278,626

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

	2013 £'000	2012 £'000
UK	**118,733**	125,004
USA	**95,333**	89,636
Hong Kong	**30,619**	26,224

6 Operating expenses

	2013 £'000	2012 £'000
Staff costs – salaries	**120,944**	119,796
Staff costs – social security	**10,255**	10,007
Staff costs – pension	**4,419**	2,910
Staff costs – share incentives	**2,128**	1,448
Total staff costs	**137,746**	134,161
Amounts payable to subcontractors	**2,005**	2,327
Depreciation of property, plant and equipment	**12,578**	13,336
Amortisation of other intangible assets	**1,120**	965
Capitalisation of product development	**(28,781)**	(24,983)
Amortisation of product development	**23,764**	20,919
Communications and data	**38,565**	38,240
Operating lease rentals – property	**17,706**	17,189
Operating lease rentals – plant and machinery	**110**	5
Profit on sale of property, plant and equipment	**(8)**	(4)
Exchange (gain)/loss	**(74)**	206
Other operating expenses	**32,884**	34,056
Operating expenses before gain on property sale and amortisation of acquired intangibles	**237,615**	236,417
Gain on property sale	**(2,032)**	–
Amortisation of acquired intangibles	**730**	730
Total operating expenses	**236,313**	237,147

Other operating income represents income from sublet office space.

Included in total staff costs are the direct costs of research and development of £34,062,000 (2012: £32,037,000), which includes the amount capitalised above.

Grants have been received compensating for certain expenditure incurred to establish an operation in Belfast, including recruitment, training and infrastructure costs. The grants are deducted from the related expense in the period that the expense is recognised. In the year no grant was received (2012: £294,000).

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

Notes to the consolidated financial statements continued

7 Auditor's fees

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

	2013 £'000	2012 £'000
Audit of these financial statements	**51**	50
Audits of subsidiaries pursuant to legislation	**143**	133
Reviews of subsidiaries	**67**	70
Review of the interim report	**41**	40
Tax compliance services	**8**	7
Total fees paid to the auditor	**310**	300

8 Staff numbers

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

	2013 Number	2012 Number
Europe	**846**	885
The Americas	**550**	579
Asia	**306**	274
Total average staff numbers in the year	**1,702**	1,738

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

	2013 Number	2012 Number
Delivery	**502**	537
Support	**342**	331
Core development and research	**435**	443
Operations	**136**	141
Sales	**70**	79
Marketing	**43**	78
Management and administration	**143**	158
Total staff numbers at 31st December	**1,671**	1,767

9 Income tax expense

	2013 £'000	2012 £'000
Current tax		
Current year domestic tax	**2,559**	5,599
Current year foreign tax	**10,406**	6,280
Adjustments for prior years	**79**	(504)
Total current tax	**13,044**	11,375
Deferred tax		
Origination and reversal of temporary differences	**(325)**	(452)
Benefit and utilisation of tax losses	**67**	1,217
Adjustments for prior years – tax rate change	**(522)**	(260)
Adjustments for prior years – other	**(935)**	(302)
Total deferred tax	**(1,715)**	203
Total income tax in income statement	**11,329**	11,578

	2013	**2013 £'000**	2012	2012 £'000
Profit before tax		**43,146**		41,984
Income tax using the domestic corporation tax rate	**23.25%**	**10,031**	24.5%	10,286
Effective tax rates in foreign jurisdictions		**3,554**		1,988
Expenses not deductible for tax purposes		**435**		1,479
Tax incentives		**(1,294)**		(1,080)
Non-taxable items		**(19)**		(29)
Adjustment relating to prior years		**(1,378)**		(1,066)
Total income tax and effective tax rate for the year	**26.3%**	**11,329**	27.6%	11,578

On 1st April 2013 the UK corporation tax rate reduced from 24% to 23%, resulting in a headline UK corporation tax rate for the year of 23.25%. The UK government has reduced the UK corporation tax rate to 21% with effect from 1st April 2014 and to 20% with effect from 1st April 2015 and these reductions have been reflected in the measurement of deferred tax balances.

Tax recognised direct to equity	**2013 £'000**	2012 £'000
Current tax credit relating to equity-settled share incentives	**(1,960)**	(780)
Deferred tax (credit)/debit relating to equity-settled share incentives	**(1,308)**	450

Notes to the consolidated financial statements continued

10 Earnings per share

Earnings per share have been calculated by dividing profit attributable to shareholders by the weighted average number of shares in issue during the year, details of which are below. The diluted earnings per share have been calculated using an average share price of 1949p (2012: 1508p) for the year.

	2013 £'000	2012 £'000
Profit attributable to owners	**31,817**	30,406
Gain on property sale net of income tax	**(1,183)**	–
Amortisation of acquired intangibles net of deferred tax	**560**	551
Profit attributable to owners after adjustments	**31,194**	30,957

	2013 Number '000	2012 Number '000
Weighted average number of shares in issue	**37,374**	37,054
Weighted average number of shares held by employee share trusts	**(175)**	(190)
Number of shares used to calculate basic earnings per share	**37,199**	36,864
Dilution due to share incentives	**918**	721
Number of shares used to calculate diluted earnings per share	**38,117**	37,585

	2013 Pence	2012 Pence
Basic earnings per share	**85.5p**	82.5p
Diluted earnings per share	**83.5p**	80.9p
Basic earnings per share on adjustments	**(1.6)p**	1.5p
Diluted earnings per share on adjustments	**(1.7)p**	1.5p
Basic earnings per share after adjustments	**83.9p**	84.0p
Diluted earnings per share after adjustments	**81.8p**	82.4p

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

11 Dividends paid and proposed

	2013 £'000	2012 £'000
Declared and paid during the year		
Interim 2013 dividend of 12.5 pence per share (interim 2012 dividend of 12.5 pence per share)	**4,650**	4,615
Final 2012 dividend of 24.5 pence per share (final 2011 dividend of 24.5 pence per share)	**9,104**	9,029
Special 2012 dividend of 45.0 pence per share (special 2011 dividend of 45.0 pence per share)	**16,721**	16,583
	30,475	30,227

The directors propose a final dividend of 24.5 pence per share, amounting to an expected final dividend payment of £9,228,000, and a special dividend of 45.0 pence per share, amounting to an expected special dividend payment of £16,949,000. These will be payable on 13th June 2014 to shareholders on the register at the close of business on 16th May 2014, with an ex-dividend date of 14th May 2014. These dividends are subject to approval by shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

12 Property, plant and equipment

	Furniture, equipment and leasehold improvements £'000	Long leasehold buildings £'000	Computers £'000	Total £'000
Cost				
Cumulative cost at 1st January 2012	36,544	1,393	43,132	81,069
Exchange adjustment	(1,149)	(31)	(1,676)	(2,856)
Additions	1,752	–	6,968	8,720
Disposals	(871)	–	(875)	(1,746)
Cumulative cost at 1st January 2013	36,276	1,362	47,549	85,187
Exchange adjustment	**(612)**	**(10)**	**(1,462)**	**(2,084)**
Additions	**4,753**	**–**	**6,951**	**11,704**
Disposals	**(80)**	**(537)**	**(2,979)**	**(3,596)**
Cumulative cost at 31st December 2013	**40,337**	**815**	**50,059**	**91,211**
Depreciation				
Cumulative depreciation at 1st January 2012	24,807	252	29,989	55,048
Exchange adjustment	(862)	(15)	(1,214)	(2,091)
Charged in year	5,378	49	7,909	13,336
Disposals	(871)	–	(875)	(1,746)
Cumulative depreciation at 1st January 2013	28,452	286	35,809	64,547
Exchange adjustment	**(615)**	**(6)**	**(1,077)**	**(1,698)**
Charged in year	**4,631**	**51**	**7,896**	**12,578**
Disposals	**(80)**	**(264)**	**(2,976)**	**(3,320)**
Cumulative depreciation at 31st December 2013	**32,388**	**67**	**39,652**	**72,107**
Carrying value				
At 31st December 2013	**7,949**	**748**	**10,407**	**19,104**
At 1st January 2013	7,824	1,076	11,740	20,640
At 1st January 2012	11,737	1,141	13,143	26,021

Notes to the consolidated financial statements continued

13 Intangible assets

Carrying value at 31st December	**2013 £'000**	2012 £'000
Goodwill	**44,897**	44,897
Acquired intangible assets	**2,433**	3,163
Product development	**41,312**	36,295
Software purchased for internal use	**685**	1,390
	89,327	85,745

Goodwill

	Total £'000
Carrying value at 1st January 2012, 1st January 2013 and 31st December 2013	44,897

Goodwill acquired in a business combination is allocated to cash generating units which can be no larger than an operating segment. Annual impairment tests are conducted on the carrying value of goodwill, based on the recoverable amount of the cash generating units to which goodwill has been allocated. Value in use calculations are used to determine the recoverable amount of cash generating units. The key assumptions for the value in use calculations are the discount rate applied, future growth rate of the revenue and operating margin. These take into account the existing customer base and expected revenue commitments from it, anticipated additional sales to existing and new customers, planned expansion of the product and service offerings to the marketplace and the specific market trends that are currently seen or expected in the future.

The goodwill arising on the acquisition of LatentZero resulted from the value of the assembled workforce, the synergistic nature of the acquisition due to the long-term cross-selling opportunities between the buy-side and sell-side clients, potential cost savings, the expected future growth and the acceleration of operations into the buy-side.

Fidessa prepares a cash flow forecast for the following year which is extended for the following four years based on the estimated growth rate which management consider reflects a reasonable future rate for the cash generating unit after considering recent trading experience, the increasing amount of recurring revenue, assessing the market opportunities and threats and the potential to expand the addressable market. The cash flow forecast is discounted by the discount rate which has been calculated after assessing the specific risk premium for the cash generating unit, current gilt rates and the business's beta factor.

The value in use calculation uses the growth rate from the detailed forecast for the first year followed by 10% per annum for the remainder of the initial five years. This is followed by a reducing growth rate of 5% and a terminal growth rate of 2%. The expected useful life is materially greater than five years. This is considered to reflect a cautious long-term average growth rate for the products and services in the addressable market. A discount rate of 8.3% pre-tax (2012: 8.8%) has been applied to the cash flow forecast. The discount rate includes unchanged general and specific risk premiums, a reduction in the beta factor and a small increase in gilt rates. The value in use calculation results in a recoverable amount that exceeds the carrying value by £47,000,000.

Acquired intangible assets

	Customer relationships £'000
Cost	
Cumulative cost at 1st January 2012, 1st January 2013 and 31st December 2013	**7,300**
Amortisation	
Cumulative amortisation at 1st January 2012	3,407
Charged in year	730
Cumulative amortisation at 1st January 2013	4,137
Charged in year	**730**
Cumulative amortisation at 31st December 2013	**4,867**
Carrying value	
At 31st December 2013	**2,433**
At 1st January 2013	3,163
At 1st January 2012	3,893

Notes to the consolidated financial statements continued

Product development capitalised and software purchased for internal use

	Product development £'000	Software purchased £'000
Cost		
Cumulative cost at 1st January 2012	59,243	5,958
Exchange adjustment	–	(84)
Additions	24,983	1,345
Fully expensed	(17,227)	(1,656)
Cumulative cost at 1st January 2013	66,999	5,563
Exchange adjustments	**–**	**(64)**
Additions	**28,781**	**417**
Fully expensed	**(19,706)**	**(1,905)**
Cumulative cost at 31st December 2013	**76,074**	**4,011**
Amortisation		
Cumulative amortisation at 1st January 2012	27,012	4,934
Exchange adjustment	–	(70)
Charged in year	20,919	965
Fully expensed	(17,227)	(1,656)
Cumulative amortisation at 1st January 2013	30,704	4,173
Exchange adjustment	**–**	**(62)**
Charged in year	**23,764**	**1,120**
Fully expensed	**(19,706)**	**(1,905)**
Cumulative amortisation at 31st December 2013	**34,762**	**3,326**
Carrying value		
At 31st December 2013	**41,312**	**685**
At 1st January 2013	36,295	1,390
At 1st January 2012	32,231	1,024

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

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net assets/(liabilities)	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Property, plant and equipment	**4,255**	3,953	**(158)**	(169)	**4,097**	3,784
Intangible assets	**–**	–	**(9,404)**	(9,174)	**(9,404)**	(9,174)
Employee benefits	**3,270**	1,796	**–**	–	**3,270**	1,796
Tax losses and allowances carried forward	**–**	77	**–**	–	**–**	77
Other temporary differences	**3,948**	2,946	**–**	–	**3,948**	2,946
Tax assets/(liabilities)	**11,473**	8,772	**(9,562)**	(9,343)	**1,911**	(571)
Tax set off	**(3,222)**	(3,473)	**3,222**	3,473	**–**	–
Net tax assets/(liabilities)	**8,251**	5,299	**(6,340)**	(5,870)	**1,911**	(571)

Deferred tax assets and liabilities are offset where there is a legally enforceable right of offset and the intention is to settle the balances on a net basis.

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

	Balance at 1st January 2012	Translation adjustment	Recognised in income	Recognised in equity	Balance at 31st December 2012
Property, plant and equipment	2,399	(107)	1,492	–	3,784
Intangible assets	(9,120)	1	(55)	–	(9,174)
Employee benefits	2,240	(50)	56	(450)	1,796
Tax losses and allowances carried forward	1,179	(13)	(1,089)	–	77
Other temporary differences	3,878	(325)	(607)	–	2,946
	576	(494)	(203)	(450)	(571)

Notes to the consolidated financial statements continued

15 Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**63,285**	64,784
Prepayments	**6,994**	6,700
Accrued revenue	**967**	939
Other receivables	**1,560**	745
Total trade and other receivables	**72,806**	73,168

16 Share capital and reserves

	2013 Number	2012 Number	2013 £'000	2012 £'000
Issued share capital at 1st January	**37,147,858**	36,975,009	**3,715**	3,698
Issued for share incentives exercised	**689,706**	172,849	**69**	17
Issued share capital at 31st December	**37,837,564**	37,147,858	**3,784**	3,715

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

Merger reserve

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

Cumulative translation adjustment

The cumulative translation adjustment comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Employee share trusts

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

	As at 31st December 2013 Number of shares	As at 31st December 2013 Percentage of issued share capital	As at 31st December 2012 Number of shares	As at 31st December 2012 Percentage of issued share capital
Employee Benefit Trust	**96,836**	**0.3%**	84,974	0.2%
Share Bonus Trust	**35,427**	**0.1%**	65,157	0.2%
Share Incentive Plan	**35,575**	**0.1%**	18,866	0.1%

The Fidessa group plc Employee Benefit Trust is a discretionary trust established for the benefit of employees. It has an independent, professional trustee, RBC cees Trustee Limited, and is financed by advances. The shares held by the trust rank pari passu with all the other shares in issue and have no special rights. The rights to dividends and to vote the shares have been waived by the trust. The trust can satisfy awards and grants from any share plan operated by Fidessa.

The Fidessa group plc Share Bonus Trust is a discretionary trust established for the benefit of participants in the SBP. It has an independent, professional trustee, Kleinwort Benson (Jersey) Trustees Limited, and has been financed by advances. The rights to dividends and to vote the shares have been waived by the trust. The trust purchased shares to match and cover employer's National Insurance Contributions against purchases of ordinary shares by participants in the Fidessa group plc Share Bonus Plan.

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

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

17 Trade and other payables

Current liabilities	**2013 £'000**	2012 £'000
Trade payables	**5,226**	7,367
Accrued expenses	**28,981**	30,008
Other liabilities	**1,948**	553
Deferred revenue	**51,825**	50,426
Other taxes and social security	**3,598**	4,453
Total current trade and other payables	**91,578**	92,807

Non-current liabilities	**2013 £'000**	2012 £'000
Accrued expenses	**625**	462
Other liabilities	**6,655**	8,280
Total non-current trade and other payables	**7,280**	8,742

Notes to the consolidated financial statements continued

18 Provisions

	Property £'000	Other £'000	Total £'000
At 1st January 2013	**2,746**	**1,104**	**3,850**
Exchange adjustment	**(38)**	**(10)**	**(48)**
Released during the year	**(70)**	**–**	**(70)**
Arising during the year	**233**	**314**	**547**
Utilised during the year	**(387)**	**(79)**	**(466)**
At 31st December 2013	**2,484**	**1,329**	**3,813**

	2013 £'000	2012 £'000
Current liabilities	**1,158**	314
Non-current liabilities	**2,655**	3,536
Total provisions	**3,813**	3,850

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

19 Share-based payments

Fidessa has share plans whereby employees are granted awards over ordinary shares subject to the vesting of their awards in accordance with the terms of each plan. The PSP, DABP and MSPP were approved by shareholders at the 2011 Annual General Meeting. Each plan was approved by 99% of the votes cast and no votes were withheld. The MSPP and, in the UK, the award of matching shares under the SIP were implemented in 2012 and are relevant to the majority of employees. The first award under the DABP was made in 2012. No awards have been granted under the PSP to the end of 2013. These plans replaced the CSOP, EGRIP and SBP from which no awards have been made since 2010 and no further awards will be made.

Performance Share Plan (PSP)

This is structured as an annual grant of conditional shares with a zero exercise price. The maximum for an employee in any year are awards over shares with a total market value of £500,000. The vesting period is four years from the date of grant. The awards vest based on the satisfaction of an earnings per share growth performance condition, which requires the cumulative four year adjusted basic earnings per share to be greater than the equivalent total achieved by applying the annual growth rates in the table below to the base earnings per share year (preceding date of grant). At the lower threshold, 25% of an award vests with a straight-line scale to 100% vesting at the higher threshold.

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

In addition to the earnings per share based performance condition, in the event that the total shareholder return is below that of the FTSE teckMARK Index over the performance period, the Remuneration Committee reserves the right to scale back awards if it feels the level of vesting based on the earnings per share performance is, in the opinion of the Remuneration Committee, inappropriate.

The awards have to be called for by an employee normally within three years of vesting, thereby giving a maximum seven years' life from grant. The shares can be satisfied by either new issue or market purchases. A clawback provision applies to the plan for reasons of financial misstatement.

The PSP allows early vesting where a participant's employment ceases due to death, injury, disability, the participant's employer no longer being part of the Fidessa group or the Remuneration Committee so decides due to a reason similar in nature to those stated. Pro-rating rules apply to restrict the number of shares in early vesting situations.

The duration of the plan is 10 years from approval at the 2011 Annual General Meeting with a review taking place after five years.

Deferred Annual Bonus Plan (DABP)
Under Part A of this plan, participants receive a proportion of their annual bonus in the form of deferred shares instead of cash. Under Part B of this plan, participants are only eligible to receive a one-off conditional award to acquire shares on or shortly following their joining Fidessa. The market value of shares over which a Part B award is granted may not exceed 200% of annual salary. The shares vest to the employee after three years subject to continued employment with Fidessa through the period and, in the case of Part B, subject to the satisfaction of any performance conditions applied by the Remuneration Committee. A clawback provision applies to the plan for reasons of financial misstatement.

The DABP allows early vesting where a participant's employment ceases due to death, injury, disability, the participant's employer no longer being part of the Fidessa group or the Remuneration Committee so decides due to a reason similar in nature to those stated.

The duration of the plan is 10 years from approval at the 2011 Annual General Meeting with a review taking place after five years.

Share Incentive Plan (SIP)
The plan is only available to participants who are resident in the UK for tax purposes due to the tax incentives associated with the SIP. Relevant employees are able to purchase up to the maximum allowed in the UK legislation (£125 worth of shares each month during 2013). Trust purchases of shares take place once a month and after three years an equal number of matching free shares are applied so long as there is continued employment throughout. In the event that a participant ceases to be a Fidessa employee prior to the third anniversary of each purchase the matching shares that have not yet reached their third anniversary of purchase are forfeited.

Monthly Share Purchase Plan (MSPP)
The MSPP follows principles similar to the UK tax approved SIP and applies to the majority of employees across multiple countries. The MSPP operates alongside the SIP in the UK with the MSPP being used for any higher levels of monthly purchase. Employees are able to purchase up to a set value of shares each month into a trust. Trust purchases of shares take place once a month and after three years an equal number of matching free shares are applied so long as there is continued employment throughout.

Notes to the consolidated financial statements continued

The MSPP allows early vesting where a participant's employment ceases due to death, injury, disability, the participant's employer no longer being part of the Fidessa group or the Board so decides due to a reason similar in nature to those stated.

The duration of the plan is 10 years from approval at the 2011 Annual General Meeting with a review taking place after five years.

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

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

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

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

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

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

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

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

Dilution limits
The total permitted dilution across the PSP, DABP, MSPP and SIP is 10% in the 10 years commencing 6th May 2011 or 7% in the first five years of operation of these plans. In addition, the potential dilution from awards granted in a calendar year cannot exceed 1.6%. As at 31st December 2013 the maximum potential dilution from awards granted across these plans to date is 0.6%.

The total permitted dilution under the CSOP was 8% during the life of the plan; as at 31st December 2013 the maximum potential dilution is 3.6%, with the outstanding share options element of this representing 1.6%. The total permitted dilution under the EGRIP was 6% during the life of the plan; as at 31st December 2013 the maximum potential dilution is 3.6%, with the outstanding share options element of this representing 1.6% of the issued share capital. The SBP only involved market purchase shares and therefore did not incur any dilution.

Fair values and awards outstanding

All share plan awards are over ordinary shares. The fair value of awards is recognised as an employee expense with a corresponding increase in equity. The employee expense is recognised equally over the time from grant until vesting. The employee expense in 2013 was £2,128,000 (2012: £1,448,000).

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

CSOP	Granted in 2009	Granted in 2010
Fair value	276p	299p
Share price at grant	1154p	1421p
Exercise price	1154p	1421p
Expected volatility	30%	30%
Expected life	5 years	5 years
Expected dividends per annum	2.2%	3.0%
Risk-free rate of return per annum	2.5%	2.0%

SBP	Granted in 2009	Granted in 2010
Fair value	1029p to 1245p	1314p to 1421p
Share price at purchase	1100p to 1330p	1438p to 1555p
Expected volatility	30%	30%
Expected life	3 years	3 years
Expected dividends per annum	2.2%	3.0%

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

	Granted in 2008	Granted in 2009	Granted in 2010
Fair value	224p	234p	256p
Share price at grant	920p	1154p	1421p
Exercise price	10p	10p	10p
Expected volatility	30%	30%	30%
Expected life	5 years	5 years	5 years
Expected dividends per annum	1.8%	2.2%	3.0%
Risk-free rate of return per annum	4.3%	2.5%	2.0%

Notes to the consolidated financial statements continued

For share awards under the DABP, MSPP and SIP the fair value has been measured using a Black-Scholes model. The expected volatility was based on the historic volatility adjusted for any expected changes to future volatility. The inputs to and output from the model are listed below:

Granted in 2012	DABP	MSPP	SIP
Fair value	1645p	1176p to 1505p	1330p to 1664p
Share price at grant	1645p	1305p to 1719p	1330p to 1664p
Expected volatility	30%	30%	30%
Expected life	3 years	3 years	3 years
Expected dividends per annum	3.8%	3.8%	3.8%

Granted in 2013	DABP	MSPP	SIP
Fair value	1941p	1356p to 1952p	1587p to 2262p
Share price at grant	1941p	1554p to 2160p	1587p to 2262p
Expected volatility	28%	28%	28%
Expected life	3 years	3 years	3 years
Expected dividends per annum	4.6%	4.6%	4.6%

Awards under the CSOP subsisting at 31st December 2013 were:

Grant year	Options at 1st January 2013	Exercised in year	Expired in year	Options at 31st December 2013	Exercise price p	Vested at 31st December 2013	Remaining life
2003	11,583	(11,583)	–	–	257.5p	–	0 years
2004	21,670	(16,380)	–	5,290	560p	5,290	1 year
2005	26,099	(8,026)	–	18,073	632p	18,073	2 years
2006	101,640	(101,640)	–	–	860p	–	0 years
2007	211,324	(134,190)	(1,450)	75,684	949p	75,684	1 year
2009	331,600	(154,491)	(7,850)	169,259	1154p	169,259	3 years
2010	372,400	(6,125)	(20,450)	345,825	1421p	1,375	4 years

For CSOP options exercised in 2013 the weighted average share price at the time of exercise was 2031p (2012: 1517p).

Awards under the SBP subsisting at 31st December 2013 were:

Award year	Outstanding at 1st January 2013	Exercised in year	Expired in year	Outstanding at 31st December 2013	Vested at 31st December 2013	Remaining life
2009	19,559	(19,559)	–	–	–	0 years
2010	23,300	(7,335)	(5,835)	10,130	10,130	1 year

For SBP awards exercised in 2013 the weighted average share price at the time of exercise was 1931p (2012: 1580p).

Awards under the EGRIP subsisting at 31st December 2013 were:

Grant year	Options at 1st January 2013	Exercised in year	Expired in year	Options at 31st December 2013	Exercise price p	Vested at 31st December 2013	Remaining life
2008	369,500	(263,600)	(33,000)	72,900	10p	72,900	0 years
2009	296,350	–	(31,400)	264,950	10p	–	1 year
2010	273,500	–	(24,250)	249,250	10p	–	2 years

For EGRIP options exercised in 2013 the weighted average share price at the time of exercise was 2038p (2012: no EGRIP options exercised).

Awards under the DABP subsisting at 31st December 2013 were:

Award year	Outstanding at 1st January 2013	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2013	Vested at 31st December 2013	Remaining life
2012	38,353	–	–	(2,683)	35,670	–	6 years
2013	-	214,858	–	(15,153)	199,705	–	7 years

Matching share awards under the MSPP subsisting at 31st December 2013 were:

Award year	Outstanding at 1st January 2013	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2013	Vested at 31st December 2013	Remaining life
2012	30,221	–	–	(2,135)	28,086	–	2 years
2013	–	26,411	–	(1,041)	25,370	–	3 years

Notes to the consolidated financial statements continued

Matching share awards under the SIP subsisting at 31st December 2013 were:

Award year	Outstanding at 1st January 2013	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2013	Vested at 31st December 2013	Remaining life
2012	20,502	-	(190)	(1,706)	18,606	–	2 years
2013	–	18,546	(63)	(647)	17,836	–	3 years

For SIP awards exercised in 2013 the weighted average share price at the time of exercise was 1848p (2012: 1448p).

20 Related party transactions

There are no transactions with related parties who are not members of the Fidessa group.

The remuneration of individual directors is disclosed in the Directors' Remuneration Report. The remuneration of directors and other members of key management during the year was as follows:

	2013 £'000	2012 £'000
Short-term employee benefits	**5,010**	5,117
Post-employment benefits	**36**	29
Equity compensation benefits	**228**	407
Total remuneration of directors and key management	**5,274**	5,553

21 Financial risk management

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

Credit risk

Financial instruments which potentially expose Fidessa to credit risk consist primarily of cash equivalents and trade receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. At the balance sheet date, there were no significant concentrations of customer credit risk. The largest customer accounts for less than 5% of revenue and the 10 largest customers account for approximately 25% of revenue.

Cash equivalents are deposited only with major financial institutions that satisfy certain credit criteria as specified in Fidessa's treasury policy. The policy limits the maximum deposit with a counterparty and the maximum duration of a deposit.

The trade receivables as at 31st December are aged as in the table below.

	2013 £'000	2012 £'000
Not due	**41,244**	47,747
Not more than three months past due	**15,566**	8,800
More than three months but not more than six months past due	**4,620**	2,487
More than six months past due	**1,855**	5,750
Total trade receivables	**63,285**	64,784

Material trade receivable balances relate to sales transactions with financial institutions. Credit to customers is provided in the normal course of business and the amount that appears in the balance sheet is net of an allowance for specific doubtful receivables, the allowance generally being due to concerns regarding a customer's solvency or the age of a receivable. In most situations where a receivable is aged but no specific allowance has been made for it, no revenue has been taken and it forms part of the deferred revenue balance. Collateral is not required in respect of financial assets.

Allowances are made when the settlement of a receivable becomes doubtful and the potential exposure is not covered by a related amount in deferred revenue. The movement in the allowance for doubtful receivables is in the table below and it reflects the stability returning to market conditions and conclusion of some earlier insolvencies.

	2013 £'000	2012 £'000
Allowance for doubtful receivables at 1st January	**2,690**	3,399
Exchange adjustment	**(27)**	(89)
Allowances released in the period	**(3,854)**	(2,830)
New allowances made in the period	**2,613**	2,210
Allowance for doubtful receivables at 31st December	**1,422**	2,690

Liquidity risk

The following are the contractual maturities of financial liabilities.

	Trade payables		Accrued expenses	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
3 months or less	**5,097**	7,367	**27,846**	28,488
3 to 12 months	**129**	–	**1,135**	1,520
Greater than one year	**–**	–	**625**	462
Carrying value	**5,226**	7,367	**29,606**	30,470

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

Notes to the consolidated financial statements continued

Interest receivable and payable

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

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

Foreign currency risk

Fidessa operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into Sterling. The currencies giving rise to this risk are primarily US Dollars and Japanese Yen. Revenue is split 50% in US Dollars, 33% in Sterling, 5% in Japanese Yen, 5% in Canadian Dollars and 7% in other currencies. The trade debtor currency exposure is consistent with the split of revenue by currency.

In managing currency risks the aim is to reduce the impact of short-term fluctuations on the cash inflows and outflows in a foreign currency. There are both cash inflows and outflows in these currencies that create a high level of natural hedge. Hedging contracts have not been entered into for cash positions denominated in foreign currencies.

Over the longer term, permanent changes in foreign exchange would have an impact on consolidation of foreign subsidiaries earnings. It is estimated that a general increase of one percentage point in the value of Sterling against other currencies would have decreased the profit before tax by approximately £236,000 for the year ended 31st December 2013 (2012: £162,000).

Capital management

The Board monitors the total equity, distributable reserves and the cash and cash equivalents balance in considering its retained capital along with when and how a return of capital to shareholders is appropriate. A strong capital base is maintained so as to provide employee, customer, market, investor and creditor confidence in the business and to ensure that it continues to operate as a going concern. Fidessa has strong cash generation due to being consistently profitable and non-acquisitive in nature. The annual dividend has a pay-out ratio of approximately 45% which provides a reasonable return to shareholders whilst also providing funds for potential acquisitions and replenishing the cash balance. However, in the absence of acquisitions, Fidessa has a track record of returning the additional cash to shareholders in the form of special dividends.

Fair values

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

22 Operating leases

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

	2013 £'000	2012 £'000
Less than one year	**15,865**	16,173
Between one and five years	**46,286**	49,066
More than five years	**51,745**	55,273
Total commitment under operating leases	**113,896**	120,512

Office space and data centre facilities are leased under operating leases. The lease term typically ranges from three years to 20 years, longer term leases normally having options to break the commitment before the end of the term. Lease terms of greater than five years are often subject to a rent review during the term.

Part of the office space was sublet to an entity outside of the Fidessa group. The sublease expires in 2018.

Company balance sheet

at 31st December 2013

	Note	**2013 £'000**	2012 £'000
Assets			
Non-current assets			
Investments	4	**65,855**	65,855
Deferred tax assets	5	**92**	125
Total non-current assets		**65,947**	65,980
Current assets			
Trade and other receivables	6	**3,097**	155
Income tax receivable		**2,437**	3,066
Cash and cash equivalents		**32,849**	43,532
Total current assets		**38,383**	46,753
Total assets		**104,330**	112,733
Equity			
Issued capital	8	**3,784**	3,715
Share premium		**27,921**	23,838
Merger reserve	8	**17,938**	17,938
Retained earnings		**52,581**	37,185
Total equity		**102,224**	82,676
Liabilities			
Non-current liabilities			
Other payables	7	**20**	55
Total non-current liabilities		**20**	55
Current liabilities			
Trade and other payables	7	**2,086**	30,002
Total current liabilities		**2,086**	30,002
Total liabilities		**2,106**	30,057
Total equity and liabilities		**104,330**	112,733

The financial statements were approved by the Board of directors on 14th February 2014 and were signed on its behalf by

A Malpass

Company statement of changes in shareholders' equity

	Note	Issued capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Balances at 1st January 2012		3,698	22,466	17,938	35,455	79,557
Total comprehensive income for the year						
Profit and total comprehensive income for the year		–	–	–	31,064	31,064
Transactions with owners						
Issue of shares – exercise of options	8	17	1,372	–	–	1,389
Employee share incentive charges – Company		–	–	–	128	128
Employee share incentive charges – subsidiaries		–	–	–	1,320	1,320
Current tax recognised direct to equity		–	–	–	106	106
Deferred tax recognised direct to equity		–	–	–	(19)	(19)
Purchase of shares by employee share trusts		–	–	–	(782)	(782)
Sale of shares by employee share trusts		–	–	–	140	140
Dividends paid	8	–	–	–	(30,227)	(30,227)
Balances at 1st January 2013		3,715	23,838	17,938	37,185	82,676
Total comprehensive income for the year						
Profit and total comprehensive income for the year		**–**	**–**	**–**	**44,216**	**44,216**
Transactions with owners						
Issue of shares – exercise of options	8	**69**	**4,083**	**–**	**–**	**4,152**
Employee share incentive charges – Company		**–**	**–**	**–**	**60**	**60**
Employee share incentive charges – subsidiaries		**–**	**–**	**–**	**2,068**	**2,068**
Current tax recognised direct to equity		**–**	**–**	**–**	**216**	**216**
Deferred tax recognised direct to equity		**–**	**–**	**–**	**9**	**9**
Purchase of shares by employee share trusts		**–**	**–**	**–**	**(749)**	**(749)**
Sale of shares by employee share trusts		**–**	**–**	**–**	**51**	**51**
Dividends paid	8	**–**	**–**	**–**	**(30,475)**	**(30,475)**
Balances at 31st December 2013		**3,784**	**27,921**	**17,938**	**52,581**	**102,224**

Company cash flow statement

for the year ended 31st December 2013

	Note	**2013 £'000**	2012 £'000
Cash flows from operating activities			
Profit before income tax for the year		**44,006**	31,498
Adjustments for:			
Staff costs - share incentives		**60**	128
Finance income		**(335)**	(224)
Cash generated from operations before changes in working capital		**43,731**	31,402
Movement in trade and other receivables		**(874)**	246
Movement in trade and other payables		**(27,951)**	2,219
Cash generated from operations		**14,906**	33,867
Income tax refunded/(paid)		**1,097**	(1,615)
Net cash generated from operating activities		**16,003**	32,252
Cash flows from investing activities			
Investment in subsidiary companies	4	**-**	(241)
Interest received on cash and cash equivalents		**335**	224
Net cash generated/(used) in investing activities		**335**	(17)
Cash flows from financing activities			
Proceeds from shares issued		**4,152**	1,389
Purchase of shares by employee share trusts		**(749)**	(782)
Proceeds from sale of shares by employee share trusts		**51**	140
Dividends paid	8	**(30,475)**	(30,227)
Net cash used in financing activities		**(27,021)**	(29,480)
Net (decrease)/increase in cash and cash equivalents		**(10,683)**	2,755
Cash and cash equivalents at 1st January		**43,532**	40,777
Cash and cash equivalents at 31st December		**32,849**	43,532

Notes to the Company financial statements

The Company has presented separate financial statements in accordance with IFRS, as permitted by the Companies Act 2006. The Company financial statements present information about the Company as a separate entity and not about its group. In publishing the financial statements the Company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes when the consolidated income statement has been presented. The principal activity is that of a holding company. The financial statements are presented in Sterling, rounded to the nearest thousand.

The financial statements were authorised for issue by the directors on 14th February 2014.

The directors believe that the Company is well placed to manage its business risks successfully despite the current uncertainties as far as the global economy is concerned. It has considerable financial resources and no borrowings. As a consequence of these factors and having reviewed the forecasts for the coming year, the directors have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

1 Basis of preparation

The financial statements are prepared on the historical cost basis with the exception of financial instruments which are stated in accordance with IAS39 *Financial Instruments: Recognition and Measurement.*

2 Significant accounting policies

The accounting policies as set out in note 2 to the consolidated financial statements have been applied in the preparation of these financial statements.

3 Auditor's fees

	2013 £'000	2012 £'000
Audit of these financial statements	**51**	50
Review of the interim report	**11**	10
Total fees paid to the auditor	**62**	60

Notes to the Company financial statements continued

4 Investments

	2013 £'000	2012 £'000
Investments in subsidiaries at 1st January	**65,855**	65,614
Investment in subsidiary	**–**	241
Employee share incentive charges - subsidiaries	**2,068**	1,320
Employee share incentive reimbursements - subsidiaries	**(2,068)**	(1,320)
Investments in subsidiaries at 31st December	**65,855**	65,855

The subsidiary undertakings at 31st December 2013, all being engaged in developing and selling computer software and providing associated services, are in the table below. All principally operate in their country of incorporation.

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

5 Deferred tax assets

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

	Balance at 1st January 2012 £'000	Recognised in income £'000	Recognised in equity £'000	Balance at 31st December 2012 £'000
Property, plant and equipment	1	–	–	1
Employee benefits	148	(5)	(19)	124
	149	(5)	(19)	125

6 Trade and other receivables

	2013 £'000	2012 £'000
Amounts due from subsidiaries	**2,987**	–
Other receivables	**110**	155
Total trade and other receivables	**3,097**	155

7 Trade and other payables

Current liabilities	**2013 £'000**	2012 £'000
Trade payables	**118**	118
Amount due to subsidiaries	**–**	26,844
Accrued expenses	**562**	1,234
Other liabilities	**129**	77
Other taxes and social security	**1,277**	1,729
Total trade and other payables	**2,086**	30,002

Non-current liabilities	**2013 £'000**	2012 £'000
Other liabilities	**20**	55
Total trade and other payables	**20**	55

Notes to the Company financial statements continued

8 Share capital, reserves and dividends

The movements in share capital and reserves are set out in note 16 to the consolidated financial statements.

Details of dividends paid and proposed are set out in note 11 to the consolidated financial statements.

9 Share-based payments

A full description of the share plans operated for employees is in note 19 to the consolidated financial statements.

All share plan awards are over ordinary shares. The fair value of awards is recognised as an employee expense with a corresponding increase in equity. The employee expense is recognised equally over the time from grant until vesting. The employee expense in 2013 was £60,000 (2012: £128,000).

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

	Granted in 2009	Granted in 2010
Fair value	1029p to 1245p	1314p to 1413p
Share price at purchase	1100p to 1330p	1438p to 1546p
Expected volatility	30%	30%
Expected life	3 years	3 years
Expected dividends per annum	2.2%	3.0%

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

	Granted in 2008	Granted in 2009	Granted in 2010
Fair value	224p	234p	256p
Share price at grant	920p	1154p	1421p
Exercise price	10p	10p	10p
Expected volatility	30%	30%	30%
Expected life	5 years	5 years	5 years
Expected dividends per annum	1.8%	2.2%	3.0%
Risk-free rate of return per annum	4.3%	2.5%	2.0%

The fair value of matching shares under the SIP has been measured using a Black-Scholes model. The expected volatility was based on the historic volatility adjusted for any expected changes to future volatility. The inputs to and output from the model are listed below:

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

Awards under the SBP subsisting at 31st December 2013 were:

Award year	Outstanding at 1st January 2013	Exercised in year	Expired in year	Outstanding at 31st December 2013	Vested at 31st December 2013	Remaining life
2009	4,244	(4,244)	–	–	–	0 years
2010	3,992	(1,442)	(999)	1,551	1,551	1 year

For SBP awards exercised in 2013 the weighted average share price at the time of exercise was 2268p (2012: 1683p).

Awards under the EGRIP subsisting at 31st December 2013 were:

Grant year		Options at 1st January 2013	Exercised in year	Expired in year	Options at 31st December 2013	Vested at 31st December 2013	Remaining life
2008	50,000	(50,000)	–	–	10p	–	0 years
2009	36,000	–	–	36,000	10p	–	1 years
2010	30,000	–	–	30,000	10p	–	2 years

For EGRIP options exercised in 2013 the weighted average share price at the time of exercise was 2026p (no EGRIP options exercised in 2012).

Notes to the Company financial statements
continued

Matching share awards under the SIP subsisting at 31st December 2013 were:

Award year	Outstanding at 1st January 2013	Granted in year	Exercised in year	Expired in year	Outstanding at 31st December 2013	Vested at 31st December 2013	Remaining life
2012	273	–	–	–	273	–	2 years
2013	–	154	–	–	154	–	3 years

10 Related party transactions

Fidessa group plc has a related party relationship with its subsidiaries and with its directors and members of key management. There are no transactions with related parties who are not members of the Fidessa group. The remuneration of individual directors is disclosed in the Directors' Remuneration Report. The amounts owed by and owed to its wholly owned subsidiaries are disclosed in notes 6 and 7 to these financial statements.

Fidessa group plc leases office premises and provides treasury management on behalf of the Fidessa group. Rent and services have been charged at cost and in 2013 totalled £1,380,000 (2012: £1,088,000).

11 Financial risk management

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

Credit risk

Financial instruments which potentially expose Fidessa to credit risk consist primarily of cash equivalents. The maximum exposure to credit risk is represented by the carrying amount of each financial asset. Cash equivalents are deposited only with major financial institutions that satisfy certain credit criteria as specified in Fidessa's treasury policy. The policy limits the maximum deposit with a counterparty.

Liquidity risk

The following are the contractual maturities of financial liabilities.

	Trade payables		Accrued expenses	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000
3 months or less	**118**	118	**544**	1,234
3 to 12 months	**–**	–	**18**	–
Carrying value	**118**	118	**562**	1,234

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

Interest receivable and payable

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

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

Capital management

The Board monitors the total equity, distributable reserves and the cash and cash equivalents balance in considering its retained capital along with when and how a return of capital to shareholders is appropriate. A strong capital base is maintained so as to provide employee, customer, market, investor and creditor confidence in its subsidiaries' businesses and to ensure that it continues to operate as a going concern. Fidessa has strong cash generation due to being consistently profitable and non-acquisitive in nature. The annual dividend has a pay-out ratio of approximately 45% which provides a reasonable return to shareholders whilst also providing funds for potential acquisitions and replenishing the cash balance. However, in the absence of acquisitions, Fidessa has a track record of returning the additional cash to shareholders in the form of special dividends.

Fair values

Unless otherwise disclosed, there is no significant difference between the carrying amounts shown in the balance sheet and the fair values of the financial instruments. For receivables and payables the directors consider that the carrying amount approximates their fair value.

12 Operating leases

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

	2013 £'000	2012 £'000
Less than one year	**5,281**	4,886
Between one and five years	**20,769**	18,923
More than five years	**41,938**	44,828
Total commitment under operating leases	**67,988**	68,637

Office space is leased under operating leases. The lease term typically ranges from three years to 20 years, longer term leases normally having options to break the commitment before the end of the term. Lease terms of greater than five years are often subject to a rent review during the term.

Part of the office space was sublet to an entity outside of the Fidessa group. The sublease expires in 2018.

Financial calendar

17th February 2014
2013 annual results announced

24th March 2014
2013 Annual Report and Accounts circulated

30th April 2014
Annual General Meeting

13th June 2014
Final 2013 dividend and special dividend paid

August 2014
2014 interim results announced

September 2014
2014 interim dividend paid

February 2015
2014 annual results announced

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