

# Annual Financial Report 2014

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**Gresham Computing plc**

*Registered Number 1072032*

**Gresham**   
Real-time Financial Certainty®

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Gresham Computing plc  
Registered Number 1072032  
A public limited company incorporated in England and Wales

## Directors

K Archer	Non-Executive Chairman
M Royde	Senior Non-Executive Director
C Errington	Chief Executive Officer
R Grubb	Chief Financial Officer

## Secretary

J Cathie

## Registered Office

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## Broker and Financial Adviser

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## Auditors

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## Solicitors

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## Registrars

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BN99 6DA

**K Archer****Non-Executive Director and Chairman**

Ken was appointed to the Board in June 2010 and became Non-Executive Chairman in November 2010. Ken has over 35 years' experience in the IT industry most recently as CEO of SmartStream Technologies following their buyout by TA Associates from 3i. Ken started his career with JP Morgan, where he was VP of information services; he subsequently became CEO of Mercantile Information Services. Prior to joining SmartStream, Ken was President at CSC where he was responsible for European Business Development. He is also a Non-Executive Director of Fidessa group plc

**M Royde****Senior Non-Executive Director and Chairman of Audit and Remuneration Committees**

Max was appointed to the Board in August 2009 and is the Group's Senior Non-Executive Director. Max is a Partner at Kestrel Partners LLP, a smaller company fund management business founded in October 2009. He is also a Non-Executive Director of Castle Street Investments plc.

**C Errington****Executive Director and Chief Executive Officer**

Chris was appointed CEO in 2010 having previously held the position of CFO for six years. Prior to joining Gresham, he worked for Ernst & Young and BDO with a focus on fast growth and listed companies in the technology sector. Chris has a first class honours degree in Biochemistry and is a fellow of the Institute of Chartered Accountants in England and Wales.

**R Grubb****Executive Director and Chief Financial Officer**

Rob was appointed CFO in 2011 having previously joined Gresham as Group Financial Controller in 2009. Rob's has held previous roles with Ernst & Young and Lucite International, and is a member of the Institute of Chartered Accountants of Scotland.

In 2014, Gresham made good progress in attracting new customers to its flagship product Clareti Transaction Control ("CTC") and delivering a number of complex implementations for our key customer accounts. Recurring revenues associated with CTC deployments are central to the Company's strategy of building sustainable revenues from institutions engaged in financial transaction processing and I am pleased to report a significant increase in these revenues, which are up almost three times in the year, with much more growth to come in 2015.

CTC incorporates class leading Reconciliation and Matching functionality at its core and is being deployed in a variety of ways to underpin the integrity of financial transactions which flow within and beyond customers' internal processes and systems. This is essential to the efficient deployment of capital, the reduction of trading risk and meeting increasing regulatory demands. Ever more complex trading instruments have heightened the need for rapid automation in many market segments which is driving demand for CTC. I am pleased to report that we have more than doubled the number of CTC customers during 2014, with more progress already announced for 2015.

Despite this customer acquisition success we were unable to recognise the level of revenue we had expected in the year due to a number of clients deferring projects at a late stage of the sales cycle, either into the last quarter of 2014 or into 2015. It is a characteristic of our business that such decisions can impact short term reported results whereas the underlying business remains strong, as evidenced by a number of significant customer wins in the fourth quarter. Revenue from these wins will be mainly recognised in 2015. Our strategy of building a recurring revenue base through a bias towards recurring revenue annuity contracts will serve to mitigate the short term effects of changing customer priorities as these revenues build further in 2015.

We entered 2015 with a strong pipeline for CTC and we are confident of continuing our progress towards becoming a leading supplier in an ever increasing market for financial transaction control.

Outside of CTC, our Cash Management solution (in partnership with CashFac), a service provided by our banking clients to their corporate customers, continues to deliver an increasing level of recurring revenue resulting from the Banks' success in growing their client base and hence use of this service. In addition, our legacy software businesses, comprising utility software for the VME operating system, used principally by UK Government, and EDT tape management software, continue to provide valuable contributions to earnings through mainly recurring revenues representing lower risk revenue in the near to medium term.

We have made significant progress with our strategic plan: developing a market leading and viable product in CTC, creating an operational platform to deliver growth, winning a high quality base of global CTC customers and building a valuable new CTC recurring revenue stream.

The Board believes there is now a significant market opportunity to accelerate the growth of CTC and to realise our vision of becoming a market leader in real-time financial transaction control. In order to capitalise on this opportunity, the Board has decided it is appropriate to introduce new skills and experience to lead the Company through the next phase of its growth. Accordingly, on 5 March 2015 we announced the appointment of Ian Manocha as Chief Executive Officer, effective 1 June 2015. Chris Errington, the current Chief Executive Officer, will remain in office until Ian's appointment becomes effective, when he will step down from his current role and remain on the Board as a non-executive director.

I am delighted that we have secured someone of Ian's calibre to join Gresham at this exciting time. Ian is a well-respected software executive with a proven track record of successfully taking software businesses and growing them to significant scale, both in an executive leadership and sales capacity. He is an ideal appointment to advance our strategy and deliver rapid growth.

Chris has been instrumental in Gresham's progress and achievement of our strategic plans. I would like to take this opportunity to thank him for all he has contributed to the Company during his tenure as CEO and I look forward to working with him from June in his new role as a Non-Executive Director as we continue to execute on our strategy.

Shareholders will note that we have now received Court approval to make the necessary changes to our capital structure, through cancellation of the share premium account, such that the Company has the flexibility to pay dividends and make other returns of capital. When the Board considers it appropriate and desirable to do so, having regard to the circumstances at the time, we intend to commence a progressive dividend policy.

The Gresham organisation and its employees are fully aligned to growing profitable revenue from CTC sales globally. I remain confident that our investments in sales, marketing and client support will provide the platform to deliver shareholder value from our ongoing investment in CTC.

I would like to thank the management and staff for their continued support and resolve to achieve success in our pursuit of market leadership in real-time transaction control.



Ken Archer  
Chairman  
23 March 2015

Gresham is a leading software and services company that specialises in providing real-time financial transaction control software to the global matching and reconciliation market. We provide customers with Real-time Financial Certainty© through our innovative software Clareti Transaction Control ("CTC").

We are listed on the main market of the London Stock Exchange with headquarters in London and operations in Australia, Malaysia, North America, Singapore and the United Kingdom.

## Objectives and Strategy

Our long term objective is to be recognised as a market leader in real-time financial transaction control in order to drive profitable growth and build shareholder value.

We are executing a strategic plan to achieve this objective built around developing, selling and supporting a leading matching and reconciliation software developed by Gresham and called CTC.

Key to our strategy is winning then retaining recurring revenue annuity streams from the sale of our software solutions. Recurring revenues provide high visibility of revenues going into future years and CTC provides the Group with a new source of these high margin revenues to drive profitable growth.

To achieve our long term objective, we are following a strategic plan with a focus on CTC (the CTC strategic plan) supported by a plan to strengthen our existing business (the General strategic plan). Core elements of these plans are set out below:

- CTC strategic plan:
  - concentrate our investment and sales efforts on CTC;
  - create a sustainable global business in support of CTC led volume growth;
  - grow CTC revenues and build a new high margin recurring CTC revenue stream;
- General strategic plan:
  - retain and grow other strategic revenues; and
  - exit low margin / low growth businesses.

The Business Model section sets out how we intend to achieve our long term objective and execute the strategic plan.

We measure progress against delivering our strategic plan by reference to Key Performance Indicators ("KPIs"), more information on which can be found in the KPIs section of this report. We aim to achieve a balance between revenue based KPIs which measure our rate of growth, especially those concerning CTC, and earnings based KPIs in order to drive our long term objective of profitable growth.

We regularly review progress towards our overall objective in the context of strategic plan execution, Business Model, KPIs, the market and changes to risks and uncertainties faced by the Group. Where necessary, we change, modify or fine tune our plans to provide the best chance for the Group to achieve its long term objective.

### CTC strategic plan - progress so far and planned activities for the future

In July 2010, we identified a gap in the market for new matching and reconciliation software and responded with a strategy for profitable growth built around new software, called CTC. In support of this plan, we created a dedicated software development centre in the UK and staffed it with a new expert team of highly experienced matching and reconciliation software engineers to build CTC. We set about designing and developing CTC using modern tools and techniques to address the significant levels of market and customer demand for modern matching and reconciliation software, a demand unmet by other vendors and as discussed further in the Business Model section.

In July 2011, we won our first major customer for an early version of CTC and in the second half of 2011 established a modest sales capability whilst CTC development progressed. We accelerated the growth of both our development and sales capabilities in both 2013 and 2014 to capitalise on our success with winning new CTC customers and growing market demand for CTC.

Alongside the focus on CTC development and sales, we have built sustainable global business lines to support CTC led volume growth, including; regional management, implementation teams, 24/7 global software support, finance and legal functions. We have also established a CTC graduate intake programme to bring new people and skills into the business in support of our strategic objectives as well as bringing in new experienced hires to the business with excellent skill sets matched to our strategic plan.

As a measure of the execution of our strategic plan to focus on CTC, almost 75% of our total current headcount have joined us in the last 4 years and 20% of that headcount will comprise graduates in 2015.

Our development centre currently has a complement of approximately 40 specialist software developers; we have expanded our sales and marketing operation across all of our regions, with presence in: Sydney, Singapore, London and New York; we have a global 24/7 support operation; and we have strengthened and aligned implementation teams.

The initial phases of our strategic plan have therefore been successfully executed: creating a viable and market leading product in the global matching and reconciliations market, establishing a functional sales team and a sustainable global business to support CTC led volume growth.

We will continue to execute our strategic plan to now deliver our longer term objective of profitable growth, by continuing to invest in product development, winning new CTC customers in our chosen markets and delighting our customers with market-leading implementations and support.

### General strategic plan – progress so far and planned activities for the future

It is important to our strategic plans that we retain and grow other strategic revenues, whilst exiting low margin / low growth businesses to keep the Group in a strong financial and operational position whilst CTC is established.

Our strategic plan is to retain and grow revenues from customers that do not, at present, use CTC who remain strategically important to the Group for the long term. These customers are already benefiting from the CTC led investment being made in the Group, through complementary enhancements to our global service lines. We will continue with our strategic plan to retain and grow non-CTC strategic revenues moving into 2015 and beyond.

In terms of exiting low margin / low growth businesses, this shorter term part of the plan is now substantially complete, but we continue to keep all areas of our business under review. Over time, we expect to exit the next tranche of lower to medium margin businesses where this makes strategic sense and there is an opportunity to redeploy existing resources to focus on CTC.

## Business model

Central to our strategy is the development of CTC and retention and growth of other higher margin strategic revenues. The business model explains how we intend to achieve our long-term objective and execute the strategic plan.

### The types of sale we make and how we earn revenue

We sell software based solutions that generate license, support and maintenance and professional services revenues for the Group.

The software element of any solution is licensed to the customer and a license fee is payable either up-front (perpetual license or term license) or under a 'pay as you go' arrangement (recurring license payments), generally with a minimum term.

Our preferred business model is to secure and retain recurring revenue streams because these provide high visibility of revenues going into future years. CTC creates a new route for the Group to build these valuable recurring revenues over the long term. We therefore focus on licensing customers through a recurring licensing model, where appropriate and consistent with customer requirements, whereby we charge annual fees representing combined licensing, support and maintenance. Recurring revenue licensing fees tend to be payable annually in advance.

Where the arrangement follows a more traditional perpetual or term licensing route, we charge support and maintenance fees separately and these tend to be payable annually in advance.

Software licenses typically include use restrictions that ensure the fee payable is consistent with the value being gained by the customer, the license fee scaling with higher usage. Examples of metrics used for this scaling include: number of transactions being controlled by the software, number of users, number of reconciliations being managed or other measurable criteria. License fees from usage-based arrangements tend to be payable quarterly in arrears prior to folding into the normal pattern for established usage of annually in advance.

The professional services element of any sale is typically charged on a time and materials basis based on an agreed scope of engagement, payable monthly in arrears.

We typically sign recurring revenue licensing contracts with initial terms of at least 3 years, with automatic continuation at the end of that initial term. We aim to include scheduled increases to all fees by indexation during the term of the contract. Credit terms offered are typically 30 days.

### How we sell

We have established a global team of experienced and well-respected sales professionals that sell direct to customers. These direct sales efforts are focused on geographic locations where we have a presence, to maximise our efficiency and effectiveness in the sales process. We also consider working with customers in new locations where the business case makes sense.

We also make use of sales channels to access a larger addressable market and reach into new locations where we do not have a presence – these channels include parties that ‘white label’. We expect that sales channels will feature more in the execution of our strategic plans as CTC becomes established in the market.

Sales and marketing operations are co-ordinated on a global basis by a head of sales and marketing. We pay sales commission at various rates applied to the net value of a sale to incentivise behaviour aligned to our strategic plans.

## What we sell

### *Clareti Transaction Control ("CTC")*

CTC is our innovative software for the global matching market. CTC is designed to provide our financial institutions and corporate customers with real-time financial transaction control. At the core of CTC is a versatile high performance transaction matching and reconciliation engine around which we have built innovative and market leading functionality targeted at specific financial transaction control requirements. A key element of CTC is the Rapid Onboarding Accelerator, which allows customers to rapidly configure reconciliations for non-standardised data and differentiates us in the market.

Our current focus for CTC is on replacing User Developed Applications (UDAs). UDAs are commonplace at the majority of global financial institutions and corporates, most often in the form of bespoke internally developed solutions and / or Excel. They have been deployed to manage areas of the business which would ordinarily be controlled by enterprise class matching or reconciliation products from external vendors.

However, companies find themselves unable to quickly and safely migrate from these UDAs to vendor products that are fit for purpose. This is because existing vendor solutions are generally unable to rapidly control the transactions in question; making moving to a vendor solution prohibitively expensive, uncertain in the required project timeframe and in many cases impossible. This ‘technology trap’ perpetuates the use of UDAs leaving the companies exposed to the associated risks of control breaks, reliance on key people and end of life internal technology, fraud and error.

CTC addresses all these matching and reconciliation issues, allowing customers to rapidly replace UDAs with certainty, whilst providing them with access to innovative functionality and high performance all on one control platform. The proven rapidity with which CTC can be configured and brought into use by customers is a significant differentiator and unique selling point. Where a business has a large backlog of reconciliations currently being controlled by UDAs, CTC provides a credible and demonstrable migration path to the safety of a controlled vendor product environment. We estimate that 80% of reconciliations across all companies currently employ User Developed Applications, providing a very large market to target with CTC.

Other CTC differentiators include scalability to extreme volumes, flexibility with all data types, simplification of processes into one platform and high quality management information. In addition, CTC has been designed from the outset to operate in real-time, as opposed to the industry normal of batch operation, which is becoming a major requirement of customers globally, driven in large part by regulatory pressures.

### *Clareti Virtual Bank Accounts ("CVBA")*

CVBA is a real-time cash management solution comprising Gresham’s Clareti Integration and our partner CashFac’s Virtual Bank Technology® (VBT). Two major banks act as our sales channel for this solution. We contract with the bank who host the solution on their corporate banking platform from which they offer their corporate customers access to the cash management solution. The bank channel provides us with indirect access to the bank’s extensive customer base, initially in defined regions but with opportunity for expansion to new geographies and customers. Our primary source of income from these channels is recurring revenue based, with a high per transaction element based on usage.

CVBA provides significant control and efficiency improvements for those managing cash, especially client money or client funds. Re-keying and other high cost, manually intensive operations are removed allowing the corporate to streamline the entire process of managing individual client funds whilst demonstrating compliance with regulatory requirements.

### *VME and EDT*

We provide global support and maintenance for our own VME and EDT software products that are installed in a stable base of major organisations around the world.

## Operational model

We work with customers globally and, consistent with our strategic plan, we have created a sustainable global business model to support CTC led volume growth, including; regional management, implementation teams, 24/7 global software support, finance and legal functions together with a CTC graduate intake programme. We continue to refine our business lines and infrastructure to best service customer demand.

We control our business through an Executive Management team representing business lines and regions. This team meets regularly to discuss progress with the strategic plan, performance against KPIs, the market, risks and uncertainties and all issues affecting the Group as whole. Formal reports from all members of this team are submitted to the Board for review and discussion on a monthly basis.

### **Chosen geographies and markets**

We operate globally in three regions: EMEA, North America and Asia Pacific. We currently have presence in Australia, Malaysia, Singapore, UK and US because they are major centres for the business operations of both existing and target customers in our chosen markets.

We split out business into two major segments: Real-time Financial Solutions ("RTFS") and Software. The RTFS business forms the majority of the Group's activity, with the majority of that RTFS activity now CTC based.

We focus on the financial institution market (banks and non-bank financial institutions) as well as certain non-finance vertical markets (corporates). These markets exhibit the right characteristics against which we are best positioned to sell our solutions to replace UDAs, as discussed further in the 'What we sell' CTC section.

In 2015, we expect to benefit from new sales operations established in Singapore and New York where we see significant market opportunity: Singapore because it is a fast growing financial hub for the wider Asia Pacific region, and New York because of the large concentration of financial institutions and in particular target customers on the East Coast of North America.

We regularly review our chosen geographies and markets to keep them consistent with the progress towards our overall strategic objectives.

### **Product development**

The Group actively reviews technical development in its markets with a view to taking advantage of the available opportunities to maintain and improve its competitive position through our own development work. We remain committed to maintaining our ongoing high levels of investment in product development to maintain and extend our competitive position.

We continue to develop CTC in line with an agile development roadmap, delivering new functionality for existing and emerging markets, whilst keeping a balance between development and sales to ensure we deliver committed customer requirements.

The market for CTC, product functionality and benefits can be found in the 'What we sell' section.

### **Funding**

Our business model is to fund strategic plans from working capital.

### **People**

People are key to Gresham's expertise and ability to deliver on a global basis. Retaining people and allowing them to fulfill their potential is important. Loss of key people could slow our ability to grow the business and we seek to provide rewards and job fulfilment that mitigates this risk. We continue to invest in a graduate intake scheme which has proven successful in bringing new ideas and skills into the business.

Each of the Group's business units reviews strategies for retaining staff on an ongoing basis that are appropriate to the local geographic and industry economic climate. These strategies include the provision of competitive terms and conditions, administration of and matched contribution to a defined contribution pension scheme, consideration of family and personal needs, provision of training where required and, in some cases, share options and bonuses.

Performance based rewards payable to employees in the form of share options and bonus are aligned to achievement of strategic objectives, measured by Group KPIs, and relevant to their role.

Employees are invited to attend regular meetings within individual segments throughout the Group, in addition to regular Group-wide communications. Performance appraisals are made annually or more frequently if required, to ensure that employees are getting sufficient support from the Group (including training needs) in order to satisfactorily complete their job requirements.

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

## Gender Diversity

The Group strives to enable equality of opportunity and workplace cultures that promote inclusion. At 31 December 2014 the Group had the following split of gender of staff:

	Female	Male	Total
Director	-	5	5
Senior Manager	1	7	8
Staff	20	102	122
	21	114	135

## Human Rights

The Group supports the protection of human rights around the world and is guided by fundamental principles such as those in the United Nations Universal Declaration of Human Rights and the International Labour Organisation (ILO) Core Conventions. This support is reflected in our policies and actions in the countries in which we do business.

The vast majority of our supply chain exists in the countries we operate (staff costs or partner shares mainly) and are well known and managed directly by us. Where we do utilise suppliers in unknown markets, we will not knowingly work with any supplier that does not share our value of human rights and in particular protection of employee rights.

## Environmental considerations

The directors consider that, because of the nature of its activities, the Group does not have a significant impact on the environment in which it operates. However, the Group recognises the importance of environmental responsibility and seeks, wherever possible, to reduce its environmental impact through focus on areas that it can control such as energy saving, recycling and appropriate disposal of old computer equipment and mobile phones.

We continue to look at ways of controlling our environmental impact. Refer to the Directors' Report on page 25 for our Carbon Reporting disclosures.

## Key Performance Indicators ("KPIs")

We use a number of KPIs to monitor the progress being made with the execution of our strategy and achievement of our overall objectives.

The Group's KPIs have been selected as the most appropriate measures of strategy execution and progress towards achievement of our overall objectives. The KPIs, reasons for their selection and links with strategy are set out below:

<b>KPIs that provide a measure of execution of strategy</b>	<b>Why the KPI has been selected as a key measure of performance and position</b>	<b>Element of our strategy measured by KPIs</b>
CTC revenue CTC recurring revenue	CTC revenue based KPIs measure our progress in executing the Group's CTC led growth strategies.	CTC strategic plan: <ul style="list-style-type: none"><li>concentrate our investment and sales efforts on CTC;</li><li>create a sustainable global business in support of CTC led volume growth;</li><li>grow CTC revenues and build a new high margin recurring CTC revenue stream.</li></ul> In the short term, these CTC revenue based indicators are considered to be the most important measures of strategy execution.
Total revenues Other recurring revenue	Revenue based KPIs measure our progress in executing the Group's strategies aimed at retaining and growing other strategic revenues.	General strategic plan: <ul style="list-style-type: none"><li>retain and grow other strategic revenues.</li></ul>
Total recurring revenue	Recurring revenue based KPIs measure our overall progress in executing the Group's strategies aimed at growing our recurring revenue base.	CTC and General strategic plans <ul style="list-style-type: none"><li>grow CTC revenues and build a new high margin recurring CTC revenue stream;</li><li>retain and grow other strategic revenues.</li></ul>
EBITDA Profit before tax	Earnings based KPIs provide a measure of our progress in executing the overall Group strategy to deliver the objective of profitable growth.	All elements of the CTC and General strategic plans.
EBITDA / Total revenue	The EBITDA / Total revenue KPI measures our core profitability by presenting earnings in the context of revenues.  We believe that a target ratio of >=30% provides a good benchmark measure of return for a product based software company. In achieving our overall objectives, we would expect to come in line with this target in the long term.	All elements of the CTC and General strategic plans.

The Financial Review section includes a discussion of performance in 2014 based on these KPIs. Non-financial performance indicators were also initially set around exiting low margin / low growth business based on the identification and then execution of an exit or profit improvement plan. Measurement of non-financial performance was based on whether we had, or had not, exited low margin / low growth business. As explained elsewhere, this element of the plan is substantially complete with exits and closures executed to plan.

## Principal Risks and Uncertainties

The Board has a standing agenda item to discuss the risks and uncertainties facing the Group together with actions being taken to mitigate them and future potential items for consideration.

The principal risks and uncertainties that affect the Group and our ability to execute the strategic plan are as follows:

Risk	Impact on Group	Assessment of change in risk during year	Mitigation of risk
Failure to grow CTC revenues and build a new high margin recurring CTC revenue stream	<p>Central to our strategic plan is the growth of CTC revenues along with a business model for CTC recurring revenue growth. Earnings related growth follows directly from revenue growth.</p> <p>Failure to achieve CTC revenue growth would directly impact our achievement of overall objectives or lengthen the period taken to achieve them.</p> <p>During the year, the risk that we would be unable to sell CTC reduced as we validated the product further in our markets through the robust customer growth achieved.</p>	<p>We believe that the viability of CTC demonstrated by CTC revenue KPIs in 2014 and a more than doubling of CTC customer numbers is evidence of a lower overall risk of total failure.</p> <p>The risk is now more one of timing of sales, type and quantum of revenues we are able to achieve from CTC. The sales cycle for larger and more complex deals tends to be long and the value involved high – as a result, the timing of the deal closure may significantly impact reported KPIs in the short term.</p>	<p>We strengthened our sales operation coming into 2014, with a focus on building visible pipeline going forwards.</p> <p>We are carefully selecting our target geographies and markets to maximize our chances of short term success through sales.</p> <p>We maintain our competitive advantage by delighting our customers and keeping CTC appealing. Our CTC roadmap includes continuous innovation to meet market and customer demand – aimed at keeping us ahead.</p>
Development of CTC and sales of CTC become misaligned	<p>Acceleration of CTC roadmap items or new customer requirements could place undue pressure on the development team, compromising service quality. This could in turn impact our ability to win and retain customers, impacting our strategic plans for revenue growth.</p>	<p>As we continue to grow CTC sales this risk increases and it will become more critical to ensure that mitigation plans are in place and active, primarily around executive review through regular product board meetings.</p>	<p>We continue to strengthen our development resource to provide additional capacity whilst we grow CTC sales.</p> <p>Communication lines between sales and development remain strong and a regular executive product board is held to monitor risk and resolve issues.</p>
Over reliance on key customers	<p>The loss of one key customer would have a material impact on our future revenues earnings. Retaining and growing revenues is critical to our achievement of overall objectives.</p> <p>Earnings would be directly affected by a reduction in revenue.</p>	<p>This risk continues to become less critical as we began adding new CTC customers and growing revenues generally – thereby spreading the risk of losing one customer.</p> <p>This risk is likely to become less significant in future years as we grow CTC revenues.</p>	<p>Revenue from key CTC customers comprises a growing recurring revenue element which is more predictable than other revenue streams.</p> <p>As the CTC portfolio of customers grows and higher margin CTC revenue growth accelerates, reliance on lower margin non-CTC key customers is decreasing.</p>
Significant decline in non-CTC revenues	<p>Whilst CTC revenues are building we are reliant on existing non-CTC revenues. Retaining and growing revenues is critical to our achievement of overall objectives.</p> <p>Earnings would be directly affected by a reduction in non-CTC revenue.</p>	<p>During the year, this risk became less critical as we began adding new CTC customers and growing revenues – thereby reducing reliance on non-CTC revenues.</p> <p>This risk is likely to become less significant in future years as we grow CTC revenues.</p>	<p>Revenues from non-CTC customers are spread across a range of products, geographies and number of customers.</p> <p>Non-CTC customers benefit from the business enhancements being made as we focus on CTC deployment globally.</p> <p>Central to our strategy is a continued focus on non-CTC revenues but the risk associated with these is reducing each year as we continue to grow CTC.</p>
Adequacy of funding / liquidity	<p>Our strategic plans involve investment in CTC development, sales and infrastructure together with a relatively rapid growth in CTC revenues. It is critical that we have adequate funding for the investments required whilst also ensuring that revenue growth is supported by adequate working capital buffers.</p>	<p>The growing level of CTC revenues associated with an expanding CTC customer base provided more visibility over future CTC revenues allowing us to better manage our funding.</p> <p>We believe that the working capital risk will persist as we grow our CTC revenues and in the long term reach a steady state.</p>	<p>We carefully monitor cashflows and liquidity to ensure we have adequate funding to meet the needs of our business.</p> <p>Further information concerning how we monitor our cashflows and liquidity can be found in the Financial Review.</p>

## Operational Review of the Business

We made good progress with our CTC led strategic plans during 2014, continuing to win high quality and credible CTC customers in our target geographies and markets. We more than doubled the number of CTC customers and increased recognised CTC recurring revenues from £0.4m (in 2013) to £1.0m in the year.

### Continuing Operations

Continuing Operations is analysed excluding exceptional items (there were none in 2014) consistent with the way in which the Board reviews the financial results of the Group.

			2014 £m	2013 £m	Variance £m	%
<b>Revenue based performance:</b>						
Real-Time Financial Solutions	CTC revenue	KPI	3.5	3.5	0.0	0%
	Other RTFS revenue		6.9	8.0	(1.1)	-14%
			10.4	11.5	(1.1)	-10%
Software			2.4	2.5	(0.1)	-4%
<b>Total revenues</b>	<b>KPI</b>		<b>12.8</b>	<b>14.0</b>	<b>(1.2)</b>	<b>-9%</b>
<i>Included in total revenues:</i>						
	<i>CTC recurring revenue KPI</i>		<i>1.0</i>	<i>0.4</i>	<i>0.6</i>	<i>150%</i>
	<i>Other recurring revenue KPI</i>		<i>5.5</i>	<i>5.3</i>	<i>0.2</i>	<i>4%</i>
	<i>Total recurring revenue KPI</i>		<i>6.5</i>	<i>5.7</i>	<i>0.8</i>	<i>14%</i>
<b>Earnings based performance:</b>						
Profit before tax	KPI		0.46	1.96	(1.50)	-77%
Interest income			(0.03)	(0.03)	0.00	-3%
Amortisation and depreciation			0.63	0.46	0.17	36%
<b>EBITDA</b>	<b>KPI</b>		<b>1.06</b>	<b>2.39</b>	<b>(1.33)</b>	<b>-56%</b>
<i>EBITDA / Total revenue</i>	<i>KPI</i>		<i>8%</i>	<i>17%</i>	<i>-9%</i>	<i>-52%</i>
<b>Profit after tax</b>			<b>1.10</b>	<b>2.58</b>	<b>(1.49)</b>	<b>-58%</b>
<b>Basic Earnings per Share (pence)</b>			<b>1.77</b>	<b>4.42</b>	<b>(2.65)</b>	<b>-60%</b>

*EBITDA refers to earnings before interest, tax, depreciation and amortisation.*

### Overview

Total revenues were down 9% primarily as a result of a reduction in lower margin non-CTC RTFS revenues, with nearly half of this decrease caused by adverse £:A\$ currency movements. The profitability impact of this revenue reduction was relatively modest with these non-CTC RTFS revenues attracting a lower gross margin, of approximately 15%.

Consistent with our strategy, we continued to grow total recurring revenues, increasing these by 14% in 2014, with the largest growth contribution coming from CTC where recognised recurring revenues more than doubled to £1.0m in the year.

CTC revenues were stable year on year as we continued to perform the work to bring on new customers and build the recurring revenue base. We more than doubled the number of CTC customers and increased CTC recurring revenues from £0.4m (in 2013) to £1.0m in the year.

With other non-CTC parts of the business in balance, Group profitability in the short term is to a large extent reliant on the absolute level of high margin CTC revenues recognised in the year. Whilst we made good progress in winning new CTC customers during the year and building recurring revenues for the long term, a number of new CTC contracts we anticipated for 2014 were deferred to the fourth quarter of 2014 or moved wholly into 2015. As a consequence, our 2014 profitability was reduced against our expectations and, having invested in sales and marketing early in 2014 in anticipation of winning new CTC customers, our profitability against the prior period also suffered.

### New CTC customers

We made good progress with our CTC led strategic plans during 2014, continuing to win high quality and credible CTC customers in our target geographies and markets:

- In January, a major bank purchased CTC for real-time intersystems matching and reconciliation, expanding the use of CTC in this key customer account from the corporate to the investment bank side of operations. This is an important example of our ability to cross sell CTC from one area of a customer to another;
- In May, MainstreamBPO, a back office processing company serving clients across Asia Pacific, purchased CTC to automate the intersystem and cash and stock reconciliations it handles on behalf of its clients;
- In June:
  - one of the world's largest banking and financial services organisations purchased CTC to assist with the matching and reconciliation of complex and non-standardised transactions in their Investment Bank;

- a global provider of banking and funds management services purchased CTC to offer as a service to its broker dealer customers in North America for the matching and reconciliation of derivative transactions;
- In July, one of the largest retail businesses in the UK purchased CTC to manage matching and reconciliation of complex and non-standardised transactions in its central shared services operation, providing automated match rates significantly ahead of their expectations;
- In August, ETX Capital, a major financial derivatives dealer in the UK, purchased CTC for real-time matching and reconciliation;
- In November:
  - a buy-side financial services house specialising in Investment Management, Securities Lending, Principal and Agency Brokerage services purchased CTC for matching and reconciling broker fees, cash allocation and bank reconciliations;
  - one of the world's leading clearers of derivatives, cash securities, OTCs and other financial instruments purchased CTC for real-time matching and reconciliation of exchange traded derivatives and intersystem transactions;
  - one of the world's leading legal services businesses purchased CTC for the matching and reconciliation of their Oracle record of payment transactions with third party statements from around the world.
- In December:
  - Solo Capital, a boutique financial services house specialising in supplying investment management, securities lending, principal and agency brokering services, purchased CTC to enable it to automate and streamline the matching and reconciliation process across its middle and back office operations;
  - a leading North America based provider of front to back office solutions to global asset managers, insurance companies, custodians, pension funds and banks purchased CTC for the provision of real-time reconciliation and matching services to its customers.

The timing of new customers wins in the year was weighted towards the fourth quarter and as a result, much of the new revenue impact of these wins will be recognised in 2015.

#### *Existing CTC customers*

We made good progress in rolling out the use of CTC at existing customer sites during the year. At an investment bank, we are well progressed with a major migration project taking their large portfolio of intersystems reconciliations from an old legacy in-house product to CTC – the bank is currently bringing new reconciliations onto CTC at a rate ten times faster than they can achieve with other reconciliation vendor products. During the year, we completed the development of an advanced receivables matching solution with a wholesale bank whose first customer went live in the second half of 2014 – further customers have since been added and we expect this solution to grow further in 2015 as the bank expands globally.

Other customers continued to make more use of CTC in their business, in most cases increasing CTC recurring revenues as a direct result.

We also continued to experience CTC user growth through channel partners, including the wholesale bank discussed above, increasing indirect CTC customer numbers significantly in 2014 with growth in the associated CTC recurring revenues in 2014 building a stronger source of revenues for 2015.

The absolute value of CTC recurring revenue recognised in any one financial period depends on the timing of new customer wins during that period – with customers won later in the period contributing far less recognised revenue than those won at the beginning of the period. It is therefore important to consider the 'run rate' of CTC recurring revenues when assessing underlying performance because this metric reveals visibility of revenues for future periods. The following table identifies the CTC recurring revenue recognised in the current and prior financial year together with the 'run rate' achieved at the end of each financial year:

	CTC revenue			
	2014	2013	Variance	Variance
	£m	£m	£m	%
Recurring revenue recognised in the year	1.0	0.4	0.6	150%
Recurring revenue run rate <sup>1</sup> 31 December	1.6	0.7	0.9	129%

<sup>1</sup> being CTC recurring revenue to be recognised in the following financial period arising from existing customer contracts

We have CTC recurring revenues arising from existing customer contracts of £1.6m for recognition in 2015, up £0.9m on the levels we had coming into 2014. As we win further CTC customers, this trend of increasing revenue recognised and increasing run rate visible for the following financial year will continue.

#### *Key CTC customer accounts*

A key CTC customer account is one that is capable of generating in excess of £3m in revenues over a 5 year period. During 2014, we won three new key accounts, adding to the three secured in prior periods.

We had three key CTC customer accounts coming in to 2014 that are already generating levels of revenues over a 5 year period in excess of £3m. We will continue working to drive revenues from these accounts and bring the three newer key CTC customer accounts secured during 2014 into the same profile in future years.

Key CTC customer accounts are a strong driver for recurring revenue growth. CTC recurring revenues from key customer accounts recognised in 2014 totalled £0.6m (2013: £0.1m). The CTC recurring revenue run rate at 31 December 2014 for these key customer accounts is approximately £1.0m (31 December 2013: £0.3m).

We have also successfully sold further non-CTC RTFS products and services into one of these CTC key customer accounts, contributing a further £3.4m of non-CTC RTFS revenues in 2014 (2013: £4.0m).

#### *Other RTFS revenues*

Other RTFS revenues reduced by £1.1m in 2014, £0.6m of which arose from adverse £:A\$ FX translation rates and £0.5m from lower non-recurring services, some of which was an active decision to reduce lower margin revenues and some from a slightly lower demand for such services. The gross margin associated with this revenue reduction is on average approximately 15% and as a result this is not a major factor affecting Group profitability.

Whilst lower margin non-recurring revenues reduced year on year, in line with our strategy we still grew other RTFS recurring revenues by 14% to £3.4m (2013: £3.1m).

#### *Software revenues*

Our Software businesses, comprising VME and EnterpriseDistributape (EDT) continued to generate strong high margin revenues, sustaining a strong cash flow base from which to grow our CTC business. These businesses are now primarily recurring revenue based, with over 85% of revenues (or £2.1m) recurring in nature, and whilst revenue attrition is likely to continue we believe that the rate of attrition will be relatively slow and in part offset by indexation increases and a limited number of new licensing opportunities. Revenues from both these businesses are mainly derived from significant businesses in Europe and North America.

#### *Development spend*

In 2014, we accelerated the development of CTC in order to meet market demand and service existing customers. Our CTC development cost in 2014 was £3.1m compared to £1.9m in 2013, on which we claim tax allowances as a cash refund equating to approximately 20% of the amount incurred. We plan for CTC development to reduce in 2015 back to a more normal level of activity following completion of certain complex elements of functionality which required additional resources, but which in turn led directly to new recurring revenues.

#### *Discontinued operations prior year*

On 11 March 2013, we disposed of our Banking and Lending business operating in the Caribbean market, allowing us to focus attention on our strategic objectives for CTC in North America. The total consideration received was £0.5m, generating a loss on disposal of £0.19m with a net cash inflow of approximately £0.33m. The revenues associated with this business were £0.2m in 2013 (£0.2m of which was recurring revenue) and £1.8m in 2012 (£1.0m of which was recurring revenue). Whilst this business had a relatively high level of recurring revenues, it was not aligned to our strategic plan for retention because of a related high cost base and low growth potential.

This disposal of a subsidiary is presented as within discontinued operations in the Group income statement for 2013.

#### *Exceptional item prior year*

In 2013 we closed our payables financing business which had insufficient growth prospects and we are no longer selling. We recognised an impairment charge in the Group income statement of £298,000 in respect of this closure, which is disclosed as an Exceptional item in 2013.

## Cash flow and working capital

The following table summarises the Group's cash movements:

	2014 £m	2013 £m
Profit from continuing operations and before exceptional items	0.5	2.0
Exceptional item - impairment charge	-	(0.3)
<u>Loss from discontinued operations</u>	<u>-</u>	<u>(0.2)</u>
	0.5	1.5
Depreciation, amortisation & impairment	0.7	0.8
Share based payment expense	0.1	0.2
Working capital movements	1.8	(1.7)
Non-cash disposal entries	-	0.2
<u>Net income taxes received</u>	<u>-</u>	<u>0.3</u>
Cash inflow from operations	3.1	1.3
Purchase of property, plant and equipment	(0.2)	(0.6)
Payments to acquire intangible fixed assets	(3.3)	(2.3)
<u>Disposal of subsidiary undertaking</u>	<u>0.0</u>	<u>0.3</u>
Net cash used in investing activities	(3.5)	(2.6)
Net cash from financing	0.8	2.9
Net increase in cash and cash equivalents	0.4	1.6
Cash at 1 January	4.4	2.9
Exchange adjustments	(0.1)	(0.1)
<b><u>Cash and cash equivalents at end of period</u></b>	<b><u>4.7</u></b>	<b><u>4.4</u></b>

The Group's financial position strengthened at 31 December 2014, with cash of £4.7m and no debt (2013: £4.4m and no debt). Two main factors contributed to the increase in cash. Firstly, we controlled working capital closely and achieved a significant £1.8m reversal in working capital during the year. Secondly, the exercise of share options gave rise to a capital cash inflow of £0.8m. With an overall profit of £0.5m, these cash inflows were sufficient to offset the cash outflows associated with spend on intangible assets (including £3.1m of CTC development spend) giving rise to a £0.3m overall increase in cash.

## Treasury policies

The objective of the treasury team is to manage the Group's financial risk; consider and where appropriate secure cost-effective funding for the Group's operations and to minimise the adverse effects of fluctuations in the financial markets on the value of the Group's financial assets and liabilities, on reported profitability and on the cash flows of the Group. The treasury team is accountable through the Finance Director to the Board.

The Group finances its activities with cash and short-term deposits, as disclosed in note 17 and 20 to the Group financial statements. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the Group's operating activities.

Where appropriate, the Group enters into financial derivative transactions, specifically through forward and option currency contracts. The purpose is to manage the currency risks arising from the Group's operations. It is and has been throughout 2014 and 2013 the Group's policy that no trading in derivatives shall be undertaken.

Financial instruments give rise to foreign currency, interest rate, credit and liquidity risk. Information on how these risks arise is set out in note 20, as are the objectives, policies and processes agreed by the Board for their management and the methods used to measure each risk. Derivative instruments are used where appropriate to change the economic characteristics of financial instruments in accordance with the Group's treasury policies.

## Capital management

Capital comprises the share capital and reserves, and the working capital of the Group as set out in the notes to the Group financial statements. The key element is cash and cash equivalents totalling £4.7m for the year ended 31 December 2014.

The primary objective of the Group's capital management is to ensure that it maintains sufficient funds in order to support its business including planned expansion, fund on-going development and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions as is discussed in note 20. To maintain or adjust the capital structure, the Group may issue new shares subject always to the rules governing such new issues.

No changes were made in the Capital management objectives, policies or processes during the year ended 31 December 2014.

### Taxation

For the year ended 31 December 2014, the Group has recorded a net tax credit of £0.6m, mainly comprising an R&D tax credit (2013: £0.4m). The Group's accumulated deferred tax asset of £0.5m will reverse as a non-cash taxation charge to the income statement in future periods whilst the R&D tax credits are receivable in cash during the year following recognition.

At 31 December 2014, the Group had unrecognised tax losses carried forward for offset against future trading profits of £10.0m (2013: £6.8m). As a result, the Group has no material tax charge or liability and remains sheltered from UK tax in particular.

### Board changes

As previously announced, on 1 June 2015 Ian Manocha will join the Company as Chief Executive Officer. At that point, I will change role to that of non-executive director, taking up a position vacated by Hamish Purdey who left the Company in January 2015 to concentrate on his new role as Chief Executive Officer of Intelliflo.

Ian is an excellent choice to lead the Company and I look forward to working with him as we continue delivery of our CTC led growth strategy.

### Outlook and future developments

The first quarter of 2015 has started well, with a trading performance in the first two months significantly stronger than for the comparative first quarter of 2014. Our financial position remains strong.

Visibility over revenues for 2015 recognition has increased significantly compared with the prior period. We enter 2015 with high visibility over nearly 85% of our planned total revenues for 2015 (entering 2014: 60%), the majority of which is contracted. We have a strong CTC pipeline and are confident of delivering the balance of revenues in 2015 to meet our plan.

In January 2015, a major European investment bank purchased CTC to provide control over its adherence to certain transaction reporting regulations, compliance with which is enforced in this case by the UK Financial Conduct Authority. The bank's transaction data will be validated by the CTC control platform against specific Approved Reporting Mechanism formats and rules, prior to being reported.

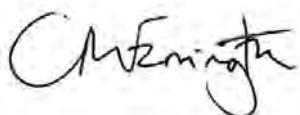
In February 2015, we extended an existing customer's use of CTC, increasing the associated recurring CTC revenues from the account, providing further evidence of a trend that continues to develop across our CTC customer base.

We are confident of making further progress with CTC in 2015 and firmly believe that executing our strategic plans to achieve long term profitable growth and shareholder value remain on track. We continue to win direct and indirect CTC customers and grow CTC recurring revenues in line with our strategy.

The investments we have made in commercialising CTC have delivered good progress in the final quarter of the year both in terms of new customers and qualified prospects. We have a strong order book of work and qualified pipeline for 2015 and beyond.

The team remains ambitious and excited about the future of the Company.

On behalf of the Board



Chris Errington  
Chief Executive Officer  
23 March 2015

The Group is committed to meeting high standards of corporate governance and as such the Board acknowledges its contribution to achieving management accountability, improving risk management and ultimately to creating shareholder value. This statement explains how the Company has applied the main and supporting principles of corporate governance and describes the Company's compliance with the provisions of the UK Corporate Governance Code published in September 2012 by the Financial Reporting Council and available at <http://www.frc.org.uk>. All references to the Company are in respect of the statutory entity Gresham Computing plc, which is the ultimate parent undertaking of the Gresham group of companies.

## Statement by the directors on compliance with the UK Corporate Governance Code

The Company has complied with the relevant provisions ("Provisions") set out in the UK Corporate Governance Code 2012 (the "Code") throughout the year with the exception of the matters referred to below:

Provision B1.1 requires the Company to have independent non-executive directors and provision B1.2 also requires that the board should have at least two independent non-executive directors. The Company did not comply with these provisions. The Board does not have any non-executive directors considered independent as a result of the participation of all directors in the Group's share option scheme during the year, and in respect of M Royde, as a result of his interest in Kestrel Opportunities and its interest in Gresham as noted on page 26. The need for and appointment of independent non-executive directors is however kept under review taking into account changes in the Company's size, complexity and circumstances.

The absence of non-executive directors deemed independent also leads to the Company not complying with the following Provisions:

- Provision D1.3 which states remuneration of non-executive directors should not include share options or other performance-related elements;
- Provisions C3.1 and D2.1 in respect of the composition of audit and remuneration committees respectively. In addition, the audit committee has not included one member with recent and relevant financial experience as also required by provision C3.1.

Provisions B2.1, B2.2 and B2.4 require the formation of a nomination committee to lead and oversee the application of Code principles as they relate to Board and senior management appointments. The Company does not have a nomination committee as the Board is relatively small and all directors are consulted in reaching a consensual and collective decision over Board appointments. The Board considers that the input from all directors is important given the size of the Company and such input does not disrupt the normal operations of the Board. The need for a nomination committee is however kept under review taking into account changes in the Company's size, complexity and circumstances.

Provision B2.3 requires non-executive directors to be appointed for a specified term subject to re-election and to statutory provisions relating to the removal of a director. The Company does not comply with this provision as non-executive directors are appointed with unspecified terms but these appointments are terminable by three months' notice from either party.

## The Board and its committees

### Board composition and independence

The Board currently comprises the non-executive chairman, the senior non-executive director, the chief executive and the chief financial officer. The Board does not have any non-executive directors considered independent as a result of the participation of all directors in the Group's share option scheme during the year, and specifically in respect of M Royde, as a result of his interest in Kestrel Opportunities and its interest in Gresham as noted on page 26.

The roles of chairman and chief executive are distinct, set out in writing and agreed by the Board. The chairman is responsible for the effectiveness of the Board and ensuring communication with shareholders and the chief executive is accountable for the management of the Group.

Non-executive directors constructively challenge and assist in the development of strategy. They scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

The Senior Non-Executive Director, M Royde, is available to shareholders if they have concerns which contact through the normal channels of chairman or chief executive has failed to resolve or for which such contact is inappropriate.

The Company consulted with major shareholders prior to the appointments of M Royde and K Archer and prior to the establishment of the Group's share option scheme and grant of options to non-executive and executive directors. The Board keeps the requirement for non-executive independence under regular review, taking into account changes in circumstances and maintaining a regular dialogue with shareholders.

Up until March 2014, R Grubb, the Chief Financial Officer, also held the post of Company Secretary. On 21 March 2014, R Grubb resigned as Company Secretary and on the same day J Cathie was appointed Company Secretary. J Cathie is not a director of the Company. The appointment and removal of the Company Secretary is a matter for the board as a whole.

### Operation of the Board

The Board is responsible to shareholders for the proper management of the Group. A statement of the directors' responsibilities in respect of the financial statements is set out on page 38 and a statement on going concern is given on page 25.

The Board normally meets once a month and has a formal schedule of matters specifically reserved to it for decision. These include strategic planning, business acquisitions and disposals, authorisation of major capital expenditure and material unusual contractual arrangements, setting policies for the conduct of business and approval of budgets and financial statements. Other matters are delegated to the Executives, supported by policies for reporting to the Board. Presentations are made to the main Board on regular occasions by the executive directors and operational management.

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with, and for advising the Board, through the chairman, on corporate governance matters. The Company maintains appropriate insurance cover in respect of legal action against the Company's directors, but no cover exists in the event that the director is found to have acted fraudulently or dishonestly.

The non-executive chairman and the non-executive director are able to meet without executives present prior to each Board meeting. The agenda and relevant briefing papers for each Board meeting are distributed by the Company Secretary, usually a week in advance of each Board meeting.

Where directors have concerns which cannot be resolved about the running of the Company or a proposed action, these concerns are recorded in Board minutes. On resignation, a non-executive director provides a written statement to the chairman for circulation to the Board if there are any such concerns.

The following Board committees deal with the specific aspects of the Group's affairs. Terms of reference of each committee, explaining its role and the authority delegated to it by the Board, are available on request from the Company Secretary. The committee chairmen report regularly to the whole Board and are required to confirm that the committees have sufficient resources to undertake their duties.

### Audit committee

The audit committee comprised M Royde (Chairman) and K Archer. The audit committee does not comprise only independent non-executive directors nor include one member with recent and relevant financial experience, as required by provision C3.1 of the Code.

There were two audit committee meetings in respect of the 2014 financial year, and both were attended by the lead external audit partner. The role and responsibilities of the audit committee are set out in terms of reference available on request from the Company Secretary and are described in more detail in the Report of the audit committee on page 22.

### Remuneration committee

The remuneration committee comprised M Royde (Chairman) and K Archer. The remuneration committee does not comprise only independent non-executive directors, as required by provision D2.1 of the Code.

Where appropriate, the committee seeks independent advice from remuneration consultants and also consults with the remainder of the Board. The committee is responsible for setting remuneration for all executive directors and the chairman appointed by the Company, including pension rights and provision for compensation payments. The committee also recommends and monitors the level and structure of remuneration for senior management. The remuneration of non-executive directors is a matter for the executive members of the Board. The remuneration committee consults with the chief executive concerning the remuneration of other executive directors. Further details of the role and responsibilities of the remuneration committee and its activities during the year are given in the report on directors' remuneration beginning on page 30.

### Appointment to the Board

Appointments to the Board are made on merit and against objective criteria. The Board considers all applicants for any appointment with due regard for equality of opportunity, including gender, to create workplace cultures that promote inclusion. Care is taken to ensure that appointees have enough time to devote to the job, especially in the case of chairmanships. The Board keeps under review, and takes appropriate action, to ensure orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Group and on the Board.

During 2014 the Board commenced a CEO succession process involving the use of independent search consultants to initially test the market. The process concluded on 5 March 2015 with the appointment of Ian Manocha and an associated change in role for Chris Errington, effective 1 June 2015.

The Code provisions require the formation of a nomination committee to lead and oversee the application of Code principles as they relate to Board and senior management appointments. The Company does not have a nomination committee.

The Board considers the other significant commitments of non-executive directors prior to appointment, to ensure that they have sufficient time to meet what is expected of them, and keeps changes to these commitments under review. The terms and conditions of appointment of non-executive directors are available for inspection by any person at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting). K Archer is also a non-executive director of Fidessa group plc, and M Royde is also a non-executive director of Castle Street Investments plc.

The Board as a whole keeps under review the need for independent non-executive directors.

## Meetings and attendance

The following table summarises the number of Board and committee meetings held during the year and the attendance record of individual directors.

	Board	Audit Committee <sup>(1)</sup>	Remuneration Committee <sup>(1)</sup>
Number of meetings held	11	1	1
<i>Number of meetings attended:</i>			
C Errington	11	1	1
R Grubb	11	1	1
K Archer	11	1	1
M Royde	11	1	1
H Purdey <sup>(2)</sup>	5	-	-

<sup>(1)</sup> Executive directors attend by invitation

<sup>(2)</sup> Appointed 19 June 2014, resigned 27 January 2015

## Induction, training and performance evaluation

### Induction and training

New directors receive appropriate induction on their appointment to the Board covering the activities of the Group and its key business and financial risks, the terms of reference of the Board and its committees and the latest financial information about the Group.

The chairman ensures that directors update their skills, knowledge and familiarity with the Group required to fulfil their roles on the Board and on Board committees. Ongoing training is provided as necessary and includes updates from the Company Secretary on changes to the Listing Rules, requirements under the Companies Act and other regulatory matters. Directors may consult with the Company Secretary at any time on matters related to their role on the Board. All directors have access to independent professional advice at the Company's expense where they judge it necessary to discharge their duties, with requests for such advice being authorised by the chairman or the Company Secretary.

### Evaluation of the Board's performance

The Board has undertaken a formal review encompassing the performance of the Board as a whole, its committees and each director. In performing these reviews, criteria that are taken into account include the ability of the director to: take the perspective of creating shareholder value; to contribute to the development of strategy and identification of risks; to provide clarity of direction to management; to be a source of wise counsel; to bring a broad perspective to discussions and an understanding of key issues; to commit the time required to fulfil the role; and to listen to and respect the ideas of fellow directors and management.

The Senior Non-Executive Director is responsible for, and has undertaken, the performance evaluation of the chairman, taking into account the views of the executive directors and the criteria above.

### Retirement and re-election

All directors are subject to election by shareholders after their appointment and to re-election thereafter at intervals of no more than three years.

Non-executive directors are appointed for indefinite terms and are terminable by three months' notice from either the Company or the individual. Non-executive directors who have served more than nine years are subject to annual re-election.

The chairman has formally reviewed the performance of M Royde and satisfied himself that his performance continues to be effective and that he continues to demonstrate commitment to the role. The Board have formally reviewed the performance of K Archer and is satisfied that his performance continues to be effective and that he continues to demonstrate commitment to the role.

### Relations with shareholders

#### Dialogue with institutional shareholders

The Board as a whole is responsible for ensuring that a dialogue is maintained with shareholders based on the mutual understanding of objectives.

Members of the Board meet with major shareholders on a regular basis, including presentations after the Company's announcement of the year end results and at the half year. Non-executives are offered the opportunity to attend meetings with major shareholders and attend on a regular basis.

The Board is kept informed of the views of shareholders at each Board meeting through a report from the chief executive together with formal feedback on shareholders' views gathered and supplied by the Company's advisors. The views of private and smaller shareholders, typically arising from the AGM or from direct contact with the Company, are also communicated to the Board on a regular basis.

M Royde, the senior non-executive director, and K Archer, the non-executive chairman, are available to shareholders if they have concerns where contact through the normal channels of chief executive officer has failed to resolve or for which such contact is inappropriate.

#### Constructive use of the AGM

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation.

All members of the Board attended the Company's last AGM and the chairman aims to ensure that all members of the Board will be available at the forthcoming AGM.

Proxy votes are counted and, except where a poll is called, the level of proxies lodged on each resolution, and the balance for and against the resolution and the number of abstentions, is reported after each resolution has been dealt with on a show of hands at the AGM.

Details of resolutions to be proposed at the AGM can be found in the Notice of the Meeting. A separate resolution is proposed for each substantially separate issue including a separate resolution relating to the report and accounts.

### Accountability and audit

#### Financial reporting

The Board is responsible for presenting a balanced and understandable assessment of the Company's position and prospects, extending to interim reports and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements. A Statement of the Directors' Responsibilities is set out on page 38.

Management and specialists within the Finance Department are responsible for ensuring the appropriate maintenance of financial records and processes that ensure all financial information is relevant, reliable, in accordance with the applicable laws and regulations, and distributed both internally and externally in a timely manner. A review of the consolidation and financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reported. All financial information published by the Group is subject to the approval of the audit committee.

#### Going concern

The directors are required to report that the business is a going concern, with supporting assumptions and qualifications as necessary. The directors have concluded that the business is a going concern as further explained in the Directors' Report on page 25.

## Control environment

The Group operates within a control framework developed and strengthened over a number of years and communicated as appropriate by a series of written procedures. These lay down accounting policies and financial control procedures, in addition to controls of a more operational nature. The key procedures that the directors have established with a view to providing internal control are as follows:

- the establishment of the organisation structure and the delegated responsibilities of operational management;
- the definition of authorisation limits, including matters reserved for the Board;
- regular site visits by the executive directors, with the results reported to Board meetings;
- the establishment of detailed operational budgets for each financial year;
- maintenance of a risk register which is reviewed and updated at every Board meeting;
- review of regular, detailed monthly management reporting provided for every Board meeting which encompasses both review of operational activities and entries arising on consolidation;
- reporting and monitoring performance against budgets and rolling forecasts;
- the security of physical property and of computer information; and
- detailed financial due-diligence on all acquisitions.

## Report of the audit committee

The audit committee is responsible for reviewing the Group's internal control and risk management systems, and reviewing and monitoring the requirement for an internal audit function and the effectiveness of the external audit. Its role includes monitoring the integrity of the Group's financial statements and other formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained in them.

The audit committee advises the Board on the appointment, reappointment and removal of external auditors, considers their effectiveness and approves their remuneration and terms of engagement, which includes developing and implementing a policy on the provision of non-audit services by the external audit firm. It also reviews and monitors the independence and objectivity of the external auditor.

The work of the committee in discharging its responsibilities includes:

- monitoring the integrity of the financial statements of the Group, and any formal announcements relating to the Group's financial performance, and reviewing financial reporting judgments contained in them;
- reviewing the Group's internal financial controls and reviewing the Group's internal control and risk management systems;
- reviewing the Group's whistle-blowing arrangements;
- reviewing the need for a separate internal audit function;
- making recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements;
- developing and implementing policy on engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- to report to the Board, identifying any matters of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

The committee has met with senior management and the external auditors to review financial reporting prior to year-end and at the full year, including discussions as to the scope, materiality, timing and findings of the annual audit.

## Significant Judgements

The significant judgements in relation to the financial statements considered by the committee are:

- Capitalised development costs. Development costs are accounted for in accordance with IAS 38 'Intangible Assets', and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including estimates of the technical and commercial viability of the asset created, and its applicable useful economic life. These estimates are continually reviewed and updated based on past experience and reviews of competitor products available in the market.

The committee has considered the development costs capitalised, including the technical and commercial feasibility of the product being produced and as to whether further costs continue to fulfil the required IAS 38 criteria or are of maintenance in nature. The committee's review encompasses direct discussion with Executive and Operational Management, in addition to reviewing monthly formal reporting to the Board on development and associated sales and implementation activity. The committee have concluded treatment of development costs continues to be in line with IFRS requirements.

- Revenue and profit recognition. Fixed price contracts are accounted for in accordance with IAS 11 'Construction Contracts'. Revenue and profits are recognised on a percentage-of-completion basis, as costs incurred relate to total costs for the contract, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably, requires management to exercise judgement, whilst calculation of the contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

The committee has reviewed executive and operational management's descriptions and status reports on material work-in-progress through the year, both through direct discussion and formal month-end reporting to the Board. The committee has furthermore considered Management's assessments made on percentage of completion of material work-in-progress, and other judgements such as bundling or unbundling of revenue streams, and the resulting impact on revenue and profit recognition. The committee has concluded that the timing of revenue and profit recognition continues to be in line with IFRS requirements.

- Impairment Reviews. The Group is required to perform impairment reviews of goodwill annually at the reporting date, and in addition performs impairment reviews of capitalised development costs to identify any intangible assets that have a carrying value that is in excess of its recoverable value. Determining the recoverability of an intangible asset requires judgement in both the methodology applied, and the key variables within that methodology. Where it is determined an intangible asset is impaired, its carrying value will be reduced to its recoverable value with the difference recorded as an impairment charge in the income statement.

The committee has considered management's assessments of value-in-use of cash-generating units of intangible assets (principally the goodwill and capitalised development costs) at the reporting date. This included specifically considering and subsequently approving business plans prepared by management supporting the future performance expectations used in the calculation of the value-in-use. The committee has concluded that the value-in-uses calculated for intangible assets are appropriate, and supports the carrying values of intangible assets at the year end, in line with IFRS requirements.

## Internal control

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets. The directors acknowledge their ultimate responsibility for ensuring that the Group has in place a system of controls, financial and otherwise, that is appropriate to the business environment in which it operates and the risks to which it is exposed.

The Board has reviewed the effectiveness of the Group's system of internal controls during the year. This review covered all material controls, including financial, operational and compliance controls and risk management systems.

The Company's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. Action has been taken by the Board to enhance financial and other controls during the year. In addition, steps are continuing to be taken to further embed internal control and risk management processes into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

An embedded ongoing process for identifying, evaluating and managing the significant risks faced by the Group has been in place throughout the year and remains in place up to the date of the approval of the financial statements. The process is regularly reviewed by the Board and accords with the Internal Control Guidance for directors on the Combined Code produced by the Turnbull working party.

### Whistleblowing

The committee has reviewed arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and concluded that they remain appropriate.

### Internal Audit

During the year, the committee considered the need for a separate internal audit function and its impact on the external audit and concluded that, based on the size of the Group, a separate internal audit function is not necessary at this stage. The need for an internal audit function is reviewed at least annually.

### External Auditor appointment

The committee reviews and makes recommendations with regard to the reappointment of the external auditors. In making these recommendations, the committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact the external auditor's reappointment.

The last audit tender process undertaken by the committee was performed in 2010 resulting in the appointment of BDO LLP as external auditors for the year ended 31 December 2010. BDO LLP have continued as external auditor for every year since then including in respect of this Annual Financial Report, and a resolution to re-appoint BDO LLP as the Group's auditor will be put to the forthcoming Annual General Meeting.

### External Auditor effectiveness

The committee discussed and approved the scope of and the fees for the external audit plan and in addition, the Committee considered external audit's assessment of the significant risks in the Group's financial statements. Throughout the year, the Committee tracked these risks and associated work undertaken by external audit has been evaluated.

The committee monitored the conduct and effectiveness of external audit by considering the commercial experience and expertise of the auditors, particularly in our industry sector; the fulfilment of the agreed audit plan and any variations from this plan; and the robustness and of the external auditors in their handling of key accounting and audit judgements.

### External Auditor independence

The committee seeks to maintain auditor objectivity and independence by reviewing and controlling the manner in which non-audit services are awarded to the auditor on at least an annual basis. The Group has a rigorous policy designed to ensure that the auditors' independence is not compromised by their undertaking inappropriate non-audit work. All significant non-audit work, and any work of a non-compliance consultancy nature, commissioned from the external auditors requires audit committee approval.

The committee formally reviews the independence of the external auditors on an annual basis and has undertaken its annual review of the nature and amount of non-audit work undertaken by the external auditors and satisfied itself that there is no effect on their independence.

Registered Number 1072032

The directors present their report and the Group financial statements for the year ended 31 December 2014.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Chairman's Statement and Strategic Report. Disclosures in respect of Principal Risks and Uncertainties, People (including employees and disabled employees) and Product Development (incorporating Research & Development activities) are included within the Strategic Report. In addition, note 20 to the financial statements includes the Group's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk. Corporate Governance disclosures required with the Director's Report have been included within our Corporate Governance Statement beginning on page 18.

## Results and dividends

The Group profit for the year, after taxation, amounted to £1,095,000 (2013: £2,100,000). The directors do not recommend a final ordinary dividend, which leaves the profit of £1,095,000 to be added to reserves. No dividends are recommended and none were paid in the prior year.

## Going concern

The Group has sufficient financial resources together with good relationships with a number of customers and suppliers across different geographic areas and industries. The Group has access to a strong underlying cashflow arising from long established maintenance businesses with long standing blue chip customers; and strong growth prospects being realised with its flagship product, CTC.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## Post balance sheet events

On 24 February 2015 at a shareholder general meeting, the Board proposed and the Company's shareholders duly approved resolutions to allow the Company to apply to the High Court of Justice in England and Wales (the "Court") to cancel its Share Premium Account and thereby create distributable reserves to support the Company's ability to declare and pay dividends, and make other returns of capital to shareholders. On 18 March 2015 the Court heard and approved the Company's application.

On 5 March 2015, the Board announced the appointment of Ian Manocha as Chief Executive Officer to be effective from 1 June 2015. Chris Errington, the Company's current Chief Executive Officer, will remain in office until Ian's appointment becomes effective on 1 June 2015, when he will step down from his current role and remain on the Board as a non-executive director.

## Significant relationships

The Group has customer relationships with two banking customers within its EMEA RTFS segment and a banking customer within its APAC RTFS segment, all three of which are considered by the directors to be individually significant relationships; revenue from these relationships individually exceeded 10% of the Group's revenue.

In the opinion of the directors, the Group does not have any other individually significant relationships.

## Change in Registered Office

During the year-ended 31 December 2013, the Company changed its registered office from Sopwith House, Brook Avenue, Warsash, Southampton SO31 9ZA to Aldermary House, 10 – 15 Queen Street, London, EC4N 1TX.

## Carbon Emissions

### Greenhouse gas emission

This section includes our mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ("the Regulations").

#### Reporting year

Our reporting year is the same as our fiscal year, being the year ended 31 December 2014. This greenhouse gas reporting year has been established to align with our financial reporting year.

#### Organisation boundary and responsibility

We report our emissions data using an operational control approach to define our organisational boundary, which meets the definitional requirements of the Regulations in respect of those emissions for which we are responsible. We have reported on all material emission sources which we deem ourselves to be responsible for. These sources align with our operational control and financial control boundaries. We do not have responsibility for any emission sources that are beyond the boundary of our operational control. For example, business travel other than by car (including, for example, commercial flights or railways) and fully managed offices are not within our operational control and, therefore, are not considered to be our responsibility.

#### Methodology

The methodology used to calculate our emissions is based on the "Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance" (June 2013) issued by the Department for Environment, Food and Rural Affairs ("DEFRA"). We have also utilised DEFRA's 2014 conversion factors within our reporting methodology.

#### Global Greenhouse Gas Emissions Data

For the period ending 31 December 2014:

	31 December 2014	31 December 2013
<b>Emmissions from:</b>		
Electricity, heat, steam and cooling purchased for own use - Tonnes of CO2e	87	132
<b>Group's chosen intensity measurement:</b>		
- Emissions reported above normalised to tonnes of CO2e per total GBP1,000,000 revenue	6.8	9.4

Emissions data has been reported for our operations in Australia and the UK, with our locations in Malaysia, North America and Singapore considered not material to the scope of this reporting.

In order to express our annual emissions in relation to a quantifiable factor associated with our activities, we have used revenue as our intensity ratio as this is the most relevant indication of our growth and provides for the best comparative measure over time.

#### Directors and their interests

The directors at 31 December 2014 and their connected persons interests in the share capital of the Company (all beneficially held, other than with respect to options to acquire ordinary shares which are detailed in the analysis of options included in the report on directors' remuneration), are as follows:

	Ordinary shares of 5 pence each	
	31 December 2014	1 January 2014
K Archer	150,000	100,000
M Royde	42,472	42,472
M Royde - Kestrel Opportunities (see note below)	5,767,164	5,217,854
H Purdey <sup>(1)</sup>	30,455	-
C Errington	782,268	2,268
R Grubb	231,405	6,405

<sup>(1)</sup> Appointed 19 June 2014, resigned 27 January 2015

M Royde's beneficial interest in the share capital of the Company includes shares held directly by Kestrel Opportunities, a cell of Guernsey Portfolios PCC Limited. Kestrel Partners LLP, which M Royde is a partner of and holds a beneficial interest in, is the investment manager to Kestrel Opportunities. Kestrel Opportunities' shareholding is disclosed under Major interests (i.e. those >3%) on page 27.

There have been no further changes in the directors' interests disclosed above from 31 December 2014 to 23 March 2015.

## Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Directors' and Officers' liability insurance with an indemnity limit of £10 million has been purchased in order to minimise the potential impact of proceedings against directors.

## Major interests in shares

The Company has been notified, either directly or in response to a section 793 request made on its behalf, of the following interests representing 3% or more of the issued ordinary share capital of the Company as at 18 March 2015:

	Number	Percentage Held
Schroder Investment Management	8,440,000	13.35%
JO Hambro Capital Management	6,545,000	10.35%
Kestrel Partners	5,767,164	9.12%
Herald Investment Management	3,868,774	6.12%
Majedie Asset Management	3,511,123	5.55%
Hargreave Hale, stockbrokers	3,505,000	5.54%
Mrs MA Green	3,073,290	4.86%
Investec Wealth & Investment	2,748,290	4.35%
Legal & General Investment Management	2,275,000	3.60%
Valentia Discretionary Trust	2,178,091	3.44%
Mr Stephen William Purchase	2,001,678	3.17%
Artemis Investment Management	2,000,000	3.16%

## Political donations

No donations were made in 2014 or 2013.

## Social and Community

No Social or Community review has been performed for 2014 or 2013.

## Special business at the annual general meeting

The special business to be conducted at the AGM covers the directors' authority to allot shares and the partial disapplication of pre-emption rights.

Resolutions will be proposed to renew the authorities given to the directors to allot and grant rights over the un-issued share capital up to a maximum nominal amount of £1,053,891 representing one-third of the issued ordinary share capital as at 23 March 2015 and to allot and grant rights over shares for cash up to a maximum nominal amount of £158,084, representing 5% of the issued ordinary share capital as at 23 March 2015, without first making a pro rata offer to all existing shareholders.

Further special business to be conducted at the AGM relates to the authority of the Company to make market purchases of its own ordinary shares, and the authority to call meetings (other than annual general meetings) on not less than 14 clear days' notice. Resolutions will be proposed in this regard. In relation to the purchase of own shares, the Company's

authority will be limited to 6,323,347 ordinary shares which represents 10% of the issued share capital of the Company as at 23 March 2015.

In the opinion of the directors, the passing of these resolutions is in the best interests of the shareholders.

## Additional information for shareholders

At 31 December 2014, the Company's issued share capital comprised:

	Number	Nominal value £	% of total Share capital
Ordinary shares of £0.05 each	63,233,478	3,161,674	100%

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and for voting rights.

During the year-ended 31 December 2014, share options granted under the 2010 Share Option Plans were exercised and the Group issued 2,697,500 (2013: none) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group Financial Statements for further details.

On 6 December 2013, the Group issued 2,400,000 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to accelerating growth. The shares were issued at a placing price of £1.25 pence raising £2,902,000, after expenses of £98,000.

### Ordinary shares

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the annual general meeting and published on the Group's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than certain restrictions that may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods).

The Company's articles of association may only be amended by a special resolution at a general meeting of the shareholders. Directors are reappointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a director but anyone so appointed must be elected by an ordinary resolution at the next annual general meeting. Any director who has held office for more than three years since their last appointment must offer themselves up for re-election at the annual general meeting.

### Significant interests

Directors' interests in the share capital of the Company are shown in the table on page 26. Major interests (i.e. those >3%) of which the Company has been notified are shown on page 27.

### Change of control

In the event of a change of control of the Company, employee share options granted under the Share Option Plans 2010 will either accelerate vesting, will be rolled-over to the acquiring Company's shares or will lapse, depending on the circumstances of the change. Further details are provided in note 22 to the financial statements.

There are no agreements between the Group and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

### Power of directors to issue or buy back shares

The directors' existing authorities to allot and grant rights over the un-issued share capital and to allot and grant rights over the un-issued share capital for cash without first making a pro rata offer to all existing shareholders are due to expire at the upcoming AGM. Resolutions will be put to shareholders at the upcoming AGM of the Company to renew previous authorities granted.

The directors have no existing authorities to buy back shares over and above the authorities conferred by, and subject to, the Companies Act. However, whilst the directors have no present intention to effect any purchase of own shares, the directors will be proposing a resolution at the upcoming AGM of the Company to authorise the Company to make market

purchases of up to 10% of the issued share capital of the Company so as to provide flexibility to the Board in the event that it considers in the future that it would be in the best interests of shareholders generally to do so.

## Information to be included in the Annual Report and Accounts

As part of our requirements under the listing rules, for the purposes of LR 9.8.4C R the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

Section	Topic	Location
(1)	Interest Capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(3)	Deleted	Not applicable
(4)	Details of long-term incentive schemes	Not applicable
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Not applicable
(8)	Item (7) in relation to major subsidiary undertakings	Not applicable
(9)	Parent participation in a placing by a listed subsidiary	Not applicable
(10)	Contracts of significance	Directors' Report, page 25
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this Directors' Report.

## Auditors

A resolution to re-appoint BDO LLP as the Group's auditor will be put to the forthcoming Annual General Meeting.

## Directors' statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving the directors' report are listed on page 3. Having made enquiries of fellow directors and of the Group's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

By order of the Board



R Grubb  
Director  
23 March 2015

## Annual Statement from the Chairman of the Remuneration Committee

The remuneration Committee is chaired by M Royde and K Archer is a member.

The following Directors' Remuneration Report is presented for the year ended 31 December 2014.

The Group's policy on directors' remuneration for the current and subsequent financial years is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and thereby enhancing shareholder value. The Group intentionally operates a simple remuneration structure made up of basic salary, benefits, share options, performance related bonuses and pensions, with a significant proportion based on performance and dependent upon the achievement of demanding targets, which provide a clear link between executive pay and the Group's key strategic objectives. Consideration is given to pay and employment policies elsewhere in the Group, especially when determining annual salary increases by reference to prevailing local market pay rates and overall packages offered.

The main activities of the Committee since the last report were assessing performance of executive directors for the year reported and setting targets for the following financial period; approving proposed bonus and share awards in the period; reviewing the revised remuneration reporting regulations and preparing the Directors' Remuneration Report. The committee makes recommendations to the Board, within agreed terms of reference, on an overall remuneration package for executive directors and other senior executives. The chief executive provides advice in relation to the remuneration of other senior executives.

### Remuneration for 2014

There were no remuneration decisions to make for 2014 as executive pay, benefits and share options awards remained at the levels set in previous years.

Executive directors' pay continues to be directly aligned to the interests of shareholders including the award of share options with a value proportionate to investor value as expressed through the publically traded share price, in addition to performance-related bonus based on Group financial performance.

Outside of executive pay, the Remuneration Committee approved a staff bonus scheme and additional pay for K Archer in respect of additional duties performed. There were no share option awards to staff during the year.

### Remuneration disclosure

This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the UK Corporate Governance Code (September 2012) and the Listing Rules.

The report is in two sections:

- The Directors' remuneration policy report (beginning page 31). This section contains details of the remuneration policy that was approved by shareholders at the 2014 AGM. As the directors are not proposing any changes to this policy it is not required to be put to a further shareholder vote until 2017; and
- The Directors' annual remuneration report. This section sets out details of how our remuneration policy was implemented for the year ended 31 December 2014 and how we intend for the policy to apply for the year ended 31 December 2015. The Directors' annual remuneration report will be put to an advisory shareholder vote at the AGM in May 2015.

## Directors Remuneration Policy

### Remuneration policy table

The table below sets out the remuneration policy that was approved by shareholders at the 2014 AGM. As the directors are not proposing any changes to this policy it is not required to be put to a further shareholder vote until 2017.

The Committee reserves the right to make any remuneration payments and payments for loss of office, notwithstanding that they are not in line with the policy set out below, where the terms of the payment were agreed (i) before the policy came into effect or (ii) at a time when the relevant individual was not a director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Element of remuneration	How this supports our strategy	How this is operated	Maximum that may be paid	Framework used to assess performance
<i>Base Salary</i>	Supports the recruitment and retention of executive directors of the calibre required to deliver the Group's strategy.	Reviewed annually with any increases applying from 1 April in line with most employees in the Group.	Increases may be made to take account of changes in an individual's responsibilities, in the case of increased performance from development in a role, or to bring in line with market levels as appropriate.	In determining appropriate base salary, consideration is given to pay increases for other employees in the Group, comparable pay for similar roles at other similar companies, and individual performance.
<i>Pension</i>	Benefits principally comprise private healthcare and death in service insurance.	Contributions are made by the Company to a defined contributions scheme, matching the directors' own contributions.	Employer contributions up to a maximum of 5% of base salary, in line with other employees in the Group.	None
<i>Benefits</i>		Executive Directors are eligible to the same benefits as all Group staff in the geography they operate in.	Not applicable as premiums are paid by the Company to an external broker to arrange cover, which is in line with other employees in the Group.	None
<i>Annual Bonus</i>	Rewards and incentivises the achievement of the strategic plan as measured by KPIs.	Where the committee decide to operate an annual bonus, it will establish the objectives which must be met if a cash bonus is to be paid.	Up to 100% of basic salary dependent on the achievement of performance targets (including profitability) set at the beginning of the year; however the Committee retains discretion to make higher awards in truly exceptional circumstances as a result of very significant level of Group performance (including profitability).	Increased shareholder value through achievement of the strategic plan.
<i>Share Option plan</i>	Directly aligns director (executive & non-executive) and senior executive financial incentives with returns to shareholders. Financial reward is created through the creation of shareholder value.	The Committee makes one off share option grants at a point in time and considers enhancing these annually. Where the committee determines it is appropriate, grants may include specific performance targets aligned to the strategic plan as vesting conditions.	Options are granted at an exercise price of not less than 110% of the mid-market price of ordinary shares on the day prior to the date of grant.	Satisfaction of vesting conditions.
<i>Chairman and non-executive director fees</i>	Supports the recruitment and retention of the individuals of the calibre required to bring adequate scrutiny to the Group's strategy.	The level of non-executive directors' remuneration is determined by the executive directors after considering the fee levels in comparable businesses.	A basic fee is set for normal duties and supplementary fees are paid for any additional duties at fixed day rates.	Non-executive directors are not eligible for pensions, incentives or any similar payments other than normal out of pocket expenses incurred on behalf of the business. Compensation for loss of office is not payable to non-executive directors.

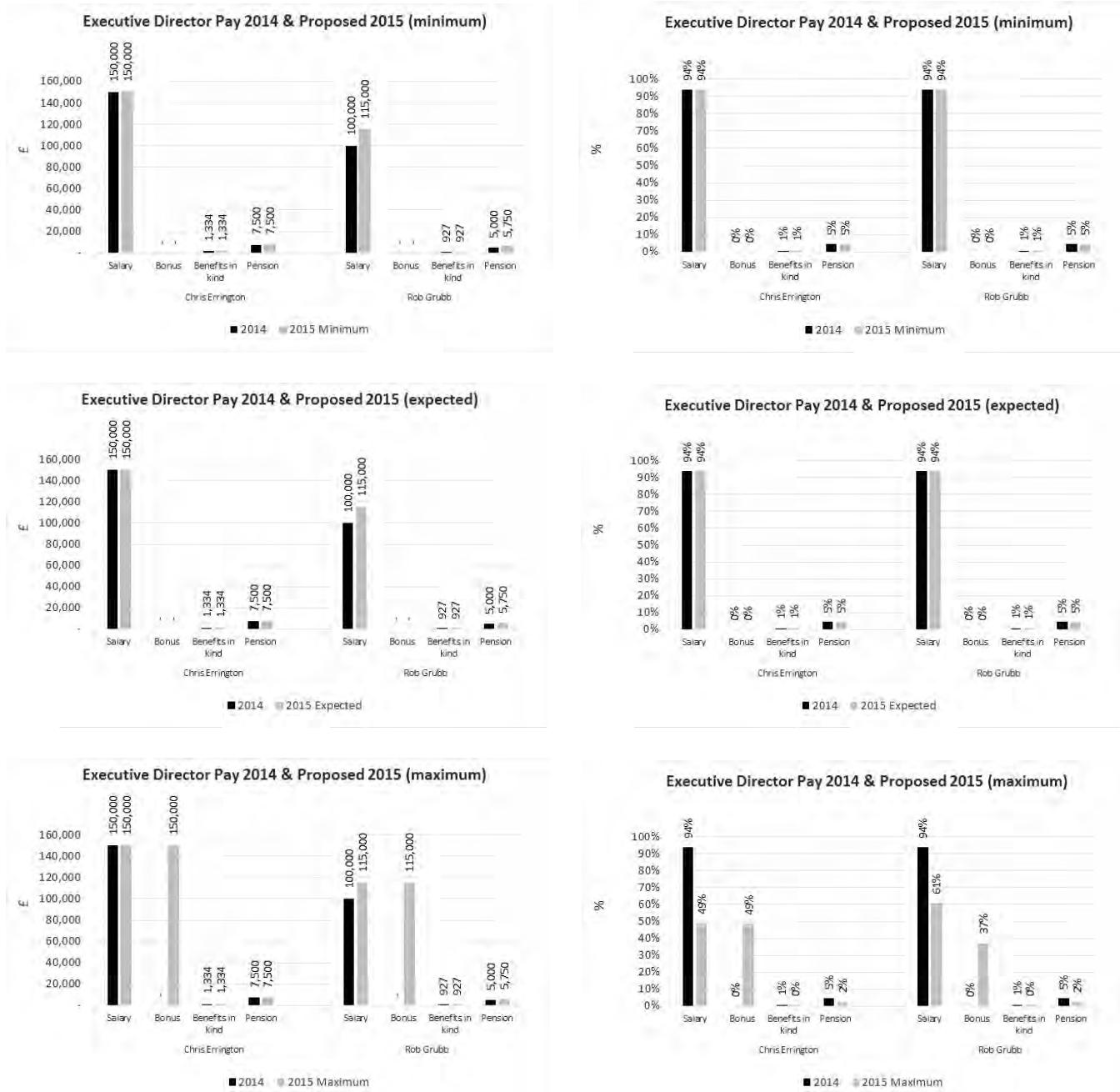
## Remuneration Scenarios

Executive pay under the above policy is wholly contractually based and represents 100% of maximum remuneration with the exception of any discretionary performance-related bonus awarded in line with the policy outlined above.

The following graphs compare all elements of Executive Director pay in respect of 2014, and proposed for 2015 incorporating the following scenarios:

- The minimum remuneration receivable ("minimum");
- The remuneration receivable if the director performs in line with the Company's expectation ("expected"); and
- The maximum remuneration ordinarily receivable ("maximum"), inclusive of an annual bonus of up to 100% of salary. Note the remuneration policy allows the Committee discretion to make higher performance related bonus awards in truly exceptional circumstances, as a result of very significant level of Group performance.

For each scenario, the first graph illustrates these amounts in £ amounts, the second graph shows the % proportion each element is of total pay for the individuals shown.



### Remuneration policy considerations

#### *Recruitment*

The Company does not have a nomination committee as the Board is relatively small and all directors are consulted in reaching a consensual and collective decision over Board appointments.

Appointments to the Board are made on merit and against objective criteria. Care is taken to ensure that appointees have enough time to devote to the job, especially in the case of chairmanships. The Board keeps under review, and takes appropriate action, to ensure orderly succession for appointments to the Board and to senior management, so as to maintain an appropriate balance of skills and experience within the Group and on the Board.

#### *Loss of Office Payments*

There are no predetermined special provisions for executive directors with regard to compensation in the event of loss of office. The remuneration committee considers the circumstances of individual cases of early termination and in exceptional circumstances only would recommend compensation payments in excess of the Company's contractual obligations.

#### *Wider staff employment conditions*

The Remuneration Committee considers pay and employment conditions for other senior executives and staff members of the Group when designing and setting executive remuneration. Underpinning all pay is an intention to be fair to all staff of the Group, taking into account the individual's seniority and local market practises.

#### *Consultation with shareholders*

The Remuneration Committee is committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements. The Committee takes into account the views of significant shareholders when formulating and implementing the policy.

#### *Consultation with employees*

The Remuneration Committee did not consult with employees when formulating and implementing the policy.

#### *Service contracts:*

It is the Company's policy to offer directors service contracts terminable with a maximum of 12 months' rolling notice from either side. None of the non-executive directors have a service contract. Letters of appointment provide for an indefinite period, terminable by three months' notice from either party.

## Directors' Remuneration Report

### Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for Directors for the financial years ended 31 December 2014 and 2013:

	Basic salary and fees £	Benefits in kind £	Performance related bonus £	Pension £	Share-based payment £	Total 2014 £	Total 2013 £
<i>Executive directors:</i>							
C Errington	150,000	1,334	-	7,500	-	158,834	158,665
R Grubb	100,000	927	-	5,000	-	105,927	103,504
<i>Non-executive directors:</i>							
M Royde	30,000	-	-	-	-	30,000	30,000
Ken Archer	96,750	-	-	-	-	96,750	80,000
Hamish Purdey <sup>(1)</sup>	15,952	-	-	-	-	15,952	-
	392,702	2,261	-	12,500	-	391,511	372,169

(1) Appointed 19 June 2014, resigned 27 January 2015

The remuneration package of each executive director includes non-cash benefits comprising the provision of private healthcare and death in service insurance.

During the year ended 31 December 2014 and 2013 the committee did not award any a performance related bonuses in respect of Directors.

There were no share options granted during the period (2013: nil). The Director's share options vest as a result of service and therefore on completion of this vesting condition, represent the maximum amount of options vesting during this period. All details in respect of existing director share options grants that have fully vested during the year are included within in the tables below.

### Interests in options (audited information)

The Group operates share option schemes, the Option Schemes 2010, under which executive directors and other senior executives are able to subscribe for ordinary shares in the Company.

Further details concerning the share option schemes in place, including vesting conditions, can be found in note 22 to the Group financial statements.

The interests of the directors in share options were as follows:

	Options at Granted/ 1 January 2014			Options at Exercised 31 December 2014				Date of Exercise grant	Date first exercisable	Expiry date
	(lapsed)	Cancelled	Exercised	31 December 2014						
C Errington <sup>S*</sup>	1,750,000	-	-	1,750,000	-	31.12.10	28p	31.12.13	31.12.20	
R Grubb <sup>S*</sup>	300,000	-	-	300,000	-	31.12.10	28p	31.12.13	31.12.20	
M Royde <sup>S, K</sup>	500,000	-	-	-	500,000	31.12.10	28p	31.12.13	31.12.20	
K Archer <sup>S*</sup>	700,000	-	-	-	700,000	31.12.10	28p	31.12.13	31.12.20	

<sup>S</sup> awards granted under the Option Schemes 2010

<sup>K</sup> awards granted to Kestrel Partners LLP, of which M Royde is a Partner

\* options over which the executive has agreed to pay any employer's national insurance arising from the exercise of the options.

The closing market price of the Company's shares on 31 December 2014 was 84.50 pence. During the year, the closing price per ordinary share ranged from 58.00 pence to 140.12 pence.

The following gains on the exercise of director share options were made in the year ended 31 December 2014 (2013: none):

- Chris Errington, Chief Executive Officer of the Company, exercised options over 1,750,000 Ordinary Shares at an exercise price of 28.05 pence per Ordinary Share, giving rise to an unrealised gain of £1,749,125 based on the market price on the day of exercise of 128 pence. The Company was also notified that on 25 March 2014 Mr Errington subsequently sold 970,000 Ordinary Shares at a price of 128 pence per Ordinary Share to cover the exercise price due to the Company and certain tax liabilities which fall due as a result of the exercise of options. Following these transactions, Mr Errington has a beneficial interest in 782,268 Ordinary Shares representing 1.24% of the current issued share capital of the Company.
- Rob Grubb, Chief Financial Officer of the Company, exercised options over 300,000 Ordinary Shares at an exercise price of 28.05 pence per Ordinary Share, giving rise to an unrealised gain of £299,850 based on the market price on the day of exercise of 128 pence. The Company was also notified that on 25 March 2014 Mr Grubb subsequently sold 75,000 Ordinary Shares at a price of 128 pence per Ordinary Share to cover the exercise price due to the Company and certain tax liabilities which fall due as a result of the exercise of options. Following these transactions, Mr Grubb has a beneficial interest in 231,405 Ordinary Shares representing 0.37% of the current issued share capital of the Company.

The interests of the directors to subscribe for or acquire ordinary shares have not changed since the year end.

### Service contracts

C Errington has a service agreement dated 11 January 2005, which is terminable by 12 months' rolling notice from either side. R Grubb has a service agreement dated 18 May 2011, which is terminable by 6 months' rolling notice from either side.

The services of M Royde are provided and invoiced by Kestrel Partners LLP (a company in which he has an ownership interest) under a consultancy agreement dated 19 November 2009 which is terminable by three months' notice from either party.

K Archer has a letter of appointment dated 9 June 2012 which is terminable by three months' notice from either party.

All the director service contracts and letters of appointment are available for inspection by shareholders at the Company's registered office Aldermary House, 10 – 15 Queen Street, London EC4N 1TX.

### The Link between Pay & Performance

The key variable element of directors' and senior managers' pay is the award of share options and payments of performance-based annual bonuses. All Director and senior manager performance that directly creates shareholder value will in turn directly increase the value of individuals' share option awards and annual bonus payments awarded.

In addition and where applicable, the Remuneration Committee retain the discretion to pay performance-related bonus within the parameters set out in the Remuneration Policy.

### Payments for Loss of Office

No payments for loss of office were made during the year ended 31 December 2014 (2013: £nil). The Company does not anticipate any payments for loss of office as a result of the pending change of CEO in June 2015.

### Percentage Change in the Remuneration of the CEO

The table below sets out the increase in the total remuneration of the CEO and our staff (excluding promotions where relevant). We have selected all staff (around 120 people) for this comparison because it is considered to be the most relevant, due to the structure of total remuneration.

	change in base salary	Bonus payment % of base salary
Chief Executive	0%	0%
All staff	2%	0%

## Performance Graphs

### Total Shareholder Return

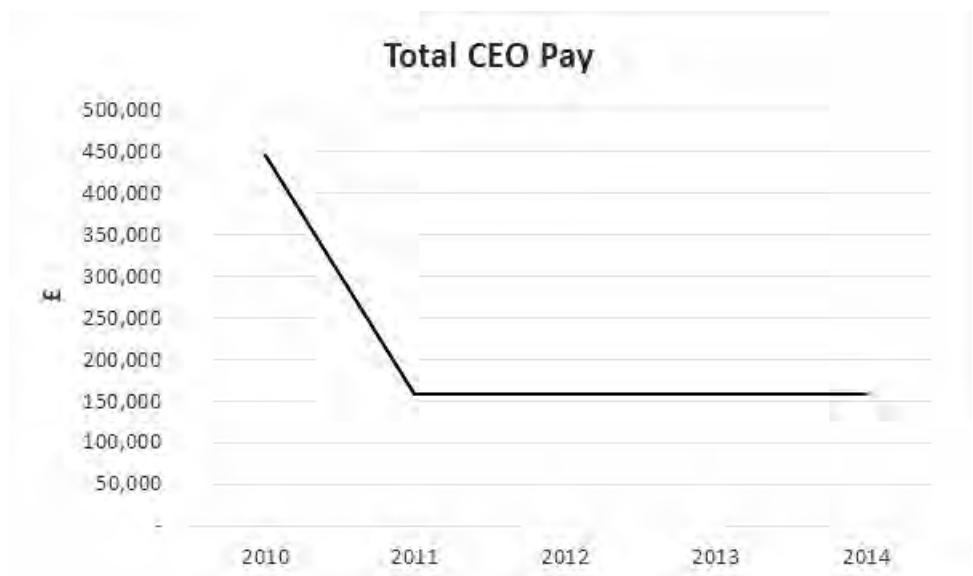
The graph below shows the total shareholder return for each of the last five financial years in terms of the change in value (with dividends reinvested) of an initial investment of £100 on 31 December 2009 in a holding of the Company's shares against the corresponding total shareholder return in a hypothetical holding of shares in the FTSE TechMark All-Share index.

The FTSE TechMark All-Share was selected as it represents a broad equity market index in which the Company is a constituent member.



### Change in CEO Pay

The graph below shows the single total figure of remuneration for the role of CEO for the current and previous four years.

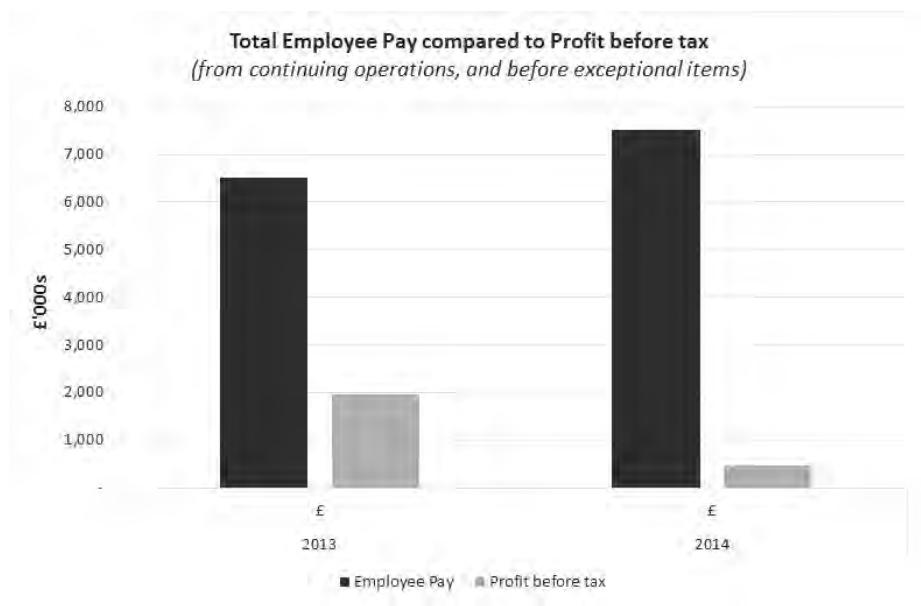


There were no performance-related bonus plans in operation during this period.

The spike in 2010 was associated with the change in CEO, and the associated compensation paid for loss of office to the previous CEO.

## Relative Importance of Spend on Pay

The chart below shows the total employee pay cost (excluding capitalisation entries) compared to profit before tax (for continuing operations, and before exceptional items) for the years ending 31 December 2014 and 2013.



## Statement of Remuneration Policy in the following year

There are no significant changes in the way the remuneration policy will be implemented in the current year compared to how it was implemented for the reported year.

### Consideration of matters relating to Directors' remuneration

The remuneration committee comprised M Royde (Chairman) and K Archer. The remuneration committee does not comprise only independent non-executive directors, as required by provision D2.1 of the Code.

Where appropriate, the committee seeks independent advice from remuneration consultants and also consults with the remainder of the Board. The committee is responsible for setting remuneration for all executive directors and the chairman appointed by the Company, including pension rights and provision for compensation payments. The committee also recommends and monitors the level and structure of remuneration for senior management. The remuneration of non-executive directors is a matter for the executive members of the Board, within limits set in the Articles of Association. The remuneration committee consults with the chief executive concerning the remuneration of other executive directors.

### External Advisors

The Group did not appoint any advisers to the remuneration committee in the current or previous financial year.

On behalf of the Board

M Royde  
Chairman of the Remuneration Committee  
23 March 2015

## Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss for the Group and Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare a Strategic Report, Directors' Report and Director's Remuneration Report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors consider that the Annual Report and Accounts, 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.

## Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.
- The annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face.

## Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

The financial statements of Gresham Computing PLC for the year ended 31 December 2014 comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the Company balance sheet and the related notes.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

## Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

## Our application of materiality and an overview of the scope of our audit

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

We determined planning materiality for the financial statements as a whole to be £133,000. In determining this, we based our assessment on a level of 1% of consolidated revenue which we believe is a key benchmark used by a member of the Group in assessing financial performance. On the basis of our risk assessment, together with our assessment of the company's control environment, our judgment is that performance materiality for the financial statements should be 75% of planning materiality, namely £100,000. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our planning materiality of £133,000 for the financial statements as a whole. Materiality levels used for each key component ranged from £44,000 to £99,000. We agreed with the audit committee that we would report to the committee all audit differences in excess of £3,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. The Group audit team, based in the UK, performed the audits of the key reporting components in the UK and North America. The audits of the Asia Pacific region were performed by component auditors, based in Australia. Detailed instructions were issued and discussed with the component auditors, and

these covered the significant risks (including the Group risks of material misstatement described below) that should be addressed by the audit team. The group audit team was actively involved in directing the audit strategy of the Asia Pacific audit, reviewed in detail the findings and considered the impact of these upon the Group audit opinion.

## Our assessment of risks of material misstatement

We identified the following risks that we believe to have had the greatest impact on our audit strategy and scope:

- Development costs – as detailed in the accounting policies, development costs are recognised as an intangible asset if specific criteria have been met. Upon completion of development, the costs are amortised to the income statement over a period ranging from 6 to 20 years. Both the initial conclusion of whether development costs have met the criteria of capitalisation, and the period of amortisation to the income statement require management judgement and therefore have an inherent risk of management override.

We agreed a sample of capitalised costs to underlying supporting documentation and checked that the criteria referred to above had been met. This included discussing the technical feasibility of projects with the development team, as well as reviewing management's estimate of costs to complete projects and projected revenue. Furthermore, we specifically reviewed costs capitalised as enhancements to software available for sale, and determined whether such enhancements met each of the five criteria for capitalisation under International Accounting Standard 38.

We inspected evidence of when development projects were first available for sale by reference to product launch demonstrations and correspondence with potential customers. We performed our own calculation of amortisation charges based on these dates and compared this with management's own calculations. We challenged the amortisation rates used by management against external benchmarking reports of companies operating in the sector, together with internal benchmarking based on legacy software.

- Goodwill and intangible impairment risk - as detailed in the accounting policies, goodwill and capitalised development costs during development are tested for impairment at least annually. Furthermore, once available for use, capitalised development costs are tested for impairment where an indicator of impairment arises. Management's review found no evidence of impairment in the software or real-time financial solutions cash generating units. This risk is considered significant due to the level of judgement involved and the opportunity for management bias within the impairment model assumptions.

We performed a review of the Group's goodwill and intangible assets and examined for indicators of impairment. We also reviewed impairment reviews prepared by management, specifically reviewing the integrity of management's value in use model and, with the assistance of our valuation specialists, we challenged the key inputs; those being forecast growth rates, operating cash flows and the discount rate. Our audit procedures for the review of operating cash flows included, amongst others, comparing the forecast to recent financial performance and budgets approved by the Board. Cash flows forecast for development projects were assessed for reasonableness against known sales pipeline opportunities. We also performed our own sensitivity analysis upon the key valuation inputs.

- Revenue and profit recognition - which is a presumed fraud risk under ISAs (UK & Ireland). As detailed in the accounting policies, the Group earns revenue from sale of software licenses, rendering of services, subscriptions and maintenance and solution sales. Management exercise judgement in their assessment of the ultimate profitability of contracts, and in particular the stage of completion which is a key driver for the recognition of both revenue and profit.

We reviewed in detail the revenue recognition principles supporting the significant new contracts written and performed during the year. We inspected particularly solution sales and assessed the appropriateness of unbundling revenue into separate components. We agreed a sample of sales and related costs of sales to supporting contracts and other documentation, including user acceptance evidence and statements of works.

The audit committee's consideration of these judgements is set out on page 23.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- 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.

## Matters on which we are required to report by exception

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

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

- adequate accounting records have not been kept, 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, set out on page 25, in relation to going concern; and
- the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have nothing to report in respect of these matters.



Paul Anthony (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor

Southampton  
United Kingdom  
23 March 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Notes		31 December 2014		31 December 2013	
		<b>Total</b>	<b>£'000</b>	Before	Exceptional
				exceptional items	items
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>CONTINUING OPERATIONS</b>					
Revenue	3,4	<b>12,832</b>		14,048	-
Cost of goods sold		<b>(3,409)</b>		(3,773)	
Gross profit		<b>9,423</b>		10,275	-
Administrative expenses		<b>(8,991)</b>		(8,340)	(298)
Operating profit	5	<b>432</b>		1,935	(298)
Finance revenue	3,8	<b>36</b>		27	-
Finance costs	8	<b>(12)</b>		(2)	
Profit before taxation from continuing operations		<b>456</b>		1,960	(298)
Taxation	9	<b>639</b>		618	
Profit after taxation from continuing operations	23	<b>1,095</b>		2,578	(298)
					<b>2,280</b>
<b>DISCONTINUED OPERATIONS</b>					
Loss after taxation for the period from discontinued operations	15		-	(180)	-
Attributable to owners of the parent	23	<b>1,095</b>		2,398	(298)
					<b>2,100</b>
Earnings per share - total					
Basic earnings per share - pence	10	<b>1.77</b>		4.11	(0.51)
Diluted earnings per share - pence	10	<b>1.62</b>		3.70	(0.46)
Earnings per share - continuing					
Basic earnings per share - pence	10	<b>1.77</b>		4.42	(0.51)
Diluted earnings per share - pence	10	<b>1.62</b>		3.98	(0.46)
					<b>3.91</b>
					<b>3.52</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

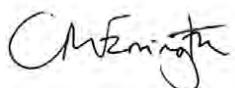
	31 December 2014 £'000	31 December 2013 £'000
Attributable profit for the year	1,095	2,100
<i>Other comprehensive (expense) / income</i>		
Exchange differences on translation of foreign operations	(55)	(428)
Exchange differences transferred to income statement on disposal of subsidiary undertaking	-	145
	(55)	(283)
Total comprehensive income for the year	1,040	1,817

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a credit of £11,000 (2013: credit of £54,000).

	Notes	31 December 2014 £'000	31 December 2013 £'000
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	12	617	674
Intangible assets	13	8,313	5,495
Deferred tax asset	9	547	716
		9,477	6,885
Current assets			
Trade and other receivables	16	3,303	4,862
Income tax receivable	16	1,224	415
Cash and cash equivalents	17	4,707	4,386
		9,234	9,663
<b>Total Assets</b>		<b>18,711</b>	<b>16,548</b>
<b>Equity and Liabilities</b>			
Equity attributable to owners of the parent			
Called up equity share capital	21	3,162	3,027
Share premium account	23	16,522	15,906
Other reserves	23	313	313
Foreign currency translation reserve	23	(38)	17
Retained earnings	23	(7,069)	(8,214)
<b>Total Equity attributable to owners of the parent</b>	<b>23</b>	<b>12,890</b>	<b>11,049</b>
Non-current liabilities			
Deferred income	18	82	188
Provisions	18	28	21
		110	209
Current liabilities			
Trade and other payables	18	5,645	5,248
Income tax payable	18	58	42
Provisions	18	8	-
		5,711	5,290
<b>Total liabilities</b>		<b>5,821</b>	<b>5,499</b>
<b>Total Equity and Liabilities</b>		<b>18,711</b>	<b>16,548</b>

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2015.

On behalf of the Board



C Errington  
23 March 2015



R Grubb  
23 March 2015

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation £'000	Retained earnings £'000	Total £'000
At 1 January 2013	2,907	13,124	1,039	300	(11,226)	6,144
Attributable profit for the period	-	-	-	-	2,100	2,100
Other comprehensive expense	-	-	-	(283)	-	(283)
Total comprehensive income	-	-	-	(283)	2,100	1,817
Reserves transfer	-	-	(726)	-	726	-
Share issue proceeds	120	2,880	-	-	-	3,000
Share transaction costs	-	(98)	-	-	-	(98)
Share based payment expense	-	-	-	-	186	186
At 31 December 2013	3,027	15,906	313	17	(8,214)	11,049
Attributable profit for the period	-	-	-	-	1,095	1,095
Other comprehensive expense	-	-	-	(55)	-	(55)
Total comprehensive income	-	-	-	(55)	1,095	1,040
Exercise of share options	135	616	-	-	-	751
Share based payment expense	-	-	-	-	50	50
At 31 December 2014	3,162	16,522	313	(38)	(7,069)	12,890

	Notes	31 December 2014 £'000	31 December 2013 £'000
<b>Cash flows from operating activities</b>			
Profit before taxation from continuing operations		456	1,662
Loss before taxation from discontinued operations		-	(180)
Profit before taxation		456	1,482
Depreciation, amortisation and impairment	5	692	820
Share based payment expense	22	50	186
Decrease / (Increase) in trade and other receivables		1,559	(2,522)
Increase in trade and other payables		291	870
Movement in provisions	18	15	(160)
Loss on disposal of property, plant and equipment		6	14
Loss on disposal of subsidiary undertaking	15	-	185
Net finance income	8	(24)	(25)
Cash inflow from operations		3,045	850
Net income taxes received		15	343
Net cash inflow from operating activities		3,060	1,193
<b>Cash flows from investing activities</b>			
Interest received	8	36	27
Other bank charges		(12)	-
Purchase of property, plant and equipment	12	(244)	(557)
Payments to acquire intangible fixed assets	13	(3,238)	(2,271)
Disposal of subsidiary undertaking	15	-	324
Net cash used in investing activities		(3,458)	(2,477)
<b>Cash flows from financing activities</b>			
Share Issue	21	751	2,902
Net cash generated from financing activities		751	2,902
Net increase in cash and cash equivalents		353	1,618
Cash and cash equivalents at beginning of year		4,386	2,891
Exchange adjustments		(32)	(123)
Cash and cash equivalents at end of year	17	4,707	4,386

## 1. Authorisation of financial statements and statement of compliance with IFRSs

Gresham Computing plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded as a premium listing on the London Stock Exchange.

The financial statements of Gresham Computing plc and its subsidiaries (the "Group") for the year ended 31 December 2014 were authorised for issue by the Board of directors on 23 March 2015 and the statement of financial position was signed on the Board's behalf by C Errington and R Grubb.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2014.

The principal accounting policies adopted by the Group are set out below.

## 2. Accounting policies

### Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2014 and applied in accordance with the Companies Act 2006. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2014.

The Group's financial statements have been prepared on a historical cost basis, except for property provisions and derivative financial instruments which have been measured at fair value.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. For the year ended 31 December 2014, the Company recorded a loss of £943,000 (2013: profit of £521,000).

The Group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds ("£000") except when otherwise indicated.

### Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

#### *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Capitalised development costs*

Development costs are accounted for in accordance with IAS 38 'Intangible Assets', and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including estimates of the technical and commercial viability of the asset created, and its applicable useful economic life. These estimates are continually reviewed and updated based on past experience and reviews of competitor products available in the market.

The capitalised development cost is disclosed in note 13 and the impairment review performed is disclosed in note 14.

#### *Impairment Reviews*

The Group performs impairment reviews at the reporting period end to identify any intangible assets that have a carrying value that is in excess of its recoverable value. Determining the recoverability of an intangible asset requires judgement in both the methodology applied, and the key variables within that methodology. Where it is determined an intangible asset is impaired, its carrying value will be reduced to its recoverable value with the difference recorded as an impairment charge in the income statement.

The intangible asset impairment reviews are disclosed in note 14.

#### *Revenue and profit recognition*

Fixed price contracts are accounted for in accordance with IAS 11 'Construction Contracts'. Revenue and profits are recognised on a percentage-of-completion basis, as costs incurred relate to total costs for the contract, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably, requires management to exercise judgement, whilst calculation of the contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

Revenue recognised in the period is disclosed in note 3, with further analysis provided in note 4.

#### *Useful economic life of capitalised development costs*

The assessment of the useful economic life of capitalised development costs is estimated by management based on past experience and reviews of competitor products available in the market.

#### **Basis of consolidation**

The Group financial statements consolidate the financial statements of Gresham Computing plc and the entities it controls (its subsidiaries) drawn up to 31 December each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases at which point they are deconsolidated. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries are prepared for the same reporting year as the parent Company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

#### **Foreign currency translation**

Transactions in foreign currencies are initially recorded in the functional currency by applying an approximation of the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement, except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the statement of financial position date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

On transition to IFRS from 1 January 2004, the exemption available under IFRS 1 was taken to start the currency translation reserve at nil.

#### **Goodwill**

Business combinations on or after 1 January 2004 have been accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the statement of financial position as goodwill, and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement. Goodwill recognised as an asset as at 31 December 2003 is recorded at its carrying amount under UK GAAP and is not amortised. Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at geographical segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it. Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves even if the related investment becomes impaired or the business is disposed of.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Purchased intangibles with finite lives, including purchased patents, know-how, trademarks, licences and distribution rights are capitalised at cost and amortised on a straight line basis over their estimated useful lives. The estimated useful life of these intangible assets ranges between 2 and 10 years depending on their nature. Amortisation charges in respect of intangible assets are included in administrative expenses.

### Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Capitalised product development expenditure is stated at cost less accumulated amortisation and impairment losses. Product development costs that have been capitalised are amortised from the time the product or related enhancement become available for use as part of a version release issued to customers, on a straight-line basis over 6 to 20 years depending on the useful economic life of the asset assessed. During the period of development, the asset is tested for impairment annually.

### Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than freehold land, on a straight-line basis over its expected useful life as follows:

- Fixtures and fittings over the term of the underlying property lease.
- Plant and equipment over lives ranging between 1 and 10 years to write down the assets to their residual value based on current prices for an asset of the age the plant and equipment is expected to be at the end of its useful life.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period of derecognition.

## Leases

### *Group as a lessee*

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

### *Group as a lessor*

Where the Group has spare capacity in offices held under operating leases and where the head lease permits, the Group sub leases space acting in a lessor capacity. The rental income is recognised on a straight line basis over the lease term and shown separately from the Group's full obligation under the head operating lease.

## Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. Impairment charges on goodwill are considered permanent and cannot be reversed. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

## Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

## Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if it is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Group commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Such assets are initially valued at fair value and carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

### *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments or as financial guarantee contracts. Assets are carried in the statement of financial position at fair value with gains or losses recognised in the income statement.

### *Available-for-sale financial assets*

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale by the directors, taking into account the stage of any marketing or sales activity to promote an end sale. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised within the Statement of Comprehensive Income until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Income Statement.

## Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or Group of financial assets is impaired.

### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss is recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant finance difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

### Amounts recoverable on contracts

Amounts recoverable on contracts represent revenue recognised to date less amounts invoiced to clients. Full provision is made for known or anticipated project losses.

### Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

R&D tax credits are recognised on an accruals basis and recorded as a credit in the taxation line of the Consolidated Income Statement.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Income tax is charged or credited to other comprehensive income or directly to equity if it relates to items that are credited or charged to other comprehensive income or directly to equity. Otherwise income tax is recognised in the income statement.

### Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms,

or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

### Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value.

Fair value of derivative financial instruments is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

### Pensions

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

### Revenue recognition

Revenue, comprising sales of products and services to third parties, is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

#### *Software licenses*

Revenue on software licences is recognised when all of the following criteria are met:

- Persuasive evidence of an arrangement exists, such as a signed contract or purchase order;
- Delivery has occurred and no future elements to be delivered are essential to the functionality of the delivered element;
- The fee is fixed or determinable; and
- Collectability is probable.

#### *Rendering of services*

Revenue and profits from the provision of professional services, such as implementation, development, training and consultancy, are recognised on a percentage-of-completion basis, as costs incurred relate to total costs for the contract, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably, requires management to exercise judgement, whilst calculation of the contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

#### *Subscriptions and maintenance*

Revenue from subscription and maintenance services is recognised rateably over the period of the contract.

#### *Solution sales*

Contracts for the delivery of solutions with multiple elements, typically involving software licences, rendering of services, subscriptions and maintenance, hardware are unbundled where possible and revenue is recognised based on the accounting policy applicable to each constituent part.

Where objective unbundling of a solution is not possible, revenue is recognised as that proportion of the total contract value which costs incurred to date bear to total expected costs for that contract. Profit is recognised on such contracts, if the final outcome can be assessed with reasonable certainty, by including in the income statement revenue and related costs as contract activity progresses.

#### *Interest income*

Interest income is recognised as finance revenue as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

***Rental income***

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term.

**Pre-contract costs / bid costs**

Pre-contract costs are expensed as incurred until the Group is appointed preferred bidder. Preferred bidder status provides sufficient confidence that the conclusion of the contract is probable, the outcome can be reliably measured and is expected to generate sufficient net cash inflows to enable recovery. Pre-contract costs incurred subsequent to appointment as preferred bidder are capitalised onto the balance sheet under prepayments and accrued income. The prepayment is expensed to the income statement over the period of the contract. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

**Share-based payments*****Equity-settled transactions***

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value of awards with a market condition based performance target is determined by an external valuer using a Monte Carlo simulation pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

Fair value of awards with a financial result based performance target is determined by management using the Black Scholes pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The share-based payment expense is recognised as a staff cost and the associated credit entry is made against equity.

The Group has taken advantage of the exemption in IFRS 1 in respect of equity-settled awards so as to apply IFRS 2 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2005.

**Exceptional items**

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

### Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year.

The following new standards have been adopted and are effective for the current year.

- IFRS 10 - Amendments for investment entities
- IFRS 12 - Amendments for investment entities
- IAS 27 - Amendments for investment entities
- IAS 32 - Amendments relating to the offset of assets and liabilities
- IAS 36 - Amendments arising from Recoverable Amounts Disclosures for Non-Financial Assets
- IAS 39 - Amendments for novation of derivatives
- IFRIC 21 - Levies

The adoption of these pronouncements has not impacted the classification or measurement of the Group's assets and liabilities, nor has it resulted in any additional disclosure.

### New standards and interpretations not applied

IASB and IFRIC have issued the following relevant standards and interpretations with an effective date after the date of these financial statements:

Standard or interpretation	Title	Effective from
IFRS 2	Amendments for Annual Improvements to IFRSs 2010-2012 Cycle (definition of vesting condition).	1 July 2014
IFRS 3	Amendments for Annual Improvements to IFRSs 2010-2012 Cycle (contingent consideration).	1 July 2014
IFRS 3	Amendments for Annual Improvements to IFRSs 2011-2013 Cycle (scope exception for joint ventures).	1 July 2014
IFRS 7	Financial instruments disclosures Annual Improvements 2012 to 2014 Cycle.	1 January 2015
IFRS 8	Amendments resulting from Annual Improvements 2010-2012 Cycle (aggregation of segments, reconciliation of segment assets)	1 July 2014
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	1 January 2018
IFRS 13	Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52)	1 July 2014
IFRS 14	Original issue	1 January 2016
IFRS 15	Original issue	1 January 2017
IAS 1	Amendments resulting from the disclosure initiative	1 January 2016

Standard or interpretation	Title	Effective from
IAS 16	Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	1 July 2014
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 24	Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)	1 July 2014
IAS 27	Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	1 January 2016
IAS 34	Amendments resulting from September 2014 Annual Improvements to IFRSs	1 January 2016
IAS 38	Amendments resulting from Annual Improvements 2010-2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)	1 July 2014
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016

The Directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

### 3. Revenue

Revenue from continuing operations disclosed in the income statement is analysed as follows:

	2014 £'000	2013 £'000
Rendering of services	12,832	14,024
Rental income	-	24
	12,832	14,048
Finance revenue	36	27
	12,868	14,075

#### 4. Segment information

The segmental disclosures reflect the analysis presented on a monthly basis to the chief operating decision maker of the business, the Chief Executive Officer and the Board of Directors.

In addition split of revenues and non-current assets by UK and overseas have been included as they are specifically required by IFRS 8 Operating Segments.

For management purposes, the Group is organised into the following reportable segments as follows:

- *Software* - supply of solutions predominantly to the enterprise level storage market
- *RTFS* - supply of solutions predominantly to the finance and banking Asia Pacific, EMEA & North American market
- *North American RTFS* - supply of solutions to the credit union market in the Caribbean during the year. The results of Gresham Computing Inc., the Canadian subsidiary of the Group disposed of on 11 March 2013 (see note 15) consolidated by the Group prior to the disposal are the only constituent of the North American RTFS segment shown in the following analysis.

"RTFS" refers to Real Time Financial Solutions, and "EMEA" refers to Europe, Middle East and Africa.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated on consolidation.

*Revenue and Profit / (loss) after taxation* for the year ended 31 December 2013 has been adjusted to reflect discontinued operations to align with presentation of these line items in the Consolidated Income Statement. There are no discontinued operations for the year ended 31 December 2014.

Year Ended 31 December 2014

	Software £'000	North America RTFS £'000	RTFS £'000	Adjustments, central & eliminations £'000	Consolidated £'000
<i>Revenue</i>					
External customer	2,421	-	10,411	-	12,832
Inter-segment	-	-	-	-	-
<b>Total revenue</b>	<b>2,421</b>	<b>-</b>	<b>10,411</b>	<b>-</b>	<b>12,832</b>
Interest revenue	-	-	-	36	36
Interest expense	-	-	-	(12)	(12)
Depreciation	(21)	-	(271)	-	(292)
Amortisation	-	-	(400)	-	(400)
Impairment (Exceptional item)	-	-	-	-	-
Profit / (loss) before taxation from continuing operations	2,056	-	(994)	(606)	456
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>639</b>	<b>639</b>
Profit / (loss) after taxation from continuing operations	2,056	-	(994)	33	1,095
Profit / (loss) after taxation from discontinued operations	-	-	-	-	-
<b>Profit / (loss) after taxation</b>	<b>2,056</b>	<b>-</b>	<b>(994)</b>	<b>33</b>	<b>1,095</b>
Segment assets	627	-	11,558	6,526	18,711
Segment liabilities	(674)	-	(5,016)	(131)	(5,821)

Year Ended 31 December 2013

	Software £'000	North America RTFS £'000	RTFS £'000	Adjustments, central & eliminations £'000	Consolidated £'000
<b>Revenue</b>					
External customer	2,524	-	11,524	-	14,048
Inter-segment	-	-	-	-	-
<b>Total revenue</b>	<b>2,524</b>	<b>-</b>	<b>11,524</b>	<b>-</b>	<b>14,048</b>
Interest revenue	-	-	-	27	27
Interest expense	-	-	-	2	2
Depreciation	(5)	-	(252)	-	(257)
Amortisation	(36)	-	(222)	-	(258)
Impairment (Exceptional item)	-	-	(298)	-	(298)
Profit / (loss) before taxation from continuing operations	1,926	-	364	(628)	1,662
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>618</b>	<b>618</b>
Profit / (loss) after taxation from continuing operations	1,926	-	364	(10)	2,280
Profit / (loss) after taxation from discontinued operations	-	(180)	-	-	(180)
<b>Profit / (loss) after taxation</b>	<b>1,926</b>	<b>(180)</b>	<b>364</b>	<b>(10)</b>	<b>2,100</b>
Segment assets	651	-	10,375	5,522	16,548
Segment liabilities	(657)	-	(4,654)	(188)	(5,499)

The Group has customer relationships with two banking customers within its EMEA RTFS segment and a banking customer within its APAC RTFS segment, all three of which are considered by the directors to be individually significant relationships; revenue from these relationships both individually exceeded 10% of the Group's revenue.

Segment profit / (loss) represent segment profit after tax, prior to adjustments for reallocation of share option charges.

#### *Exceptional item*

In 2013 we closed our payables financing business which was part of our RTFS segment but had insufficient growth prospects and we are no longer selling. We recognised an impairment charge in the Group income statement of £298,000 in respect of this closure, which is disclosed as an Exceptional item. There were no exceptional items for the year ended 31 December 2014.

#### *Adjustments, central & eliminations*

Adjustments, central & eliminations to segment profit/(loss) represent net interest income of £24,000 (2013: £25,000), share option charge of £50,000 (2013: £91,000), central management functions charge of £580,000 (2013: £562,000) and taxation credit of £639,000 (2013: £618,000).

Adjustments, central & eliminations to segment assets represent cash of £4,707,000 (2013: £4,386,000), taxation deferred and current taxation of £1,758,000 (2013: £1,131,000) and other assets of £48,000 (2013: £5,000).

## Geographic information

	2014 £'000	2013 £'000
Revenues from external customers (by destination)		
EMEA	7,241	6,397
North America	786	1,041
Asia Pacific	4,805	6,610
	<hr/> 12,832	<hr/> 14,048
	£'000	£'000
Non-current assets		
UK	8,612	5,991
North America	82	35
Asia Pacific	783	859
	<hr/> 9,477	<hr/> 6,885

Non-current assets consist of property, plant & equipment, intangible assets, and deferred tax assets.

EMEA includes revenue from external customers located primarily in the UK, Germany, Switzerland & Austria.

Asia Pacific includes revenue from external customers located primarily in Australia, Malaysia & Singapore.

## 5. Group trading profit

The following disclosures in respect of Consolidated Income Statement items are presented in respect of continuing operations only, with the comparatives restated where appropriate to exclude discontinued operations from these disclosures.

The Group trading profit is stated after charging / (crediting):

	2014 £'000	2013 £'000
Research and development costs written off	98	64
Amortisation of deferred development costs recognised in admin expenses	329	224
<b>Total research and development costs</b>	<b>427</b>	<b>288</b>
Depreciation of property, plant and equipment	292	257
Impairment of deferred development costs recognised in admin expenses (note 13)	-	298
Amortisation of intangible assets (excluding development costs)	71	34
<b>Total depreciation, impairment and amortisation expense</b>	<b>363</b>	<b>589</b>
Net foreign currency differences - (losses) / gains	(108)	(47)
Operating lease payments		
Minimum lease payments	429	408
Sublease income	(23)	(24)
<b>Operating lease payments</b>	<b>406</b>	<b>384</b>

### *Exceptional item*

In 2013 we closed our payables financing business which was part of our RTFS segment but had insufficient growth prospects and we are no longer selling. We recognised an impairment charge in the Group income statement of £298,000 in respect of this closure, which is disclosed as an Exceptional item. There were no exceptional items for the year ended 31 December 2014.

## 6. Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2014 £'000	2013 £'000
Audit fees		
Audit of the group financial statements	18	20
Other fees to auditors - auditing the accounts of subsidiaries	38	37
	56	57
Non-audit fees		
Corporate taxation services	79	25
Other	2	7
	81	32

There were no separate amounts payable to the Group's auditor from discontinued operations in either 2014 or 2013.

## 7. Staff costs and directors' emoluments

The following disclosures in respect of Consolidated Income Statement items are presented in respect of continuing operations only.

### Staff and director costs

31 December 2014	<i>Income Statement</i>	<i>Development Capitalised</i>	<i>Total</i>
	£'000	£'000	£'000
Wages and salaries	5,372	2,131	7,503
Social security costs	485	251	736
Other pension costs	257	72	329
	6,114	2,454	8,568

31 December 2013	<i>Income Statement</i>	<i>Development Capitalised</i>	<i>Total</i>
	£'000	£'000	£'000
Wages and salaries	5,255	1,259	6,514
Social security costs	425	152	577
Other pension costs	251	49	300
	5,931	1,460	7,391

Included in Wages and salaries is a total expense of share-based payments of £50,000 (2013: £186,000) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees during the year was made up as follows:

	<i>2014</i>	<i>2013</i>
Management	8	8
Sales & Administration	21	17
Technical	79	71
	108	96

### (b) Directors' emoluments

	<i>2014</i>	<i>2013</i>
	£'000	£'000
Directors' emoluments		
Remuneration	377	358
Social security costs	35	34
Pension	13	12
Share based payments	-	91
	425	495
Number of directors accruing benefits under defined contribution schemes	2	2

## 8. Finance revenue & costs

	2014 £'000	2013 £'000
Finance revenue		
Bank interest receivable	36	27
Total finance revenue	36	27
Finance costs		
Other bank charges	12	-
Finance charge on provisions	-	2
Total finance costs	12	2

There was no finance revenue or costs from discontinued operations in either 2014 or 2013.

## 9. Taxation

The following disclosures in respect of Consolidated Income Statement items are presented in respect of continuing operations only.

### (a) Tax on loss on ordinary activities

*Tax credited in the income statement*

	2014 £'000	2013 £'000
<i>Current income tax</i>		
Overseas tax charge / (credit) - adjustment to previous years	(29)	-
Overseas tax charge / (credit) - current year	69	-
UK Corporation tax charge / (credit) - adjustment to previous years	29	-
UK Corporation tax charge / (credit) - current year	(877)	(375)
Total current income tax	(808)	(375)
<i>Deferred income tax</i>		
Derecognition / (recognition) of deferred tax asset	93	(257)
Tax rate change adjustments	76	14
Total deferred income tax	169	(243)
<i>Total credit in the income statement</i>	(639)	(618)

**(b) Reconciliation of the total tax charge**

The tax credit in the income statement for the year is lower than the standard rate of corporation tax in the UK of 21.5% (2013 – 23.25%). The differences are reconciled below:

	2014 £'000	2013 £'000
Profit after taxation - from continuing operations	456	1,662
Accounting profit multiplied by the UK standard rate of corporation tax of 21.5% / 23.25%	98	386
Expenses not deductible for tax purposes	12	25
Loss on disposal not deductible for tax purposes	-	78
Differences in tax rates	65	(1)
Overseas tax charge / (credit) - adjustment to previous years	(29)	-
R&D tax credit - previous year	29	-
R&D tax credit - current year	(877)	(376)
Losses surrendered for R&D tax credit - current year	1,358	795
R&D enhanced relief	(755)	(549)
Movement in unrecognised losses carried forward	449	(716)
Movement in unrecognised temporary differences	(643)	(360)
Movement in unrecognised fixed asset temporary differences	44	43
Temporary difference on share based payments	(537)	43
Prior year adjustments on recognised deferred tax	71	-
Tax rate change adjustments	76	14
<b>Total tax credit reported in the income statement</b>	<b>(639)</b>	<b>(618)</b>

**(c) Unrecognised tax losses**

The Group has tax losses that are available indefinitely for offset against future taxable profits of the companies in which the losses arose as analysed in (e) below. Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries that have been loss-making for some time.

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a credit of £11,000 (2013: credit of £66,000).

**(d) Temporary differences associated with Group investments**

At 31 December 2014, there was no recognised deferred tax liability (2013: Nil) for taxes that would be payable on the un-remitted earnings of certain of the Group's subsidiaries, as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

The temporary differences associated with investments in subsidiaries for which deferred tax liability has not been recognised aggregate to £nil (2013: £nil).

**(e) Deferred tax**

*Recognised deferred tax*

	2014 £'000	2013 £'000
1 January	716	473
Movement in the period	(93)	257
Impact of change in tax rate	(76)	(14)
<b>31 December</b>	<b>547</b>	<b>716</b>

A deferred tax charge of £93,000 has been recognised in the year in respect of tax losses and capital allowances in excess of depreciation and other temporary differences.

*Unrecognised potential deferred tax assets*

The deferred tax not recognised in the Group statement of financial position is as follows:

	2014 £'000	2013 £'000
Temporary differences	(921)	878
Tax losses	2,291	1,600
Unrecognised deferred tax asset	1,370	2,478
Gross temporary differences unrecognised	(4,913)	4,391
Gross tax losses unrecognised	10,140	6,841
Gross deferred tax asset unrecognised	5,227	11,232

*Future tax rates*

The Group's recognised and unrecognised deferred tax assets in the UK, Australian and US subsidiaries have been shown at 20%, 30% & 40% of the gross value respectively (2013: 20%, 30% & 40% respectively), being the substantively enacted rates in these countries.

## 10. Earnings per ordinary share

The following disclosures in respect of Consolidated Income Statement items are presented in respect of total and continuing operations, with the comparatives restated where appropriate to exclude discontinued operations from these disclosures.

Basic earnings per share amounts are calculated by dividing net profit or loss for the year attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares except when such dilutive instruments would reduce the loss per share.

The following reflects the earnings and share data used in the basic and diluted earnings per share computations:

	2014 £'000	2013 £'000
Basic weighted average number of shares	61,992,825	58,300,362
Dilutive potential ordinary shares:		
Employee share options - weighted (note 22)	5,468,653	6,425,500
Diluted weighted average number of shares	67,461,478	64,725,862

	31 December 2014	31 December 2013		
	Total £'000	Before exceptional items £'000	Exceptional items £'000	Total £'000
Earnings attributable to owners of the parent - total	<b>1,095</b>	2,398	(298)	<b>2,100</b>
Earnings attributable to owners of the parent - continuing	<b>1,095</b>	2,578	(298)	<b>2,280</b>
<i>Earnings per share - total</i>				
Basic earnings per share - pence	<b>1.77</b>	3.87	(0.48)	<b>3.39</b>
Diluted earnings per share - pence	<b>1.62</b>	3.55	(0.44)	<b>3.11</b>
<i>Earnings per share - continuing</i>				
Basic earnings per share - pence	<b>1.77</b>	4.16	(0.48)	<b>3.68</b>
Diluted earnings per share - pence	<b>1.62</b>	3.82	(0.44)	<b>3.38</b>
<i>Earnings per share - discontinued</i>				
Basic earnings per share - pence	-	(0.29)	-	<b>(0.29)</b>
Diluted earnings per share - pence	-	(0.27)	-	<b>(0.27)</b>

During the year-ended 31 December 2014, share options granted under the 2010 Share Option Plans were exercised and the Group issued 2,697,500 (2013: none) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group Financial Statements for further details.

On 6 December 2013, the Group issued 2,400,000 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to accelerating growth. The shares were issued at a placing price of £1.25 pence raising £2,902,000, after expenses of £98,000.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this Annual Financial Report.

## 11. Dividends paid and proposed

No dividends were declared or paid during the year and no dividends are proposed for approval at the AGM (2013: None).

## 12. Property, plant and equipment

31 December 2014

	Fixtures and fittings £'000	Plant and equipment £'000	Total £'000
<i>Cost:</i>			
At 1 January 2014	562	797	1,359
Additions	62	182	244
Disposals	(47)	(236)	(283)
Exchange adjustment	(5)	(5)	(10)
At 31 December 2014	572	738	1,310
<i>Depreciation and impairment:</i>			
At 1 January 2014	(151)	(534)	(685)
Charge for year	(133)	(159)	(292)
Disposals	47	230	277
Exchange adjustment	3	4	7
At 31 December 2014	(234)	(459)	(693)
<i>Net carrying amount:</i>			
At 31 December 2014	338	279	617
At 1 January 2014	411	263	674

31 December 2013

	Fixtures and fittings £'000	Plant and equipment £'000	Total £'000
<i>Cost:</i>			
At 1 January 2013	394	1,040	1,434
Additions	464	215	679
Disposals	(227)	(131)	(358)
Disposal of subsidiary (note 15)	(39)	(295)	(334)
Exchange adjustment	(30)	(32)	(62)
At 31 December 2013	562	797	1,359
<i>Depreciation and impairment:</i>			
At 1 January 2013	(271)	(836)	(1,107)
Charge for year	(135)	(124)	(259)
Disposals	213	131	344
Disposal of subsidiary (note 15)	36	283	319
Exchange adjustment	6	12	18
At 31 December 2013	(151)	(534)	(685)
<i>Net carrying amount:</i>			
At 31 December 2013	411	263	674
At 1 January 2013	123	204	327

### 13. Intangible assets

31 December 2014

	Development costs £'000	Patents and licences £'000	Goodwill £'000	Total £'000
<i>Cost:</i>				
At 1 January 2014	9,100	1,429	925	11,454
Additions	3,099	139	-	3,238
Exchange adjustment	2	-	(22)	(20)
At 31 December 2014	12,201	1,568	903	14,672
<i>Amortisation and impairment:</i>				
At 1 January 2014	(4,644)	(1,065)	(250)	(5,959)
Charge for year	(329)	(71)	-	(400)
Exchange adjustment	(2)	2	-	-
At 31 December 2014	(4,975)	(1,134)	(250)	(6,359)
<i>Net carrying amount:</i>				
At 31 December 2014	7,226	434	653	8,313
At 1 January 2014	4,456	364	675	5,495

31 December 2013

	Development costs £'000	Patents and licences £'000	Goodwill £'000	Total £'000
<i>Cost:</i>				
At 1 January 2013	7,846	1,050	1,064	9,960
Additions	1,890	381	-	2,271
Disposal of subsidiary (note 15)	(618)	-	-	(618)
Exchange adjustment	(18)	(2)	(139)	(159)
At 31 December 2013	9,100	1,429	925	11,454
<i>Amortisation and impairment:</i>				
At 1 January 2013	(4,541)	(1,031)	(250)	(5,822)
Charge for year	(229)	(34)	-	(263)
Impairment	(298)	-	-	(298)
Disposal of subsidiary (note 15)	406	-	-	406
Exchange adjustment	18	-	-	18
At 31 December 2013	(4,644)	(1,065)	(250)	(5,959)
<i>Net carrying amount:</i>				
At 31 December 2013	4,456	364	675	5,495
At 1 January 2013	3,305	19	814	4,138

#### *Development costs*

Development costs are internally generated and are capitalised at cost. These intangible assets have been assessed as having a finite life and are amortised on a straight line basis over their useful lives of 6 to 20 years. These assets are tested for impairment where an indicator of impairment arises and annually prior to them being made available for use. Development costs have a remaining life of 18 years.

In 2013 we closed our payables financing business which had insufficient growth prospects and we are no longer selling. We recognised an impairment charge in the Group income statement of £298,000 in respect of this closure, which is disclosed as an Exceptional item. The value of the impairment charge is equal to the carrying value of the asset at the point of impairment. The payables financing business the impairment relates to was part of our Asia RTFS segment.

*Patents and licences*

Patents and licences are the third party costs incurred in seeking and obtaining protection for certain of the Group's products and services. These intangible assets have been assessed as having a finite life and are being amortised evenly over their useful economic life, to a maximum of 10 years. Patents have a remaining life of 4 years and licences have a remaining life of 1 to 10 years.

*Goodwill*

Goodwill arose on the acquisition of our Asia Pacific real-time financial solutions business. It is assessed as having an indefinite life and is assessed for impairment at least annually.

## 14. Impairment of goodwill and intangibles

*Goodwill*

Goodwill acquired through business combinations has been allocated to one individual cash-generating unit ("CGU"), the lowest level at which goodwill is monitored for internal management purposes, for impairment testing.

*Carrying amount of goodwill*

	2014 £'000	2013 £'000
Real-time financial solutions CGU	653	675

*Development costs (finite life)*

Development costs are reviewed for impairment on an annual basis prior to being made available for use or sooner where an indicator of impairment exists. The following table summarises the net book value of development costs:

	2014 £'000	2013 £'000
Real time financial solutions CGU	7,226	4,456

*Exceptional item*

In 2013 we closed our payables financing business which had insufficient growth prospects and we are no longer selling. We recognised an impairment charge in the Group income statement of £298,000 in respect of this closure, which is disclosed as an Exceptional item.

*Real-time financial solutions cash-generating unit*

The recoverable amount of this CGU has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by the Board for 2015 which are extrapolated for five years, and extended beyond 5 years which the Board consider appropriate given the long-term opportunities that exists in the Asia-Pacific, EMEA and North American regions. The discount rate applied to cash flow projections is 15% (2013: 15%) and cash flows beyond the 5 year period are extrapolated using a 2% growth rate (2013: 2.0%) that is a prudent approximation to the long term average growth rate for the region in which the CGU operates.

*Key assumptions used in the value in use calculations*

Key assumptions are made by management based on past experience taking into account external sources of information around gross margins, growth rates and discount rates for similar businesses.

The calculation of value in use is most sensitive to assumptions around:

- Operating cashflows, based on financial budgets for 2015 approved by the Board;

- Growth rates, based on internally estimated growth rates for the market and the business offerings; and
- Discount rate, based on the pre tax weighted average cost of capital of the Group.

*Sensitivity to changes in assumptions*

A change in our key assumption in respect to operating cashflows could cause the carrying value of the goodwill or development costs to exceed the recoverable amount, resulting in an impairment charge.

We are confident the assumptions in respect of operating cashflow remain appropriate. Where the operating cashflows incorporate products or solutions that will be sold in an existing known market past experience is used as a guide to the level of sales achievable, growth rates and associated margins. Where the operating cashflows incorporate relate to products or solutions that will be sold into a new or emerging market past experience with similar products or solutions is combined with relevant information from external market sources, such as competitor pricing and discussions with potential customers, in arriving at the level of sales achievable, growth rates and associated margins.

## 15. Investments

### Details of Group undertakings

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital are as follows:

Name of subsidiary company	Country of incorporation	Holding (shares)	Proportion of voting rights and shares held	Nature of Business
Gresham Computer Services Limited	England	Ordinary	100%	Real time financial solutions
Gresham Financial Systems Limited	England	Ordinary	100%	Real time financial solutions
Gresham Enterprise Storage Inc <sup>(4)</sup>	USA	Ordinary	100%	Software
Gresham Computing Pty Limited <sup>(4)</sup>	Australia	Ordinary	100%	Real time financial solutions
Gresham Computing Sdn Bhd <sup>(1)</sup>	Malaysia	Ordinary	100%	Real time financial solutions
Gresham Computing Pte. Limited <sup>(2)</sup>	Singapore	Ordinary	100%	Real time financial solutions
Gresham Computing Inc <sup>(4)</sup>	USA	Ordinary	100%	Real time financial solutions
Gresham Consultancy Services Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Casablanca Software Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Circa Selection Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Gresham Technologies Limited <sup>(3,5)</sup>	England	Ordinary	100%	Dormant
Gresham Telecomputing Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Circa Business Systems Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Cheerkeep Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant

<sup>1</sup> held by a subsidiary undertaking

<sup>2</sup> incorporated on 8 February 2013

<sup>3</sup> subsidiary exempt from UK audit under s480a of the Companies Act 2006

<sup>4</sup> subsidiary has no requirement for a local statutory audit

<sup>5</sup> name changed from Gresham Software Limited March 2014

The following wholly owned subsidiaries were dissolved during the year ended 31 December 2014 (2013: none) following an application by the Company to strike-off voluntarily:

- Clareti Systems Limited – dissolved 1 April 2014
- ITEC Computer Broking Limited – dissolved 8 July 2014
- Gresham Computer Personal Limited – dissolved 8 July 2014

In addition the following wholly owned subsidiaries were dissolved after the year ended 31 December 2014 following an application by the Company to strike-off voluntarily:

- Casablanca Software Limited – *dissolved 10 February 2015*
- Circa Selection Limited – *dissolved 10 February 2015*

**Disposal of Gresham Computing Inc. (Canadian subsidiary)**

On 11 March 2013, the Group announced it had signed and completed an agreement to sell our 100% equity share interest in Gresham Computing Inc (Canada) ("GCI") to BITSS Global Inc. ("Bevertec").

*Results of Discontinued Operations*

	31 December
	2013
	£'000
Revenue	232
Cost of goods sold	(11)
Gross profit	221
Administrative expenses	(216)
Trading profit	5
Loss on disposal of subsidiary	(185)
Finance revenue	-
Finance costs	-
Profit / (loss) before taxation	(180)
Taxation	-
Profit / (loss) after taxation	(180)

*Assets and liabilities disposed of other than cash*

	£'000
Intangible assets	212
Property, Plant & Equipment	15
Current assets	531
Current liabilities	(141)
Deferred income	(253)
Total assets and (liabilities) disposed of other than cash and cash equivalents	364

*Cash and cash equivalents relating to the disposal*

	£'000
Disposal consideration discharged by means of cash	513
Cash and cash equivalents in company on disposal	(41)
Net cash inflow from disposal of subsidiary undertaking	472
Costs relating to the disposal	(148)
Net cash inflow from disposal of subsidiary undertaking after costs	324

*Loss on disposal*

	£'000
Total consideration	472
Net assets (excluding cash) disposed	(364)
	108
Costs relating to the disposal	(148)
Deferred cumulative foreign exchange transferred from equity	(145)
<b>Net loss on disposal of Gresham Computing Inc.</b>	<b>(185)</b>

GCI is included within North America RTFS operating segment as per note 4.

## 16. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	1,794	2,981
Provision for impairment	-	-
Trade receivables - net	1,794	2,981
Prepayments and accrued income	1,509	1,656
Amounts recoverable on contracts	-	225
	3,303	4,862

	2014 £'000	2013 £'000
Income tax	1,224	415

The following table provides disclosure of contracts in progress at the statement of financial position date:

	2014 £'000	2013 £'000
Contracts in progress at the Statement of Financial Position date	-	225
Contract costs incurred plus recognised profits less recognised losses to date	-	225
Less: progress billings	-	(85)
	-	140
Recognised as:		
Amounts recoverable on contracts	-	225

Trade receivables are denominated in the following currencies:

	2014 £'000	2013 £'000
Sterling	446	1,538
Euro	141	144
US Dollar	458	196
Australian Dollar	715	1,082
Malaysian Ringgit	35	21
	1,794	2,981

The Group held trade receivables with a value of £635,000 in respect of one RTFS customer at 31 December 2014 (2013: 2 customers with a balance of £1,823,000) which were settled during the following January and February. Otherwise, there is no significant concentration of trade receivables around major customers in either year. Trade receivables are non-interest bearing and are generally on 30 – 60 days' terms and are shown net of a provision for impairment.

At 31 December, the analysis of trade receivables that were past due but not impaired is as follows:

	Neither past due nor impaired		Past due but not impaired				
	Total £'000	 £'000	30 - 60 days £'000	60 - 90 days £'000	90 - 120 days £'000	>120 days £'000	
2014	1,794	689	780	241	79	5	-
2013	2,981	1,402	747	756	12	1	63

The Group's customers primarily comprise national and international banks, government bodies and substantial private and public companies. As a result, the credit quality of trade receivables that are neither past due nor impaired has been assessed by the directors to be relatively high, taking account of a low historic experience of bad debts and relatively good ageing profiles.

## 17. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank and in hand	4,707	4,386

Cash at bank earns interest at both fixed term rates and floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is the same as stated above. At 31 December 2014, the Group had £nil (2013: £nil) of undrawn committed borrowing facilities.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprises cash at bank and in hand and short-term deposits.

## 18. Trade, other payables, provisions and financial liabilities

### Trade and other payables

Trade payables, other payables and deferred income are non-interest bearing.

#### *Current*

	£'000	£'000
Trade payables	588	775
Other payables	1,265	1,558
Deferred income	3,792	2,915
	<b>5,645</b>	<b>5,248</b>
	2014	2013
	£'000	£'000
Income tax payable	58	42

#### *Non-current*

	2014	2013
	£'000	£'000
Deferred income	82	188

### Provisions

	Property provisions £'000
At 1 January 2014	
- Current	-
- Non-current	21
	<b>21</b>
Further amounts provided during the year	15
At 31 December 2014	
- Current	8
- Non-current	28
	<b>36</b>

	Property provisions £'000
At 1 January 2013	
- Current	126
- Non-current	53
	179
Finance charge	2
Utilised amounts during the period	(181)
Further amounts provided during the year	21
At 31 December 2013	
- Current	-
- Non-current	21
	21

*Property provisions*

The restructuring provision relates to a rationalisation of the Group's property portfolio and the resulting lease liabilities, comprising end of lease dilapidation costs and empty property costs. The provision has been discounted using a range of rates from 0.25% to 5% which the directors consider to be the relevant pre-tax risk based rate applicable to the liability.

## 19. Obligations under leases

### Operating lease agreements where the Group is lessee

The Group has entered into commercial leases on certain properties that have an average minimum duration of between 1 and 5 years. There are no unusual restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2014 £'000	Other 2014 £'000	Total 2014 £'000	Land and buildings 2013 £'000	Other 2013 £'000	Total 2013 £'000
Not later than one year	475	-	475	317	-	317
After one but not more than five years	593	-	593	799	-	799
	1,068	-	1,068	1,116	-	1,116

### Operating lease agreements where the Group is lessor

The Group has entered into commercial leases as lessor on an Australian and US property. There are no unusual restrictions placed upon the lessor by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Land and buildings 2014 £'000	Other 2014 £'000	Total 2014 £'000	Land and buildings 2013 £'000	Other 2013 £'000	Total 2013 £'000
Not later than one year	38	-	38	-	-	-
After one but not more than five years	-	-	-	-	-	-
	-	-	38	-	-	-

## 20. Financial instruments

### Objectives, policies and strategies

The Group's objective is to finance the business through management of existing liquidity; focusing on working capital acceleration to cash and converting illiquid assets to liquid assets and ultimately cash. Investments in intangible fixed assets, property, plant and equipment have been made with the benefit of Research & Development tax credits taken as cash.

The Group's policy towards using financial instruments is to manage credit, liquidity and currency exposure risk without exposing the Group to undue risk or speculation. The policy is kept under review by the Directors according to the Group's foreign exchange and treasury policy.

### Risk management

The risks arising from the Group's operations and financial instruments are explained below.

#### Credit management

The Group monitors exposure to credit risk on an ongoing basis. The risk of financial loss due to a counterparty failure to honour its obligations arises principally in relation to transactions where the Group provides solutions and services on deferred terms and where it invests or deposits surplus cash.

Group policies are aimed at minimising such losses, and require that deferred terms are granted only to customers who demonstrate an appropriate payment history and satisfy creditworthiness procedures. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. Solutions and services may be sold on a cash-with-order basis to mitigate credit risk. Bad debt insurance is not carried.

Performance of individual businesses is monitored at both operating unit and Group level allowing the early identification of major risks and reducing the likelihood of an unmanaged concentration of credit risk.

Cash investments are only allowed in liquid securities with major financial institutions that satisfy specific criteria. The maximum credit risk exposure at the statement of financial position date is represented by the carrying value of financial assets and there are no significant concentrations of credit risk.

#### Interest rate risk

The Group has limited exposure to interest rate risk since it has no bank borrowings and interest receivable on cash deposits does not form a material part of Group income.

#### Capital risk

The Group defines its capital as the Group's total equity and manages capital based on the level of net cash held. Its objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, to provide an adequate return to investors based upon the level of risk undertaken, to have available the necessary financial resources to allow the Group to invest in areas that may deliver future benefit to investors and maintain sufficient financial resources to mitigate risks and unforeseen events.

In order to maintain or adjust the capital structure the Group may issue new shares or sell assets to provide additional capital.

#### Financial liabilities – by maturity

The table below summarises the remaining contractual maturity for the Group's financial liabilities, based on contractual undiscounted payments:

	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years
	£'000	£'000	£'000
<b>Year ended 31 December 2014</b>			
Provisions	8	12	16
	8	12	16
<b>Year ended 31 December 2013</b>			
Provisions	-	-	21
	-	-	21

All current liabilities are expected to fall due within one year of the statement of financial position date at their carrying amount.

### Liquidity risk

The Group's liquidity risk falls within the following major categories:

- Trade receivables. A significant element of the Group's liquidity is tied up in working capital, which primarily comprises trade receivables. The settlement risk associated with these assets comprises both credit risk (the risk that the counterparty will not settle at all) and liquidity risk (the risk that the counterparty will not settle on time).
- Property, plant & equipment. A significant element of the Group's liquidity is tied up in tangible fixed assets. For those assets required in the business for day to day operations the Group considers the use of finance lease arrangements to reduce the amount of liquidity tied up in such assets. The Group keeps its investment in fixed assets under review and actively considers converting such assets to more liquid assets.
- Currency risk. This risk is discussed below.

The Group monitors and controls liquidity through the following key controls:

- Daily cash at bank is reported to the executive Board
- Cash forecasts are maintained
- Foreign exchange risks are hedged where significant
- Credit control is operated locally with Group oversight

Where appropriate, discounts are offered for early payment by customers and finance lease and deferred payment arrangements are considered to retain or improve liquidity.

### Fair values of financial assets and liabilities

Set out below is an analysis by category of the Group's financial assets and liabilities that are carried in the financial statements (there is no material difference between the carrying amounts and fair values):

Year ended 31 December 2014	Note	Loans and receivables £'000	Fair value through profit & loss £'000	Amortised cost £'000	Total carrying amount £'000
<i>Financial assets</i>					
Trade receivables		1,794	-	-	1,794
Accrued income		593	-	-	593
Cash and cash equivalents		4,707	-	-	4,707
		7,094	-	-	7,094

Year ended 31 December 2014	Note	Loans and receivables £'000	Fair value through profit & loss £'000	Amortised cost £'000	Total carrying amount £'000
<i>Financial liabilities</i>					
Trade payables		-	-	588	588
Other payables		-	-	802	802
Provisions		-	-	36	36
		-	-	1,426	1,426

Year ended 31 December 2013	Note	Loans and receivables £'000	Fair value through profit & loss £'000	Amortised cost £'000	Total carrying amount £'000
<i>Financial assets</i>					
Trade receivables		2,981	-	-	2,981
Accrued income		1,139	-	-	1,139
Cash and cash equivalents		4,386	-	-	4,386
		8,506	-	-	8,506

Year ended 31 December 2013	Note	Loans and receivables £'000	Fair value through profit & loss £'000	Amortised cost £'000	Total carrying amount £'000
<i>Financial liabilities</i>					
Trade payables		-	-	775	775
Other payables		-	-	853	853
Provisions		-	-	21	21
		-	-	1,649	1,649

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2014, the Group held a foreign exchange instrument that had been measured at fair value using Level 2 techniques. The Group held no foreign exchange instruments at 31 December 2013.

Financial liabilities relate to derivative financial instruments which have a negative fair value. Fair value is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### Currency risk

The Group has exposures to the main currency types: US Dollar, Australian Dollar, Malaysian Ringgit and Euro rates in particular.

Currency exposure arises through intra-group loans and trading balances throughout all Group locations. Natural hedging is employed, to the extent possible, to minimise net exposures, however where significant exposures arise outside of intra-group trading, it is Group policy to enter into formal hedging arrangements where these can be shown to be effective. At 31 December 2014, the Group had the following outstanding vanilla option in respect of a foreign currency sale (2013: nil):

		Asset / (Liability)
	Rate	
Sell US\$250,000	30-Jan-15	£/US\$ 1.70
		-

Currency exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the functional currency of the operating unit involved, other than those borrowings treated as hedges of foreign equity investments. In general all overseas operating units trade and hold assets and liabilities in their functional currency.

### Sensitivities

The following table details the Group's sensitivities to a change in sterling exchange rates against the respective foreign currencies. The sensitivities represent management's assessment of the effect on monetary assets of the possible changes in foreign exchange rates, which for 2014 and 2013 take account of the potential fluctuations seen in the most recent periods. The sensitivity analysis of the Group's exposure to foreign currency risk at the year end has been determined based on the assumption that the change is effective throughout the financial year and all other variables remain constant. The impact of translating the net assets of foreign operations into sterling is excluded from the sensitivity analysis.

A positive number indicates an increase in profit after taxation and other components of equity where sterling weakens against the respective currencies.

The sensitivity to the Canadian dollar is not shown in 2014 as this sensitivity to the Group was largely removed as a result of the disposal of our Canadian operations during 2013.

		Increase/Decrease in exchange rates	Effect on profit before tax
<b>2014</b>			£'000
Euro		+20%	(51)
		-20%	76
Australian Dollar		+20%	(244)
		-20%	367
US Dollar		+20%	(158)
		-20%	237
Canadian Dollar		+20%	-
		-20%	-
Malaysian Ringhit		+20%	(36)
		-20%	53
Singapore Dollar		+20%	(1)
		-20%	2
<b>2013</b>			£'000
Euro		+20%	(48)
		-20%	72
Australian Dollar		+20%	(242)
		-20%	364
US Dollar		+20%	(73)
		-20%	109
Canadian Dollar		+20%	(5)
		-20%	7
Malaysian Ringhit		+20%	(14)
		-20%	21
Singapore Dollar		+20%	(1)
		-20%	2

The Group has no material exposure to interest rate sensitivities.

## 21. Issued share capital

Ordinary shares allotted, called up and fully paid	Number	Nominal value £'000
At 1 January 2013	58,135,978	2,907
Share Placing	2,400,000	120
At 31 December 2013	60,535,978	3,027
Exercise of Share Options (see note 22)	2,697,500	135
<b>At 31 December 2014</b>	<b>63,233,478</b>	<b>3,162</b>

The Company's ordinary share capital consists of individual share having a nominal value of 5 pence each.

During the year-ended 31 December 2014, share options granted under the 2010 Share Option Plans were exercised and the Group issued 2,697,500 (2013: none) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group Financial Statements for further details.

At 31 December 2014 and 2013 there were outstanding options granted to acquire ordinary shares in the Company. See note 22 for further details.

There are no preference shares in issue (2013: none).

On 6 December 2013, the Group issued 2,400,000 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to accelerating growth. The shares were issued at a placing price of £1.25 pence raising £2,902,000, after expenses of £98,000.

An explanation of the Group's capital management process and objectives is set out in the discussion of capital management on page 16 in the Strategic report and capital risk disclosures in note 20.

## **22. Share-based payments**

The following disclosures are in respect of both the Company and the Group.

The grant of all options and awards is made by the remuneration committee and such grants involve equity settlement. In granting executive share options the remuneration committee has regard to both the participant's level of responsibility within the Group and to individual and Group performance.

### **Share Option Schemes 2010**

The Share Option Schemes 2010 were approved by shareholders on 30 December 2010, with amendments subsequently approved by shareholders on 8 May 2014. The Schemes consist of:

- the Gresham Computing plc Enterprise Management Incentive Plan 2010;
- the Gresham Computing plc Unapproved Share Option Plan 2010; and
- the Gresham Computing plc Non Employee Share Option Plan 2010.

As its name implies, the EMI Plan operates as an enterprise management incentive scheme complying with the EMI Code and accordingly being entitled to certain beneficial tax treatment.

The Unapproved Plan enables the remuneration committee to grant share options in excess of the limits applicable under the EMI Code and / or to employees of the Group who do not qualify for EMI treatment.

The Non Employee Plan enables the remuneration committee to grant share options to persons whose services are made available to the Group without an employment relationship.

The remuneration committee is responsible for administering the Share Option Schemes 2010, and may grant options to acquire Ordinary Shares to any employees and directors of the Group, and retains discretion to impose exercise performance conditions as appropriate. Options are granted free of charge and are non-transferable.

The exercise price per Ordinary Share is determined by the remuneration committee but will not be less than 110% of the middle market price for the dealing day immediately preceding the date of grant of the relevant option.

Options may normally be exercised only on or after the third anniversary of the date of grant subject to completion of any relevant performance criteria; save to the extent that the remuneration committee in its discretion declares any other period for exercise and will lapse on cessation of such employment, save again to the extent the remuneration committee in its discretion allows it to remain exercisable for such period following the cessation as it may determine.

Exercise is permitted in conjunction with a takeover or similar transaction and in such circumstances the vesting period does not apply. In the event of a takeover, an option holder may by agreement with the acquirer exchange his options for options over shares in the acquiring Company.

At 31 December 2014, 29 participants held awards under this scheme (2013: 38).

Outstanding options to subscribe for ordinary shares of 5p at 31 December 2014, including those noted in the Directors' Remuneration Report are as follows:

	2014 Number	2014 WAEP (pence)	2013 Number	2013 WAEP (pence)
<b>Share Option Schemes 2010 (options)</b>				
Outstanding at 1 January	6,925,500	37	6,728,000	35
Granted during the year	-	-	500,000	100
Forfeited during the year	(30,000)	96	(302,500)	28
Exercised during the year	(2,697,500)	28	-	-
Outstanding at 31 December	4,198,000	47	6,925,500	37
Exercisable at 31 December	2,493,000	29	5,152,500	28
Weighted average remaining contractual life (years)	6.68		0.33	

**Executive scheme 1998 (options)**

Outstanding at 1 January	-	-	5,000	70
Forfeited	-	-	(5,000)	(70)
Outstanding at 31 December	-	-	-	-
Exercisable at 31 December	-	-	-	-

No price is payable on award of share options.

Outstanding options and awards to subscribe for ordinary shares of 5p at 31 December 2014, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates are as follows:

	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
<i>Share Option Schemes 2010</i>						
	2,455,000	31-Dec-10	0.2805	31-Dec-13	31-Dec-20	688,628
	38,000	05-Aug-11	0.5803	05-Aug-14	05-Aug-21	22,051
	1,000,000	06-Apr-12	0.6424	06-Apr-15	06-Apr-22	642,400
	100,000	23-May-12	0.6105	23-May-15	23-May-22	61,050
	135,000	15-Aug-12	0.6850	15-Aug-15	15-Aug-22	92,475
	450,000	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	433,350
	50,000	07-Oct-13	1.3230	07-Oct-16	07-Oct-23	66,150
						2,006,104

Outstanding options to subscribe for ordinary shares of 5p at 31 December 2013, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates are as follows:

	Number of share options	Date of grant	Exercise price £	Date first exercisable		Expiry date	Cash receivable if exercised £
<i>Share Option Schemes 2010</i>	5,152,500	31-Dec-10	0.2805	31-Dec-13	31-Dec-20	31-Dec-20	1,445,276
	38,000	05-Aug-11	0.5803	05-Aug-14	05-Aug-21	05-Aug-21	22,051
	1,000,000	06-Apr-12	0.6424	06-Apr-15	06-Apr-22	06-Apr-22	642,400
	100,000	23-May-12	0.6105	23-May-15	23-May-22	23-May-22	61,050
	135,000	15-Aug-12	0.6850	15-Aug-15	15-Aug-22	15-Aug-22	92,475
	450,000	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	01-Aug-23	433,350
	50,000	07-Oct-13	1.3230	07-Oct-16	07-Oct-23	07-Oct-23	66,150
							2,762,752

The fair value of outstanding equity-settled share options granted was estimated as at the date of grant as follows:

### Share Option Schemes 2010

The fair value of equity-settled share options granted by the Share Option Schemes 2010 is estimated as at the date of grant using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. In all cases, the exercise price is at least 110% of the market price on the day prior to the date of grant.

The following table lists the range of inputs to the model used for the grants made:

	2013 grants	2012 grants	2011 grants	2010 grants
Vesting date	1 Aug 16 to 7 Oct 16	6 Apr 15 to 15 Aug 15	5 Aug 14	31 Dec 13
Expiry date (no. of years after grant)	10	10	10	10
Exercise price	£0.96 - £1.32	£0.61 - £0.69	£0.58	£0.28
Share price at valuation	£0.84 - £1.16	£0.52 - £0.58	£0.53	£0.26
Vested options expected life	5.6 years	5.6 years	5.6 years	5.9 years
Volatility	20.0% <sup>(1)</sup>	30.0% <sup>(1)</sup>	46.3% <sup>(1)</sup>	43.8% <sup>(1)</sup>
Dividend yield	0%	0%	0%	0%
Risk free rate	1.0% <sup>(2)</sup>	1.0% <sup>(2)</sup>	2.7% <sup>(2)</sup>	3.5% <sup>(2)</sup>
Impact of continued employment conditions	30% <sup>(3)</sup>	30% <sup>(3)</sup>	30% <sup>(3)</sup>	30% <sup>(3)</sup>

<sup>(1)</sup> Expected future volatility, based on historical analysis and trend

<sup>(2)</sup> Spot yield on valuation date of UK government bonds with a comparable maturity date

<sup>(3)</sup> Attrition rate on average

Vesting of options is reliant on achievement of any relevant performance conditions set by the Remuneration Committee which typically take the form of sales-based targets.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

The expense recognised in the income statement for all equity settled share-based payments in respect of employee services received is as follows:

	2014 £'000	2013 £'000
Expense recognised in respect of share-based payments	50	186

## 23. Reconciliation of movements in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation £'000	Retained earnings £'000	Total £'000
At 1 January 2013	2,907	13,124	1,039	300	(11,226)	6,144
Attributable profit for the period	-	-	-	-	2,100	2,100
Other comprehensive expense	-	-	-	(283)	-	(283)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(283)</b>	<b>2,100</b>	<b>1,817</b>
Reserves transfer	-	-	(726)	-	726	-
Share issue proceeds	120	2,880	-	-	-	3,000
Share transaction costs	-	(98)	-	-	-	(98)
Share based payment expense	-	-	-	-	186	186
<b>At 31 December 2013</b>	<b>3,027</b>	<b>15,906</b>	<b>313</b>	<b>17</b>	<b>(8,214)</b>	<b>11,049</b>
Attributable profit for the period	-	-	-	-	1,095	1,095
Other comprehensive expense	-	-	-	(55)	-	(55)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(55)</b>	<b>1,095</b>	<b>1,040</b>
Exercise of share options	135	616	-	-	-	751
Share based payment expense	-	-	-	-	50	50
<b>At 31 December 2014</b>	<b>3,162</b>	<b>16,522</b>	<b>313</b>	<b>(38)</b>	<b>(7,069)</b>	<b>12,890</b>

### Share capital

The balance classified as share capital represents the nominal value arising from the issue of the Company's equity share capital, comprising 5 pence ordinary shares.

During the year-ended 31 December 2014, share options granted under the 2010 Share Option Plans were exercised and the Group issued 2,697,500 (2013: none) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group Financial Statements for further details.

On 6 December 2013, the Group issued 2,400,000 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to accelerating growth. The shares were issued at a placing price of £1.25 pence raising £2,902,000, after expenses of £98,000.

### Share premium

The balance classified as share premium represents the premium arising from the issue of the Company's equity share capital, comprising 5 pence ordinary shares, net of share issue expenses. There are restrictions on the use of the share premium account. It can only be used for bonus issues, to provide for the premium payable on redemption of debentures or to write off preliminary expenses, or expenses of, or commissions paid on, or discounts allowed on, the same issues of shares or debentures of the Company.

### Other reserves

The balance classified as other reserves comprises a special reserve of £313,000. The special reserve arose on the cancellation of deferred ordinary shares in June 1992.

The merger reserve of £726,000 recorded in the prior year has been transferred to Retained earnings following the disposals of the associated investments. The merger reserve arose on issue of shares in respect of acquisitions and mergers in the period 1992 to 1999.

### Currency translation reserves

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

### Retained earnings

The cumulative amount of goodwill written off to reserves at 31 December 2013 and 2012 is £7,326,000. Goodwill previously written off to reserves will remain so written off.

## 24. Capital commitments

At 31 December 2014, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2013: £nil).

## 25. Contingent liabilities and contingent assets

### Contingent liabilities

In the normal course of business, the parent Company has issued general guarantees in respect of the contractual obligations of certain subsidiary undertakings from which no liability is expected to arise.

## 26. Related party transactions

There is no single party known that the directors consider to be a controlling shareholder or ultimate parent undertaking. Refer to page 27 for details of all significant shareholders that the Company has been notified of.

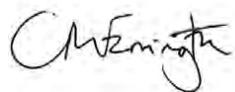
The services of M Royde, Non-Executive Director, are provided and invoiced by Kestrel Partners LLP, a company in which he has an ownership interest. During the year ended 31 December 2014, the Company was charged £30,000 by Kestrel Partners LLP (2013: £30,000), none of which (2013: £nil) remained unpaid at the year end. The total value of transactions with Kestrel Partners LLP in respect of the provision of M Royde's services is shown in the Directors' Remuneration Report.

On 6 December 2013, the Group issued 2,400,000 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to accelerating growth. The shares were issued at a placing price of £1.25 pence raising £2,902,000, after expenses of £98,000. Of the placing shares, 185,000 were placed with Kestrel Partners LLP which is deemed to be a related party under the Listing Rules and is classified as a smaller related party transaction for the purposes of the Listing Rules. All amounts due in respect of the placing were settled as at 31 December 2013. Subject to certain information, confirmations and undertakings given to the

	Notes	31 December 2014 £'000	31 December 2013 £'000
Fixed assets			
Investments	5	9,414	9,364
		9,414	9,364
Current assets			
Debtors	6	11,603	10,719
Cash at bank and in hand		2,799	3,078
		14,402	13,797
Creditors: amounts falling due within one year	7	4,095	3,298
Net current assets		10,307	10,499
Total assets less current liabilities		19,721	19,863
Capital and reserves			
Called up share capital	9	3,162	3,027
Share premium account	10	16,522	15,906
Special reserve	10	313	313
Merger reserve	10	1,360	1,360
Profit and loss account	10	(1,636)	(743)
Shareholders' funds - equity interests	10	19,721	19,863

The financial statements were approved by the Board of Directors and authorised for issue on 23 March 2015.

On behalf of the Board



C Errington  
23 March 2015



R Grubb  
23 March 2015

## 1. Accounting policies

### Basis of preparation

The parent Company financial statements of Gresham Computing plc (the "Company") have been prepared in accordance with United Kingdom Generally Accepted Accounting Practices (UK GAAP) and as required by the Companies Act 2006, and were approved for issue on 23 March 2015.

The financial statements are prepared under the historical cost convention as modified for financial instruments that are measured at fair value, and are prepared in accordance with applicable accounting standards.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006. For the year ended 31 December 2014, the Company recorded a loss of £943,000 (2013: profit of £521,000).

The Company has taken advantage of the exemption in paragraph 2D of FRS 29 Financial Instruments: Disclosures and has not disclosed information required by that standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 Financial Instruments: Disclosures.

### Investments

Investments are recorded at cost less provision for impairment.

### Financial assets

#### *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses on financial assets at fair value through profit or loss recognised in the profit and loss account.

#### Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

#### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

### Other receivables

Where the time value of money is material, other receivables are carried at amortised cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured, on a undiscounted basis, at rates expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date as they apply in the periods in which the timing differences are expected to reverse.

### Foreign currencies

Transactions denominated in foreign currencies are translated at an approximation of the exchange rate ruling on the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling on the balance sheet date. Resulting exchange gains and losses are taken to the profit and loss account.

### Financial instruments

The Company uses forward foreign currency contracts to reduce exposure to movements in foreign exchange rates. Such instruments are stated at fair value. Gains and losses arising from changes in fair value are taken to the profit and loss account in the period.

Fair value of derivative financial instruments is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

### Related party transactions

The Company has taken advantage of the exemption under FRS 8 from disclosing related party transactions with entities that are wholly owned subsidiary undertakings of the Gresham Computing plc Group.

### Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term. Lease incentives are recognised over the shorter of the lease term and the period to the next rent review.

### Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

When shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the income statement. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' equity, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

### Share-based payments – Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised in the Company financial statements as a capital contribution to the subsidiaries for whom the employees perform services, with the credit entry being made to reserves, over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value of awards with a market condition based performance target is determined by an external valuer using a Monte Carlo simulation pricing model. In valuing equity-settled transactions, no account is taken of any vesting

conditions, other than conditions linked to the price of the shares of the Company (market conditions). Fair value of awards with a financial result based performance target is determined by management using the Black Scholes pricing model.

No capital contribution is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised as a capital contribution, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised as a capital contribution over the original vesting period. In addition, an expense is recognised as a capital contribution over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is recorded as a capital contribution immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as a capital contribution in the balance sheet.

## 2. Auditors' remuneration

	2014 £'000	2013 £'000
Audit of the financial statements		
Audit services - parent	7	7
	7	7
Additional information		
Audit services - group	13	15
Audit services - subsidiaries	36	35
	49	50
Non-audit fees		
Corporate taxation services	2	2
Share option scheme establishment	-	-
	2	2

## 3. Directors' remuneration

Information concerning directors' remuneration and gains on exercise of share options can be found in the Directors' remuneration report beginning on page 26 and in note 7 to the Group financial statements.

#### 4. Dividends paid and proposed

No dividends were declared or paid during the year and no dividends are proposed for approval at the AGM (2013: None).

#### 5. Investments

	Subsidiaries 2014 £'000	Subsidiaries 2013 £'000
<b>Cost:</b>		
At 1 January	22,956	23,585
Disposal of subsidiary	-	(781)
Capital contribution - share based payments	50	152
<b>At 31 December</b>	<b>23,006</b>	<b>22,956</b>
 <b>Impairment provisions:</b>		
At 1 January	13,592	14,353
Disposal of subsidiary	-	(761)
Impairment charge	-	-
<b>At 31 December</b>	<b>13,592</b>	<b>13,592</b>
 <b>Net book value:</b>		
<b>At 31 December</b>	<b>9,414</b>	<b>9,364</b>

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of subsidiary company</i>	<i>Country of incorporation</i>	<i>Holding (shares)</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of Business</i>
Gresham Computer Services Limited	England	Ordinary	100%	Real time financial solutions
Gresham Financial Systems Limited	England	Ordinary	100%	Real time financial solutions
Gresham Enterprise Storage Inc <sup>(4)</sup>	USA	Ordinary	100%	Software
Gresham Computing Pty Limited <sup>(4)</sup>	Australia	Ordinary	100%	Real time financial solutions
Gresham Computing Sdn Bhd <sup>(1)</sup>	Malaysia	Ordinary	100%	Real time financial solutions
Gresham Computing Pte. Limited <sup>(2)</sup>	Singapore	Ordinary	100%	Real time financial solutions
Gresham Computing Inc <sup>(4)</sup>	USA	Ordinary	100%	Real time financial solutions
Gresham Consultancy Services Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Casablanca Software Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Circa Selection Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Gresham Technologies Limited <sup>(3,5)</sup>	England	Ordinary	100%	Dormant
Gresham Telecomputing Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Circa Business Systems Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant
Cheerkeep Limited <sup>(3)</sup>	England	Ordinary	100%	Dormant

<sup>1</sup> held by a subsidiary undertaking

<sup>2</sup> incorporated on 8 February 2013

<sup>3</sup> subsidiary exempt from UK audit under s480a of the Companies Act 2006

<sup>4</sup> subsidiary has no requirement for a local statutory audit

<sup>5</sup> name changed from Gresham Software Limited on 6 March 2014

On 11 March 2013 the Group disposed of its wholly owned Canadian subsidiary Gresham Computing Inc. The details of the disposal are included within note 15 of the Group financial statements.

The following wholly owned subsidiaries were dissolved during the year ended 31 December 2014 (2013: none) following an application by the Company to strike-off voluntarily:

- Clareti Systems Limited – dissolved 1 April 2014
- ITEC Computer Broking Limited – dissolved 8 July 2014
- Gresham Computer Personal Limited – dissolved 8 July 2014

In addition the following wholly owned subsidiaries were dissolved after the year ended 31 December 2014 following an application by the Company to strike-off voluntarily:

- Casablanca Software Limited – dissolved 10 February 2015
- Circa Selection Limited – dissolved 10 February 2015

## 6. Debtors

	2014 £'000	2013 £'000
Amounts owed by subsidiary undertakings	11,528	10,688
VAT receiveable	27	-
Prepayments and accrued income	48	31
	11,603	10,719

## 7. Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Amounts owed to subsidiary undertakings	3,995	3,126
Trade creditors	98	167
Other creditors and accruals	2	5
	4,095	3,298

## 8. Deferred tax

The Company has an unrecognised deferred tax asset as follows:

	2014 £'000	2013 £'000
Share based payments	135	233
Tax losses	79	45
	214	278

## 9. Issued Share capital

Ordinary shares allotted, called up and fully paid	Number	Nominal value £'000
At 1 January 2013	58,135,978	2,907
Share Placing	2,400,000	120
At 31 December 2013	60,535,978	3,027
Exercise of Share Options (see note 22)	2,697,500	135
At 31 December 2014	63,233,478	3,162

The Company's ordinary share capital consists of individual share having a nominal value of 5 pence each.

During the year-ended 31 December 2014, share options granted under the 2010 Share Option Plans were exercised and the Group issued 2,697,500 (2013: none) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group Financial Statements for further details.

At 31 December 2014 and 2013 there were outstanding options granted to acquire ordinary shares in the Company. See note 22 of the Group Financial Statements for further details.

There are no preference shares in issue (2013: none).

On 6 December 2013, the Group issued 2,400,000 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to accelerating growth. The shares were issued at a placing price of £1.25 pence raising £2,902,000, after expenses of £98,000.

## 10. Reconciliation of movements in shareholders' funds

	Share Capital £'000	Share Premium £'000	Special Reserve £'000	Merger Reserve £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2013	2,907	13,124	313	6,609	(6,699)	16,254
Share issue proceeds	120	2,880	-	-	-	3,000
Share issue transaction costs	-	(98)	-	-	-	(98)
Share based payments expense	-	-	-	-	186	186
Retained profit for the year	-	-	-	-	521	521
Impact of disposals on merger reserve	-	-	-	(5,249)	5,249	-
At 31 December 2013	3,027	15,906	313	1,360	(743)	19,863
Exercise of share options	135	616	-	-	-	751
Share based payments expense	-	-	-	-	50	50
Retained loss for the year	-	-	-	-	(943)	(943)
At 31 December 2014	3,162	16,522	313	1,360	(1,636)	19,721

### Share capital

The balance classified as share capital represents the nominal value arising from the issue of the Company's equity share capital, comprising 5 pence ordinary shares.

During the year-ended 31 December 2014, share options granted under the 2010 Share Option Plans were exercised and the Group issued 2,697,500 (2013: none) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group Financial Statements for further details.

On 6 December 2013, the Group issued 2,400,000 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to accelerating growth. The shares were issued at a placing price of £1.25 pence raising £2,902,000, after expenses of £98,000.

### Share premium

The balance classified as share premium represents the premium arising from the issue of the Company's equity share capital, comprising 5 pence ordinary shares, net of share issue expenses. There are restrictions on the use of the share premium account. It can only be used for bonus issues, to provide for the premium payable on redemption of debentures or to write off preliminary expenses, or expenses of, or commissions paid on, or discounts allowed on, the same issues of shares or debentures of the Company.

### Other reserves

The balance classified as other reserves comprises a special reserve of £313,000. The special reserve arose on the cancellation of deferred ordinary shares in June 1992.

The merger reserve of £726,000 recorded in the prior year has been transferred to Retained earnings following the disposals of the associated investments. The merger reserve arose on issue of shares in respect of acquisitions and mergers in the period 1992 to 1999.

## 11. Other financial commitments

### Operating lease agreements where the Group is lessee

The Company has entered into commercial leases on certain properties that have an average minimum duration of between 1 and 5 years. There are no unusual restrictions placed upon the lessee by entering into these leases.

At 31 December the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2014 £'000	Land and buildings 2013 £'000
Operating leases which expire:		
Within one year	-	-
Within two to five years	260	317
	264	317

### Operating lease agreements where the Group is lessor

The Company has no lease arrangements where it is lessor.

## 12. Capital commitments

At 31 December 2014, Company amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2013: £nil).

## 13. Contingent liabilities

In the normal course of business, the Company has issued general guarantees in respect of the contractual obligations of certain subsidiary undertakings.

## 14. Share-based payments

Share based payments in respect of both the Company and the Group are disclosed in note 22 of the Group financial statements.

## 15. Related party transactions

There is no single party known that the directors consider to be a controlling shareholder or ultimate parent undertaking. Refer to page 27 for details of all significant shareholders that the Company has been notified of.

The services of M Royde, Non-Executive Director, are provided and invoiced by Kestrel Partners LLP, a company in which he has an ownership interest. During the year ended 31 December 2014, the Company was charged £30,000 by Kestrel Partners LLP (2013: £30,000), none of which (2013: £nil) remained unpaid at the year end. The total value of transactions with Kestrel Partners LLP in respect of the provision of M Royde's services is shown in the Directors' Remuneration Report.

On 6 December 2013, the Group issued 2,400,000 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to accelerating growth. The shares were issued at a placing price of £1.25 pence raising £2,902,000, after expenses of £98,000. Of the placing shares, 185,000 were placed with Kestrel Partners LLP which is deemed to be a related party under the Listing Rules and is classified as a smaller related party transaction for the purposes of the Listing Rules. All amounts due in respect of the placing were settled as at 31 December 2013. Subject to certain information, confirmations and undertakings given to the FCA, smaller related party transactions do not require shareholder approval under the Listing Rules.



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