



Gresham Technologies plc is a leading software and services company that specialises in providing real-time transaction control and enterprise data integrity solutions.

Gresham's award-winning Clareti software platform has been designed to provide financial institutions with complete certainty in their data processing. Clareti is a highly flexible and fully scalable platform for assuring enterprise data integrity and is designed to address today's most challenging financial control, internal risk management, data governance and regulatory compliance problems.

Listed on the main market of the London Stock Exchange (GHT.L) and headquartered in the City of London, Gresham's customers include some of the world's largest financial institutions, all of whom are served locally from offices located in Europe, North America and Asia Pacific.

→ Find out more online
greshamtech.com

Group revenues

£17.2m



Clareti revenues

£7.5m



Statutory profit before tax

£2.2m



Group annualised recurring revenues

£9.1m



Clareti annualised recurring revenues

£2.9m



Adjusted EBITDA*

£3.8m





Strategic Report

- 01 Highlights
- 02 At a glance
- 04 Chairman's statement
- 05 CEO's statement
- 06 Business model
- 08 Market, technology and talent
- 10 Strategy
- 12 Key performance indicators (KPIs)
- 14 Principal risks and uncertainties
- 16 Operational review
- 19 Financial review
- 22 People and environmental

Corporate Governance

- 24 Board of Directors
- 26 Statement of corporate governance
- 29 Audit committee report
- 32 Nomination committee report
- 33 Remuneration report
- 41 Directors' report
- 44 Statement of Directors' responsibilities

Financial Statements

- 45 Independent auditor's report
- 48 Consolidated income statement
- 49 Consolidated statement of comprehensive income
- 50 Consolidated statement of financial position
- 51 Consolidated statement of changes in equity
- 52 Consolidated statement of cashflow
- 53 Notes to the financial statements
- 83 Company balance sheet
- 84 Company statement of changes in equity
- 85 Notes to the Company financial statements
- IBC Corporate information

Highlights

- Continued strong Clareti customer progress in 2016, with eleven new customer wins in the UK, the US and Asia Pacific and continued expansion of use from the existing customer base through increased existing usage and new use cases.
- Completed the acquisition of C24 Technologies Limited (C24), adding approximately thirty-five C24 customers to the Clareti client base.
- Group revenues up 16% to £17.2m (2015: £14.8m), of which Clareti revenues were up 42% to £7.5m (2015: £5.3m), including £0.3m from C24. Other revenues remained stable as planned.
- Clareti software revenues up 38% to £4.7m (2015: £3.4m), of which Clareti software recurring revenues up 53% to £2.9m (2015: £1.9m).
- Clareti annualised recurring revenues up 92% to £4.6m as at 31 December 2016 (2015: £2.4m), including £1.2m from C24.
- Adjusted EBITDA* up 41% to £3.8m (2015: £2.7m).
- Statutory profit before tax as reported up 38% to £2.2m (2015: £1.6m).
- Adjusted diluted earnings per share** up 38% to 4.67p (2015: 3.38p).
- Cash £7.2m and no debt at 31 December 2016 (2015: £4.7m and no debt), benefiting from strong customer cash collection in the last quarter of the year.
- Continued investment in product innovation and global sales and marketing to build recurring revenues.
- Three new CTC customer wins achieved to date in 2017.
- Management confident about the prospects for the Group.

* Adjusted EBITDA refers to earnings before interest, tax, depreciation and amortisation, adjusted to add back share-based payment charges and exceptional items.

** Adjusted to add back share-based payment charges, exceptional items and amortisation from acquired intangible assets.

→ **Strategy**
page 10

→ **Key performance indicators**
page 12

At a glance

Our vision is to give clients the control and certainty they need in a world awash with real-time streaming data. We aim to establish Gresham as the market leader in real-time transaction control and enterprise data integrity solutions, by delivering innovative software solutions to clients that assure the integrity of data systems and optimise data management activities.

Data integrity

Our business is about solving data integrity issues for clients and we focus on the following areas:

- 1 Regulatory Compliance**
Automating data verification and validation processes to solve data integrity issues and deliver accurate transaction reports to regulators.
- 2 Internal Risk Control**
Assuring data integrity in real time across multiple systems to manage and control operational and conduct risks.
- 3 Financial Control**
Achieving full integrity and financial control of books and records to improve business processes and ensure consistent data systems.
- 4 Transition Management**
Data integrity checks in business transition or transformation projects to ensure accuracy of transactional data at all stages.

Clareti solutions

Our Clareti software applications provide innovative industry and domain-specific solutions for real-time data management and include:



Clareti Transaction Control

High performance enterprise data control solution for data validation and real-time transaction matching and reconciliation.



Clareti Accounts Receivable Management

Receivables management application with automated matching, reconciliation and allocation to reduce the order-to-cash cycle.



Clareti 24 Integration Objects

Integration software to enable rapid adoption of financial message standards and transform complex data types.



Clareti Loan Control

Front-to-back loan servicing solution that enables effective and auditable management of simple and complex loan portfolios.



Clareti Data Accelerator

Data management solution that enables holistic and real-time monitoring of quality across enterprise data assets.



Certified to latest PCI
Data Security Standard



Ranked number 38, up five
places from previous year



Best Regulatory Compliance
Solution for Operations



RiskTech100® Data Integrity
and Control Category Winner

Clareti services

Our Clareti services are provided by highly skilled professionals with deep industry knowledge and include:



Clareti-as-a-Service

Clareti solutions accessible via Gresham's secure and scalable cloud platform.



Managed Services

Ongoing technical and operational Clareti services delivered by subject-matter experts.



Consulting and implementation services and custom product development

Deployment and bespoke services provided by experienced Clareti professionals.



"Bank-grade" global 24/7 support

Effortless end-to-end support from our global offices with SLA guarantees.

Clareti platform

Clareti was designed as a faster, more agile, more visionary data integrity platform that pushes the boundaries of innovation, while guaranteeing robust control and accountability. Clareti provides a control framework for accuracy, completeness and timeliness and enables rapid deployment of enterprise controls.

Key features include:

- Flexible workflow and business rules
- Onboarding accelerator
- Matching engine
- Cloud native
- In-memory data grid
- Matching learning
- Embedded analytics
- Integration adapters and APIs
- White label



Clareti Adapters

Financial message standards leveraging Clareti 24 Integration Objects technology.

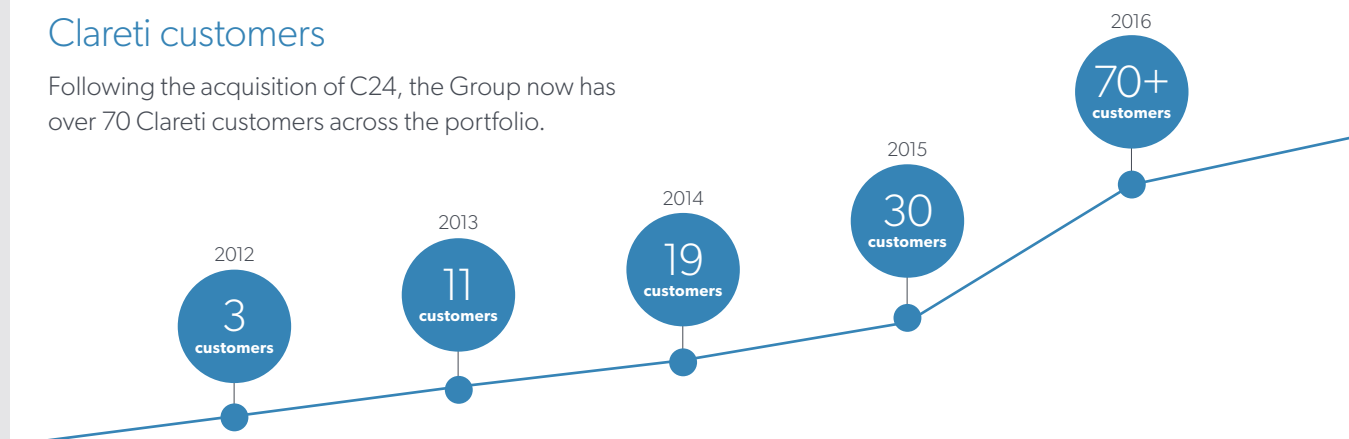


Clareti Analytics

Richer business insights and data analytics for executives and operational managers.

Clareti customers

Following the acquisition of C24, the Group now has over 70 Clareti customers across the portfolio.



Chairman's statement



Ken Archer

Dear shareholder

I am pleased to present this Annual Report which records a very successful year for the Group, meeting management's expectations for both strategy execution and financial performance.

Overview

Gresham continued its good progress in executing on key strategic objectives, and I am delighted with our 16% top-line growth with total revenues for the Group rising to £17.2m. Importantly, the additional revenues are driven by high margin recurring and new Clareti sales, which has resulted in a strong increase in annualised recurring revenues (17% over 2015) and associated growth in underlying profitability (adjusted EBITDA up 41% over 2015).

As in 2015, the Group's Clareti sales growth has been driven by our clients' focus on internal risk management and responding to regulatory demands over their financial transaction flows. The volumes and complexity of these transactions give rise to increasing operating costs and risk exposure to market participants. Clareti offers clients a strategic platform to address these challenges. Financial transactions and their attendant interactions, both within client organisations and with their counterparties, are evident in all financial institutions, and Gresham has been successful in addressing these needs in several new market segments.

The Group has made good progress in expanding the adoption of Clareti solutions globally. I was particularly pleased with the CTC win that we announced with the Tier 1 US bank in December 2016. The US market has the potential for much higher growth, and the Board continues to support the ongoing investments in direct sales resources, in addition to forming strategic alliances to further expand distribution capacity.

The non-Clareti parts of the business once again provided a valuable contribution to the Group's results, with the partner solutions and legacy software revenues that are in long-term decline showing resilience, and a solid performance from our Australian contracting business.

Ongoing investments

The Board continues to believe there is a very significant market opportunity for data integrity and control solutions, and that ongoing investment in key strategic areas is essential. Accordingly, the Company is building additional Clareti solutions to address specific industry segment problems, including a data management application and enhanced analytics capabilities. These are expected to generate revenue growth from both new and existing clients.

In addition, the Board is actively pursuing growth through carefully selected acquisitions and strategic partnerships. In October 2016, we announced the acquisition of C24 Technologies, a company that has developed a series of plug-in interfaces to connect to industry-standard financial messaging networks, thereby expanding the market opportunity for the Group's Clareti solutions. The acquisition resulted in a doubling of Gresham's customer base and further increases in recurring revenue. In addition, we have partnered with loan servicing specialists Mount Street Loan Solutions to build Clareti Loan Control (CLC), a cloud-based loan administration system.

These strategic investments will enable us to grow our existing customer base and attract new customers from numerous market segments.

Board changes

In September 2016, Imogen Joss replaced Max Royde as Senior Independent Non-Executive Director. Imogen has worked within the financial sector for over 20 years and brings extensive experience in financial sales and marketing. Imogen's executive career includes leadership roles in a range of high profile financial services organisations including S&P Global, Lloyds Bank, Reuters Plc and FTSE Group. I would like to thank Max for his significant contribution to the Board's efforts over the past seven years.

Shareholder value

The Board recognises and appreciates shareholders' long-standing and ongoing commitment to Gresham. Our share price has experienced a degree of volatility in the year which is common for the small cap market, but it is pleasing to note that the overall upward trend persists. Earnings per share increased to 4.67 pence on an adjusted and diluted basis (2015: 3.38 pence).

As reported last year, the Board is committed to commencing a progressive dividend as soon as circumstances are considered to be appropriate, having regard to the need for ongoing investments to support long-term growth. The Board's firm intention remains to declare a maiden dividend in respect of the financial year 2017.

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

In summary

With our continued investment in the Clareti portfolio and sales and marketing expansion, I anticipate further improvement in our market position as we respond to the growing demand for transparency and integrity over risk and financial data processing.

It has been a very successful year for the Group, which of course is made up of a great many team and individual successes. This is a testament to the hard work, expertise and professionalism of the Gresham team. 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 and enterprise data integrity.

Ken Archer
Non-Executive Chairman

13 March 2017

CEO's statement



Ian Manocha

Dear shareholder

I am pleased to report a further year of very positive progress aligned with the strategic plan agreed with the Board. In 2016, we delivered solid Clareti software revenue growth driven by high quality new customer wins and excellent retention and growth from existing customers. Our legacy software portfolio remained stable, and our professional services business grew profitably adding value to the core licence relationships. We stepped up our investment in both business development and product development, and at the same time improved gross margins and earnings.

This was a confident performance from a highly motivated, talented and well-aligned team. Alongside the new sales wins our customer satisfaction, referenceability and retention was sustained at excellent levels. During the year, we also refreshed the Company name and brand, consolidated our R&D operations at our new Innovation Labs in Bristol, developed a 24/7 support infrastructure for cloud and global clients, and further strengthened the organisation and the senior team to deliver sustainable success.

Objectives and strategy

Our goal is to be recognised as a leading global provider of enterprise financial technology and deliver sustained profitable growth for the Group and long-term value for shareholders.

The Group's ongoing investment in sales and product development, combined with our deep domain experience in financial markets and strong customer-centric culture, means we are well positioned at a time when the pressure on market participants to be in complete control of their business has never been greater. We want to be the first company organisations turn to when they need to be in control of their data and their data-driven processes.

CTC, our flagship offering, is maturing from a niche challenger in the matching and reconciliations market into a mainstream offering with broad appeal across many financial services segments. We aim to establish the Clareti platform within the financial industry as a "de facto" standard technology for firms with complex data processing challenges who need to improve integrity and evidence control. Our award in 2016 from Chartis, naming us as "category winner for data integrity and control in financial services", confirmed the market potential and the completeness of our offering.

In 2017, we will continue to invest in innovative new data integrity and control products such as Clareti Loan Control and Clareti Data Accelerator to broaden the commercial opportunity for our core platform. We will also develop chargeable upgrades to the platform, such as Clareti Adapters (based on C24 technology) and Clareti Analytics, to drive growth in our existing accounts. Our approach to new product development is to leverage our core technology assets to develop IP-rich applications that address repeatable industry problems that are not well served by established players.

Acquisitions

During 2016, the Group made its first acquisition since setting out on the Clareti-led strategy in 2010. The C24 Technologies business has now been fully integrated and we are pleased with the technology assets, the loyal client base, and the talent we have acquired. Since the acquisition, we have signed three new standalone Clareti 24 Integration Objects clients, and have already enhanced the software to interface directly with our Clareti platform and thereby facilitate cross-selling into the CTC customer base as Clareti Adapters. The C24 team have settled in well and are now working to bring Clareti Data Accelerator to market.

The experience gained from the acquisition has been valuable and during 2017 the Group will look for further accretive acquisitions that bring complementary technology, build our recurring licence revenues, and enable us to grow faster.

Outlook and opportunity

In 2017, Clareti solutions are expected to deliver more than half of all Group revenues. We expect Clareti sales success to come largely from direct CTC sales in the UK, Europe and North America where there is strong demand for newer more agile technologies, with Clareti-as-a-Service providing incremental hosting revenues in an increasing proportion of cases. We are tracking US banking regulatory developments carefully and remain confident in our strategy to invest in the North American market.

We should also see steady revenue growth from the existing Clareti base including our bank partners who white label our technology, and we will build our network of OEM partners and industry alliances to drive future sales growth at lower acquisition costs. Mount Street, our debt servicing partner, are now live on Clareti Loan Control (CLC) and growing their business, which in time will lead to an increasing financial contribution from our joint venture.

We will continue to efficiently manage our legacy software revenues, including EDT, VME, and other OEM solutions, as they gradually run off in the medium to long term. One of our lower margin OEM offerings is being retired over the next two years and as a result we have planned for our total legacy software revenues to decline in 2017. Conversely, our non-core, low margin services contracting business is expected to grow revenues during the year.

We are confident our strategy is on track and we have an ambitious plan to address a growing market. Furthermore, we are excited about the opportunity to create a global leader in enterprise data integrity and certain about our ability to deliver sustainable long-term profitable growth for our shareholders.

Thank you for your ongoing support.

Ian Manocha
Chief Executive

13 March 2017

Innovative software solutions

Our business model is to earn high margin, recurring revenues by providing innovative software solutions to financial institutions in the field of data integrity and control.

“

We saw the clear potential for CTC to introduce efficiencies into our operational environment and the ability for CTC to accelerate us towards our goal of a scalable operating model that leverages cutting-edge technology to eliminate dependence on manual processes.

The team was attentive, responsive, informed and supportive throughout the entire process. They leveraged their experience to help us thoughtfully frame our thinking as we explored our current state processes to determine how best to implement the tool in our operational environment.

US Tier 1 bank

Introduction

Financial institutions are subject to increasingly rigorous and complex data control and processing requirements. This has created a global market for flexible and scalable technology that can be used to address specific problems in the financial services sector, such as financial control, internal risk management, data governance and regulatory compliance.

Platform

Gresham's Clareti platform is a purpose-built, highly flexible and fully scalable platform for enterprise data integrity and control that is designed to solve such industry problems. It allows financial institutions to gain real-time control and certainty with respect to their data requirements. The flexibility and scalability of Clareti also enables financial institutions to achieve long-term operational efficiencies. These characteristics give Clareti a competitive advantage over legacy vendors, whose systems are typically batch-based and incapable of adapting to today's range of data processing requirements without time-consuming and costly implementations.

Gresham invests significantly in product development, which is delivered from our Innovation Labs in Bristol. We adopt an agile development strategy and we operate a continuous programme of enhancements. This differentiates Clareti from legacy vendor systems, serves to promote ongoing customer success and maintains our competitive advantage. Wherever possible, new applications are developed in partnership with fee paying early adopters, and our Innovation Labs are designed precisely for such collaboration. We also develop chargeable upgrades to the platform, such as Clareti Adapters (based on C24 technology) and Clareti Analytics, to drive growth in existing accounts.

Solutions portfolio

Owning and enhancing a portfolio of Clareti applications enables us to be successful in our chosen markets and deliver profitable growth organically. The Clareti portfolio currently includes:

- **Clareti Transaction Control:** High performance enterprise data control solution for data validation and real-time transaction matching and reconciliation.
- **Clareti Accounts Receivable Management:** Receivables management application with automated matching, reconciliation and allocation to reduce the order-to-cash cycle.
- **Clareti 24 Integration Objects:** Integration software to enable rapid adoption of financial message standards and transform complex data types.
- **Clareti Loan Control:** Front-to-back loan servicing solution that enables effective and auditable management of simple and complex loan portfolios.
- **Clareti Data Accelerator:** Data management solution that enables holistic and real-time monitoring of quality across enterprise data assets.

In addition to our model for organic growth, we actively monitor opportunities to supplement the Clareti portfolio to deliver accelerated growth through acquisitions, strategic partnerships and other corporate transactions of this nature. Our primary focus for inorganic growth is to acquire or partner with organisations who have modern and compatible technology solutions that are additive to our Clareti offering and that will deliver earnings enhancing revenues for the Group.

“

Gresham has led the way in Enterprise Data Integrity and Control over the last year with the Clareti platform scoring particularly well for governance, automation and audit in the RiskTech100®.

Gresham are well placed as award winner of the inaugural data integrity category with high customer satisfaction, a strong growth strategy, and high enterprise readiness.

Peyman Mestchian,
Managing Partner, Chartis Research

Charging model

Gresham's primary charging model is to licence Clareti applications on a subscription basis, combining licensing and support and maintenance. This model generates higher levels of recurring revenue for the Group, which enhances long-term profitable growth and provides a platform for sound investment decisions. Software licences are typically ring-fenced by a scope of use that defines the licensed use case and by quantitative limitations, such as numbers of users and transaction volumes. This ensures that the charges are appropriately aligned to the value being received by the customer, and provides opportunity for additional fees for higher usage or new use cases.

Sales channels

Our global team of sales professionals sells directly to customers in our chosen geographies, supported by a small global marketing team based in the UK. We also make use of indirect sales channels through our bank and technology partners, which gives us indirect access to a larger addressable market and a further route to new Clareti sales.

Deployment

Our deployment focus is on achieving customer success early and effectively. We proactively manage deployment projects through our global professional services organisation, which is typically charged on a time and materials basis, and we provide 24/7 support from our global hubs using a centralised service infrastructure. Our global operational model allows us to make optimal use of available consultant resource, and ensures customers can benefit from the deep industry expertise and technical skills that we have across the Group.

As well as the traditional on-premise deployment option, Gresham offers customers a hosted deployment solution on Gresham's Clareti-as-a-Service cloud platform. This is a further differentiator to competitor products, which in the main can only be deployed through one or the other route. Cloud-based deployments generate higher recurring revenues for Gresham due to the enhanced value proposition for the customer.

Business platform

Organisationally, we have streamlined our business over recent years and now operate a global business platform and robust business processes to support and sustain rapid organic and inorganic growth. All our global business functions are managed centrally from the UK, including sales and marketing, customer support and professional services, with corporate and business support from global IT systems and administrative functions such as finance, legal and HR.

Execution

Our execution of the business model is generating profitable growth and building long-term shareholder value in line with Group strategy. The model is designed such that successful execution of the business model will generate cash from the profitable growth, which in turn will enable us to return value to shareholders through dividends. We expect to continue with the existing business model for the foreseeable future.

Market, technology and talent



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Our experience and research confirmed that there was nothing available on the market that would enable us to make a step change in service quality and process productivity.

Gresham shared our vision for technology-enabled transformation of the industry and together we have delivered a solution that will enable us to manage a variety of loans, from single asset deals to large complex transactions, as well as entire performing and non-performing loan portfolios.

This partnership is a differentiator for Mount Street in the competitive third party servicing market.

Ravi Joseph
CEO, Mount Street

Market

The aftermath of the global financial crisis continues to drive the prevailing regulatory landscape. Part of this has been a worldwide regulatory trend that places significantly greater governance and control requirements on financial institutions as regards the accuracy and auditability of data. This, and the introduction of greater reporting obligations, together provide compelling drivers for financial institutions to invest in modern and flexible technology systems, such as Clareti, to ensure that both current and future regulatory requirements can be satisfied.

The newly appointed US administration's stated policy on banking de-regulation will no doubt introduce uncertainty as details emerge, as will Brexit negotiations, once they are engaged, and we are tracking developments carefully. However, irrespective of regulatory requirements and policy changes, our experience is that there is an underlying operational requirement for sophisticated data management technology, and we do not expect to suffer any material impact from these factors for the foreseeable future.

In the UK, Europe and North America, we continue to see strong demand for new, more agile technologies, and we expect ongoing success in these regions. In the very substantial US market, we believe that long-term success will ultimately come from winning Tier 1 bank customers, the large broker-dealers, who have greater scale and a need for our technology across a broader variety of use cases. While these institutions are difficult to win, the returns can be significant.

In Asia Pacific, we continue to see opportunity in the key financial hubs in Singapore, Hong Kong and Australia, but our current resources in this region are limited. Consequently, we primarily target cross-sell and upsell opportunities with our existing major clients. In addition, we now have a business development partner in Japan as a result of the C24 acquisition, who we are upskilling to target the Tokyo market with Clareti Transaction Control as well as Clareti 24 Integration Objects.

Technology innovation

Delivering innovative technology and services is fundamental to our offering. Under the leadership of Neil Vernon, Gresham's Chief Technology Officer, we foster a culture of innovation across all development activities, and we actively look for new opportunities to deliver optimal and differentiating technology experiences for our users. This culture is epitomised at our flagship Innovation Labs in Bristol.

Our Clareti platform, built from the ground up on a robust, modern architecture, has benefited from five years of investment and ongoing customer feedback, and is now functionally rich, very stable and highly scalable. We are confident in our ability to respond quickly to changing market requirements, competitive pressures and new opportunities. The acquisition of C24 technology assets has enhanced the capability of the platform to ingest financial messages and we now have a data loading, matching, enrichment and exception handling platform that is truly exceptional in terms of the ability to make sense of vast volumes of fast moving and complex data flows typically found in financial markets.

Clareti-as-a-Service (CaaS), our cloud and managed services platform, also benefits from ongoing investment and is maturing rapidly as a vehicle for customers to implement rapidly and reduce their total cost of ownership. All our offerings can be accessed on-premise, in the cloud, or as a complete managed service.

The Clareti portfolio has expanded and now includes four separately licensable software solutions, comprising Clareti Transaction Control, Clareti ARM, Clareti Loan Control and Clareti 24 Integration Objects, all of which are developed from an innovation and market-driven agenda. Further innovative Clareti solutions are planned for 2017, including Clareti Data Accelerator (CDA), as well as chargeable platform enhancements comprising Clareti Adapters and Clareti Analytics, which are specifically designed to enhance Gresham's addressable market for enterprise data management solutions within financial services.

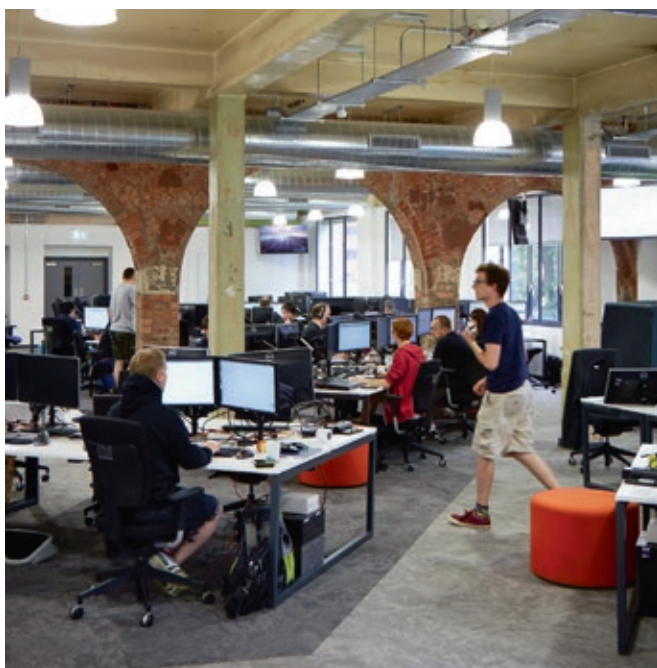


Talent

We recognise that retaining and nurturing talent is crucial to our long-term objective of becoming one of the world's leading providers of financial technology solutions. Our aim is to be a highly valued and responsible employer across the Group. We implement Group-wide strategies designed to retain and motivate 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, a defined contribution pension scheme, consideration of family and personal needs, training and career development coaching, alongside a range of other flexible benefits designed to reflect the Group's culture and values.

Our hiring model is based on creating an agile, highly motivated and collaborative international workforce. Our strength comes from collaboration between seasoned professionals with deep client industry experience and some of the brightest young technology talent on the market. We operate a graduate intake and apprenticeship programme to bring promising new colleagues into the business, and we also hire more experienced staff with exceptional skills sets where required to support our strategic objectives. We also "hire for attitude", placing great importance on our values, effective team working, and on our focus on customer success.

We believe that it is very important to achieve high levels of trust between individuals within the Group as this promotes high levels of staff engagement and helps to ensure that the working environment is pleasant, healthy and sustainable. As part of this, the Group engages with the Great Place to Work® programme as a mechanism for measuring, on an annual basis, the Group's performance as an employer, as perceived by staff. This has proved to be a very useful tool in gathering collective feedback and guiding investment decisions, and several new initiatives have been implemented as a result of this.



Route to long-term success

Our strategic plan is designed to drive profitable growth and create long-term shareholder value. Originally built around developing and selling our flagship solution, Clareti Transaction Control (CTC), the strategic plan has now evolved to reflect our mission of delivering a wider set of innovative Clareti software solutions to clients that assure the integrity of data systems and optimise data management activities.

1

Build a high margin, recurring revenue stream based on term licence sales, subscriptions and cloud services.

Key achievements in 2016

Clareti software continues to generate gross margins in excess of 90%. Total Clareti revenues grew by 42% in 2016, and Clareti annualised recurring revenues at the year end were up 92%. All but two of the new Clareti licence sales in the year were term or subscription based, and Gresham won two cloud-based Clareti contracts in the year.

Key priorities for 2017

We will continue to promote licensing models that deliver higher levels of recurring revenue, appropriately balanced against the need to achieve short-term financial objectives. We will continue to invest in cloud technology to create new, value-added solutions for clients.

2

Create a valuable, global, enterprise financial technology business through Clareti-led growth and carefully selected acquisitions.

Key achievements in 2016

We enhanced our global business platform with the appointment of David Eagan as Global Director, Customer Success and Service Delivery. Group growth was led by 42% Clareti growth. The considered acquisition of C24 Technologies complements the Clareti portfolio and adds over £1m of recurring revenue.

Key priorities for 2017

We will invest appropriately in technology to support global growth and optimise business efficiencies. We will focus on effective Clareti sales execution and ensure sales targets remain aligned to Group KPIs. We will actively pursue appropriate acquisition opportunities and strategic investments for growth.

3

Establish Clareti as the enterprise data integrity platform "category leader".

Key achievements in 2016

Our marketing activities have been adjusted to target enterprise data integrity requirements. We moved up to 38th place in the Global RiskTech 100® and, for the first time, we were awarded best Data Integrity and Control solution by independent researcher Chartis.

Key priorities for 2017

We want to improve on our position in the Global RiskTech 100® register. We aim to achieve further third party attestations to Gresham's position as a leading provider of enterprise data integrity solutions. We will focus marketing activities on concrete requirements for enterprise data integrity.

4

Focus our product investment and sales efforts on Clareti solutions.

Key achievements in 2016

We relocated product development to new offices in Bristol city centre, giving greater access to talent and serving as a flagship venue for client events. We added a Clareti sales hub in Luxembourg to drive European sales, and the acquisition of C24 Technologies provides a route to sales in Japan. Non-Clareti parts of the business are being managed optimally.

Key priorities for 2017

Appropriate investment in sales capacity is to continue, particularly in the US where there is significant potential for growth. We will focus our product development activities on enhancements and new Clareti applications designed to address data integrity issues. We will build delivery capacity in line with global sales.

5

Leverage Clareti and Clareti-as-a-Service platform to bring new “control” applications to market.

Key achievements in 2016

We developed the Clareti portfolio to add further business applications and address new markets. We brought Clareti Loan Control to market and also added Clareti 24 Integration Objects to the portfolio in the year. We focussed product marketing on “control” issues.

Key priorities for 2017

We intend to launch Clareti Data Accelerator as a solution to monitor and improve the quality of a firm’s enterprise data assets in real time. We also plan to launch Clareti Analytics to drive incremental value for our installed base and provide upsell opportunities.

6

Retain strategic non-Clareti revenues to support Clareti-led growth.

Key achievements in 2016

The non-Clareti parts of our business are being managed efficiently and performed in line with our plans, contributing £9.7m to Group revenues in 2016 (2015: £9.5m). Cash generated has been reinvested in the Clareti business.







Key priorities for 2017

We will continue to operate the non-Clareti businesses optimally for as long as we perceive them to deliver strategic value. Our operational focus will remain on securing renewals and managing attrition rates through efficient contract management and customer service.

Key performance indicators (KPIs)

Measuring our progress

The following key performance indicators (KPIs) have been selected as the most appropriate measures of strategy execution for the Group.

Clareti revenue		Group	
Clareti revenue	Clareti annualised recurring revenue	Group revenue	Group annualised recurring revenue
£7.5m +42%	£4.6m +92%	£17.2m +16%	£10.9m +22%
2016  7.5 2015 5.3	2016  4.6 2015 2.4	2016  17.2 2015 14.8	2016  10.9 2015 7.8
Description		Description	
Measures the overall performance of the Clareti business, which is central to the Group's growth strategy. This includes £0.3m from C24 Technologies following the acquisition in October 2016.		Measures overall Group performance and growth in the year. This comprises £7.5m of Clareti revenues, including £0.3m from C24 Technologies, and £9.7m of Other revenues (up £0.2m).	
The minimum Clareti revenue of a recurring nature that Gresham expects to book in 2017 from contracts in force as at 31 December 2016. This highlights Gresham's success in securing new recurring revenues and includes £1.2m from C24 Technologies.		The minimum revenue of a recurring nature that the Group expects to book in 2017 from contracts in force as at 31 December 2016. This comprises £4.6m of Clareti recurring revenue and £6.3m of Other recurring revenue (down 3%).	
Link to strategy		Link to strategy	
			

Earnings			Cash
Adjusted EBITDA	Profit before tax	Adjusted diluted earnings per share	Net cash
£3.8m +41%	£2.2m +38%	4.67p +38%	£7.2m +53%
2016 3.8 2015 2.7	2016 2.2 2015 1.6	2016 4.67 2015 3.38	2016 7.2 2015 4.7
Description Earnings-based metric that provides a measure of profitable growth. This includes £0.2m from C24 Technologies. Adjustments are made for share-based payment charges and exceptional items.			This measures the Group's aggregate net cash balance as at 31 December 2016, after taking any Group debt into account (none).
Link to strategy 1 2 3 4 5 6			1 2 3 4 5 6

Non-financial performance indicators

In addition, the Group monitors certain non-financial performance indicators at an operational level, including the number of new Clareti sales in the year, customer renewals, average debtor days, consultant utilisation, Net Promoter Scores and the Great Place to Work® annual trust index score. However, none of these are currently considered to be individually appropriate as a measure of overall strategy execution success. All KPIs are reviewed annually and this includes consideration of appropriate non-financial KPIs.

Principal risks and uncertainties

Risk management

Our aim is to recognise and address the key risks and uncertainties facing Gresham at all levels of our business.

There are a number of risk factors that could adversely affect the Group's execution of its strategic plan and, more generally, the Group's operations, business model, financial results, future performance, solvency, or the value or liquidity of its equities. The Board is committed to addressing these risks by implementing systems for effective risk management and internal control. A report on the Board's review of the effectiveness of the Group's risk management and internal control systems can be found in the audit committee's report on pages 30 and 31.

The Board has performed a robust assessment of the principal risks and uncertainties that could threaten Gresham's business, business model, strategies, financial results, future performance, solvency or liquidity. The items listed in the table below represent the known principal risks and uncertainties, but the table does not list all known or potential risks and uncertainties exhaustively. Where possible, mitigation steps are taken to safeguard against materialised risks.

Failure to win new Clareti business in line with plan

Description

Central to our strategic growth plan is winning new Clareti business. Failure to do so would directly impact our achievement of overall objectives or lengthen the period taken to achieve them. Specifically, failure to win new Clareti contracts early enough in the year would jeopardise our ability to deliver the implementations and recognise the associated revenues in the year.

Change in risk



We continue to see strong market demand for Clareti solutions, but the risks associated with timing, type, mix and quantum of revenues remain unchanged as these factors are largely driven by the customers' requirements and budgeting processes. Sales cycles are often very lengthy, particularly the larger deals, and are often delayed or restructured late in the process.

Mitigation

We have strengthened our Clareti sales and marketing operations in order to build greater pipeline visibility and grow Clareti revenues faster. We are concentrating our new sales investments in the US, where we see the greatest opportunity for new Clareti business and rapid growth. We continue to expand the Clareti offering to extend market reach. Investment decisions are held against immediate or short-term need wherever possible.

Misdirected product, operational or strategic investments

Description

We are investing in product development and operational requirements to support Clareti-led growth. Strategic investments such as acquisitions present opportunity for accelerated growth. Failing to achieve meaningful returns on investments would hinder the Group's strategic growth plan and potentially jeopardise the Group's position in the market and its prospects.

Change in risk



Building out a portfolio of Clareti products increases the risk of product development activities, sales execution and market demand becoming misaligned. In addition, pursuing acquisitions and other strategic investments for inorganic growth are inherently speculative to a greater or lesser extent, and can be costly and time-consuming for management.

Mitigation

The management team has been strengthened and centralised further, which provides greater control and efficiency to operations. Strong communication lines between the relevant stakeholders are ensured through regular formal meetings and monthly reporting. The Board reviews and challenges all strategic investments.

Product and service delivery failures

Description

Issues or failures with our software products or services could lead to failed implementations, project delays, cost overruns, data loss, security issues, customer dissatisfaction, early termination, service level breaches and contractual claims, all of which could adversely impact the Group's revenues, earnings and reputation.

Change in risk



The risks of servicing financial institutions remain substantial but generally stable, and Gresham has not suffered any material product or service failures in 2016. Risks are generally greater with new clients, but formal RFP processes are routinely carried out by financial institutions, which provides clarity as to requirements and expectations.

Mitigation

Gresham mitigates inherent product and service risks through robust quality assurance and project governance processes. Product releases are unit tested prior to delivery, and subjected to further customer testing prior to first production use. Customer testing and acceptance sign-offs are required prior to go-live.

Accelerated decline in non-Clareti revenues

Description

Non-Clareti revenues provide a strong contribution to revenues, earnings, and cashflow, and are key to short-term financial success and ongoing investments in Clareti. We are anticipating a decline in non-Clareti revenues, but an accelerated decline could have an immediate and significant impact on financial KPIs.

Change in risk



Declining revenues from non-Clareti solutions continue to offset Clareti growth. The long-term decline of non-Clareti revenues is expected to continue to eventual run-off, and the rate of decline is determined by outside factors. The decline of non-Clareti revenues is gradually becoming less material to Group performance given the growth in Clareti revenues.

Mitigation

Mitigation against short-term impact is provided through the natural spread of non-Clareti products, geographies and customers. Our forecasts prudently allow for attrition in non-Clareti revenues based on historical performance and customer plans, where known.

Economic, international trade and market conditions

Description

The Group is generally exposed to economic, trade and market risk factors, such as global or localised economic downturn, changing international trade relationships, foreign exchange fluctuations, consolidation or insolvency of existing or prospective customers or competitor products, all of which could significantly threaten Gresham's performance and prospects.

Change in risk



The result of the EU referendum and the US presidential election in 2016 have introduced uncertainty regarding future trading arrangements between the UK and both Europe and the USA respectively. As a result, Gresham may experience volatile market conditions in those geographies. Other risks in this category are generally considered to be stable.

Mitigation

Gresham is monitoring political developments and will seek to mitigate emerging risks where possible. Gresham high margin recurring revenues provide a level of protection against volatile economic or market conditions. Gresham's policy of ongoing product development helps Gresham to maintain its competitive advantage.

People risks

Description

A loss or material issue with key members of staff could cause material disruption and skills shortage. Competitor poaching could result in intellectual property leakage. Staff misconduct, negligence or fraud could cause Gresham significant reputational damage and potential financial loss.

Change in risk



People risks are currently considered to be stable, but liable to increase as the Group expands into new regions with more limited or distant managerial supervision. Rapid growth presents opportunities for personal development for key staff and engages the workforce generally.

Mitigation

The Group aims to provide a fulfilling and rewarding working environment, with strong culture and ethics. Key staff are identified through talent assessments and retention plans are implemented. Security and access control systems, internal governance processes and compliance procedures are in place.

IP, data and cyber risks

Description

A significant IP loss, third party IP challenge, data loss, security breach or cyber attack could significantly threaten Gresham's ability to do business, particularly in the short term, and could result in significant financial loss.

Change in risk



There have been no specific issues arising and our view is that these risks are stable and manageable. However, it is recognised that certain risks in this category may increase where IP is inherited through strategic acquisition.

Mitigation

We implement robust processes across IP and IT systems, which are overseen by Gresham's information security committee. This committee includes members of the executive team which provides high levels of visibility and risk management.

Viability statement

The Directors confirm that they have assessed the prospects of the Group over a three-year period commencing 1 January 2017 and that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for that period.

The Directors have selected a period of three years as they consider this to be a reasonable and appropriate duration on which to make the assessment, based on the fact that the Group operates rolling financial projections which extend for the current and two subsequent financial years, and the Directors' evaluation of the forward-looking order book for Clareti revenues with Clareti contracts typically being signed for three-year minimum contract terms, balanced against the likely attrition rate of non-Clareti revenues.

In making this statement, the Directors have considered the Group's current position and the potential impact of the principal risks and uncertainties described above on the Group's business model, future performance, solvency or liquidity, taking account of severe but reasonable scenarios and the effectiveness of any mitigating actions, and have performed stress test analysis based on likely outcomes.

Operational review



Ian Manocha

Introduction

The Group delivered an extremely confident performance in 2016, which was underpinned by strong organic revenue growth from Clareti solutions. We grew licence revenues from our existing Clareti base, won eleven new CTC customers, and brought another 35 customers into the Group through our acquisition of C24 Technologies. As a result, our recurring revenue from Clareti has grown 53% year on year. We continued to invest in innovation and further strengthened the organisation to deliver sustainable growth and service to customers.

Business development

We invested further in sales and marketing resources during 2016 and we now have experienced direct sales staff in UK, mainland Europe, Asia Pacific and the US. Compared to the mainstream competition, our sales team is small and we need to have a focussed strategy. Our approach to opening markets is to gain sales, delivery and product expertise in specific use cases in targeted industry sub-segments. We then aim to replicate those solution sales across an industry niche in our chosen geographies to win new customers. In addition, we target new use cases in our customer base to drive licence adoption and growth. Our targeted industry segments include banking and capital markets where we started the Clareti journey.

In more recent years, we have opened new verticals such as insurance broking, asset management, payments, clearing and settlements, and more exotic niches such as FX trading and spread betting. In 2016, our new business came primarily from these key markets. We also won our first customer in the commodities space.

In addition to direct sales, we have bank white labelling agreements to access the corporate market. In the US, a major provider of data, software and services to the asset management community is a value-added reseller of CTC.

New Clareti wins

During 2016, we signed eleven new customers for CTC taking the total to over 40. Including our recently acquired C24 customers, we now have about 75 Clareti customers across financial services and global markets, with many more corporates using Clareti technology via our bank white labelling partners.

UK and Europe

Our UK team had a strong performance in 2016, starting the year well with two new hedge fund client wins for CTC. This is a niche market segment where we have built an excellent base of referenceable clients and our reputation is starting to provide us with referrals.

One of the UK leading online trading firms specialising in spread betting and contracts for difference (CFD) has commenced a subscription for CTC as its strategic data integrity and control solution. This is the Group's third CFD market win and further proof of the Group's ability to win repeatable business in targeted industry niches.

Similarly, we have started to secure repeatable wins in insurance broking. In the fourth quarter, a leading UK insurance intermediary selected CTC to improve financial control of payables and receivables within its broker business as part of a wider finance transformation programme. This was our fourth client win in insurance and the client also made a seven-year strategic commitment to use the Group's Clareti-as-a-Service cloud platform.

We were also pleased to close the Group's first win in the commodities market. One of the world's leading independent commodity trading and logistics houses selected CTC as its global enterprise data integrity solution. The initial implementation will provide end-to-end control in trading operations across clearing brokers, execution brokers and over-the-counter (OTC) counterparties. Future phases are expected to include controls across payments, static data and inter-company transactions as well as inventory assurance in their metal, minerals, oil and petroleum businesses. The commodities industry is facing increasing data governance and regulatory challenges alongside macro-economic pressures and we believe there is potential to replicate this win across the sector in the same way as we have done in other industries.

Following new investment in 2016 to focus on European sales, we signed an important new European regional bank client for CTC in early 2017 and we also won a Swiss subsidiary of a major Russian bank for CTC in February 2017. In addition, we have signed several professional services engagements for deployment projects won in 2016.

North America

Our North American operations started 2016 with a stronger new business sales orientation targeting the financial services communities in New York and Toronto. In the first quarter, we secured a major US hedge fund as a client for CTC. They also elected to use the software in the cloud and, as a result, became our first US Clareti-as-a-Service customer. We were also delighted that our first US Clareti partner, a major financial services organisation which had selected our technology in late 2014 to be a white labelled offering for its asset management clients, won its first two end-customer sales. All three fund managers are now live using CTC daily and we believe there is strong potential for growth in the substantial US buy-side industry.

In December, after completing rigorous due diligence, a New York based Global Systemically Important Bank (G-SIB) Tier 1 bank purchased CTC to underpin a technology enabled transformation in the data processing operations of one of its key business divisions. This represents Gresham's first major Clareti win with a US-based Tier 1 bank. The five-year contract will see CTC deployed to replace outdated manual processes and user developed applications to improve data quality and customer service and to reduce operational processing costs. There is potential for licence growth in future years as the customer's use of the Clareti platform grows.

Since the year end, we have signed a leading global brokerage firm based in the US who selected CTC as part of a plan to modernise its approach to transaction lifecycle management. CTC will be used to ensure the integrity of trading data, improve the effectiveness of controls and reduce operational costs.

Asia Pacific

Our Asia Pacific operations remain largely focussed on servicing and growing our two key accounts in this region, which performed largely as expected.

Our Singapore-based Tier 1 bank customer, signed in 2013, continued to draw on our Innovation Labs for enhancements to the core solution, which delivered a steady flow of chargeable product development services and an increase in the base annual subscription. In Australia, we consolidated our relationship with Australia and New Zealand Banking Group Ltd (ANZ) through another year of close collaboration, and the relationship continues to deliver a beat-rate of services revenues. ANZ also increased its base Clareti subscription modestly as they added several additional end customers.

In terms of new Clareti sales, one of the largest asset managers in Australia was signed in December for a small Clareti subscription, with potential for growth in 2017.

Customer loyalty and growth

I am convinced that we provide our customers with a differentiated experience compared to the long-established legacy players in the core matching and reconciliation market, which is something we are all passionate about sustaining as we scale up.

During 2016, we moved our Denver-based support function, and our cloud development function, to be co-located in Bristol with our development team. In conjunction with our Sydney operation, we are now able to offer 24/7 "bank-grade" support globally. We have consolidated our services and support operations under a new executive with overall responsibility for service delivery and customer success.

Our consulting operations work closely with the sales function to ensure that we secure rapid implementation success and referenceability across the customer base and to ensure that consulting is profitable on a standalone basis. During the year, we saw around 15 customers "go live" with new CTC projects.

We continue to conduct quarterly face-to-face service reviews with customers and Net Promoter® scores are taken at key points of interactions and reviewed monthly. During 2016, we started our user group "Clareti Partners" and we continue to encourage customers to have an ongoing direct dialogue with our development team. We also hosted several client workshops at our Innovation Labs.

In the year, three existing customers increased their CTC licence investment. In particular, we saw an important contract upgrade from one of our larger early-adopter global investment banking clients. This customer completed its multi-year enterprise inter-system controls migration project in 2015, and is live with an enterprise scale implementation of more than 500 controls on a single instance processing up to 200 million trades a day. In 2016, the customer decided to extend the use of the platform to provide control over market-facing data and consequently we signed a contract extension that provides a framework for additional licence growth over the coming years.

Clareti Loan Control

In 2016, we took a strategic decision to enter into a joint venture with Mount Street Loan Solutions LLP, one of Europe's leading real estate debt specialists. Mount Street originally selected Gresham in 2015 to build a new software application, Clareti Loan Control (CLC), to enable Mount Street to streamline the complex data management flows in loan servicing and deliver enhanced services to their customers. The first release of CLC is now live in their business and delivering the expected benefits.

We believe that there is a significant market opportunity for selling CLC as a disruptive loan control offering into financial institutions, which are also a key market for our transaction control solutions. Further, we believe that partnering with Mount Street via a legal joint venture provides the quickest and most effective route to early success and we are excited about the prospects. I am pleased to confirm that we have also been selected for a CLC pilot with a major European bank, a potential second CLC client.

C24 Technologies

In October, following a successful fund raise, the acquisition of C24 Technologies was completed. Integration is now also substantially complete and I am confident that the expected benefits will be realised during 2017. There are high levels of satisfaction amongst the current customers and an ongoing demand in the market for message transformation technology.

In December, a fintech innovator signed for Clareti 24 Integration Objects as part of an OEM agreement to include enhanced financial message processing capabilities in its blockchain settlement products. We also signed a further OEM agreement with a global intelligence and technology company who are embedding Clareti 24 Integration Objects into a new solution offering that it expects to launch in H2 2017.

The talented C24 software development team is working closely with their colleagues at our Innovation Labs and has integrated the technology with the Clareti platform and cross-trained our teams. We expect to secure further new standalone sales of Clareti 24 Integration Objects, as well as cross-sell the new Clareti Adapters to our CTC base. The acquired development team is now turning its attention to developing our Clareti Data Accelerator solution.

Operational review continued

“

We engaged Gresham to provide technical expertise for a significant regulatory reporting remediation project.

Gresham did a great job in reverting to our initial query with a solution that was beyond our expectation. It became very clear that the CTC product is already next-generation.

Gresham made themselves available to us and continued to support us through the final stages despite this being beyond the original plan. This demonstrated Gresham's ultimate client focus perfectly. I would not hesitate to utilise Gresham again.

Adam Jesney
CEO (UK), Sberbank

Other business

Our legacy licensing and services business performed broadly in line with our business plan. EDT and VME remained stable during the year and operated at high margins. Our cash management clients for whom we are supporting third party software provided a steady flow of revenue during the year, although we are planning for cancellations during 2017 as older systems are replaced. Our contracting business in Australia performed strongly, delivering healthy cashflows from low margin rolling contracts.

Products and innovation

The Group continues to invest in research and development in order to maintain a technology advantage in the core matching and reconciliation market and build a leadership position in the wider data integrity and control solutions market.

Our flagship application, CTC, is now regarded as the best-in-class enterprise grade offering in the mainstream matching, reconciliation and controls market. We were pleased to have this confirmed when we were named as category winner by Chartis Research in their assessment of vendors in their FinTech Quadrant™ for data integrity and control solutions in November 2016. We are now seeing direct competitor replacements alongside new use cases or replacements of user developed applications and manual intensive processes in our new client list and in our pipeline.

In addition to enhancing the existing CTC and Clareti ARM solutions, a significant amount of resource in the year was focussed on developing new applications, including Clareti Loan Control and, later in the year, Clareti Data Accelerator (CDA). CDA, which leverages a combination of Gresham and C24 acquired core technology and will give us a play in the substantial enterprise data management market within financial services, and potentially into other industries over time.

Further details on our programme of technology innovation can be found in the Market, Technology and Talent section on page 8.

People

In my operational review last year, I observed that I was impressed by the professional, proactive and mission-led Gresham team. The Company continues to thrive with a healthy mix of bright young technology talent and experienced finance industry professionals.

I particularly encourage high levels of collaboration between the business functions and across geographies, and aim to achieve a balance between start-up pace and entrepreneurial thinking, and the quality management processes of a well-established enterprise technology provider. During 2016, I took steps to strengthen the leadership team by consolidating our regional post-sales activities under a single global executive.

We also undertook our second annual employee engagement study with Great Place to Work® with very positive results once again and enjoy extremely low levels of staff turnover. In 2017, we will step up the recruitment of graduates to bring further new talent into the business as we build for our future as one of the world's leading enterprise financial technology firms.

Ian Manocha
Chief Executive

13 March 2017



The year ending 31 December 2016 (FY2016) was a milestone year for the Group as we continued to add new Clareti customers at a regular beat-rate, expanded revenues from existing Clareti customers and inherited a significant number of new customer revenue relationships from our acquisition of C24 Technologies Limited. These factors led to a year on year increase of 42% in Clareti revenues and an increase of 92% in our closing Clareti annualised recurring revenues.

The Clareti growth, in addition to good retention of our non-Clareti solutions revenues and strong cost and cashflow management generally, led to record levels of revenue, earnings and closing cash for the Group in FY2016.

Revenues

Our income is analysed between Clareti solutions revenues and Other solutions revenues. Clareti includes Clareti Transaction Control, Clareti Accounts Receivable Management, Clareti Loan Control and Clareti 24 Integration Objects. Other solutions include: Virtual Machine Environment (VME), Enterprise Distribute (EDT), and various other individual legacy software licensing and support arrangements in addition to partner products encompassing CashFac's Virtual Bank Technology® and Wall Street Systems' treasury solutions.

Clareti solutions

FY2016 continued the trends seen in the prior year. In the year ended 31 December 2015 (FY2015), the Group achieved significant growth with Clareti revenues rising 51% by £1.8m to £5.3m and Clareti becoming the Group's highest revenue-generating product set and largest gross margin contributor. This significant success continued in FY2016 as Clareti revenues increased by a further 42% and £2.2m to £7.5m, and, on a net revenue basis (excluding revenue-share to partners), Clareti exceeded the aggregate value of all non-Clareti revenues for the first time. We continue to plan and invest for similar levels of growth in the financial year 2017 and beyond.

The Group continues with its strategic aim to focus revenue opportunities on annuity-based models to increase recurring revenue and visibility of future revenues that are either contracted or generally expected to automatically renew. We made excellent progress against this aim, with booked Clareti recurring revenues increasing 53% and £1.0m to £2.9m in FY2016 compared to the previous period, and by a significant 92% and £2.2m to £4.6m as an annualised run-rate at the end of the year. The C24 business acquired in October 2016 contributed £0.3m to the Clareti recurring revenues booked in FY2016 and £1.2m of the annualised run-rate as at 31 December 2016.

Non-recurring Clareti software revenues (initial licence fees) were up 20% in FY2016. During the year, the Group implemented a policy of granting fixed term licence grants (typically five years), rather than perpetual licences, for customers for whom subscription licensing is not appropriate, opening up charging for additional future periods of use for these customers beyond the fixed licence term of the contract.

Clareti services revenues were also up strongly by 47% and £0.9m to £2.8m as new and existing customers purchased more consulting services to enable more Clareti use throughout their organisations. All parts of our services business were highly utilised and therefore profitable during FY2016.

			2016	2015	Variance	%
Clareti solutions						
Recurring	£m		2.9	1.9	1.0	53%
Non-recurring	£m		1.8	1.5	0.3	20%
Software	£m		4.7	3.4	1.3	38%
Services	£m		2.8	1.9	0.9	47%
Total	KPI	£m	7.5	5.3	2.2	42%
Other solutions						
Software	£m		6.3	6.3	—	n/a
Services	£m		3.4	3.2	0.2	6%
Total		£m	9.7	9.5	0.2	2%
Total	KPI	£m	17.2	14.8	2.4	16%
Annualised recurring revenue as at 31 December 2016						
Clareti	KPI	£m	4.6	2.4	2.2	92%
Other		£m	6.3	6.5	(0.2)	(3%)
Total	KPI	£m	10.9	8.9	2.0	22%

Financial review continued

Revenues continued

Other solutions

The Group's Other solutions portfolio remained stable as anticipated. Non-Clareti software revenues continue to be almost entirely recurring in nature and remained flat year on year as customer attrition was offset by inflationary increases and licence changes. A significant number of customers continue to use the various software solutions within this diverse portfolio; however, due to the age of some of these products we continue to anticipate a decline in the revenues from these solutions over the next 10 years.

Non-Clareti services revenue recorded modest growth of £0.2m to £3.4m in FY2016. The majority of these revenues (80%+) are in respect of tactical contracting services provided to a strategically important Australian banking partner that generate a direct net contribution to the Group of approximately 15%.

Earnings

Operating performance is analysed excluding exceptional items, share option charges and amortisation from acquired intangible assets, which is consistent with the way in which the Board reviews the financial results of the Group.

			2016	2015	Variance	%
Earnings						
Gross margin		£m	14.2	12.0	2.2	18%
Gross margin		%	83	81	1	2%
Adjusted EBITDA	KPI	£m	3.8	2.7	1.1	41%
Adjusted EBITDA	KPI	%	22	18	4	21%
Statutory profit after tax		£m	2.6	2.0	0.6	30%
Adjusted diluted EPS	KPI	pence	4.67	3.38	1.29	38%

The Group's gross margin rose to 83% in FY2016 from 81% in FY2015, driven in whole by the additional £2.2m contribution from increased Clareti revenue.

The Group delivered a strong increase in earnings with adjusted EBITDA rising by 41% and £1.1m to £3.8m, as the increased gross margin delivered by higher Clareti revenues was in part offset by planned investments throughout the Group's operations and, in particular, in sales and marketing expenditure to maximise the market opportunities and future growth available for the Clareti platform and solutions.

Exceptional items

In H1 2016, the Group completed its planned office closures, which incurred a number of one-off costs relating to the termination of property leases and the associated costs of repair together with one-off costs for recruitment of key personnel. In October 2016, the Group acquired C24 Technologies Limited, which resulted in further one-off costs being incurred. In aggregate, these one-off costs totalled £275,000 (2015: £149,000).

Cashflow

			2016	2015	Variance	%
Operating cashflow excluding working capital		£m	4.3	3.7	0.6	16%
Movement in working capital		£m	1.8	(0.5)	2.3	(460%)
Capital expenditure – development costs		£m	(3.8)	(3.0)	(0.8)	27%
Capital expenditure – other		£m	(0.5)	(0.3)	(0.2)	67%
Placing and acquisition		£m	0.4	—	0.4	n/a
Other		£m	0.3	0.1	0.2	223%
Closing cash	KPI	£m	7.2	4.7	2.5	53%

The Group's financial position remained strong at 31 December 2016 with closing cash of £7.2m and no debt (2015: £4.7m and no debt). The year on year increase was largely due to the following factors: higher than anticipated working capital inflows as cash collection in Q4 2016 was significantly improved year on year; a small net cash inflows from the C24 acquisition and associated share placing; and gains arising from foreign exchange retranslations as a result of weaker Sterling at 31 December 2016 compared to 31 December 2015.

Operating cashflow excluding working capital movements was again mostly reinvested in product development, which increased year on year as the result of expansion of our core development team throughout 2015 and 2016, plus temporary additional resourcing to accelerate the development of Clareti Loan Control in the first half of 2016.

Cashflow and funding more generally remain a focus as the Group carefully balances the need to invest in product development and the sales and marketing required to distribute it in advance of winning and getting paid by new clients, followed by sufficient delivery and support functions to service these customers. The Group is particularly sensitive to this with larger customers that typically involve long selling cycles pre-contract and lengthy onboarding processes.

The Group anticipates that development spend will remain close to current levels for the foreseeable future. Further, with increasing Clareti sales from the growing annuity base and new customer wins coupled with tight cost control of planned investments, we expect the cash generation ability of the business to accelerate.

Taxation

For the year ended 31 December 2016, the Group has recorded a net tax credit of £0.4m (2015: £0.4m) which, as in prior years, is primarily as a result of research and development enhanced relief available for our UK development activities, offset with taxation payable both in the UK and overseas in respect of our reselling and servicing operations. As a sign of the Group's maturity and increasing profitability in 2016, the Group did not surrender losses for R&D tax credit cash refund and losses have instead been directly utilised at full value against current and future UK taxable profits.

Rob Grubb
Chief Financial Officer
 13 March 2017

People and environmental

People

People are key to Gresham's expertise and ability to deliver on a global basis. Retaining people and allowing them to fulfil 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 mitigate this risk.

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, as described in the Market, Technology and Talent section. Where applicable, incentives include performance-based rewards payable to employees in the form of share options and/or bonuses, which are aligned to achievement of strategic Group objectives as well as personal objectives 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.

Full consideration is given 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 2016 the Group had the following split of gender of staff:

	Female	Male	Total
Executive Directors	—	2	2
Senior managers	1	5	6
Staff	18	91	109
	19	98	117
Non-Executive Directors	1	2	3

Human rights

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

The vast majority of Gresham's supply chain exists in the countries in which we operate (staff costs or partner shares mainly) and are well known and managed directly by us. Where we do utilise suppliers in less known markets, our policy is not to 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, we recognise the importance of environmental responsibility and seek, wherever possible, to reduce our environmental impact through focus on areas that we can control, such as energy saving, recycling and appropriate disposal of old computer equipment and mobile phones.

Carbon emissions

Greenhouse gas emissions

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

Reporting year

Gresham's reporting year is the same as its fiscal year, being the year ended 31 December 2016. This greenhouse gas reporting year has been established to align with our financial reporting year.

Organisation boundary and responsibility

Gresham reports emissions data using an operational control approach to define organisational boundary, which meets the definitional requirements of the Regulations in respect of those emissions for which it is responsible. Gresham has reported on all material emission sources which it deems itself to be responsible for. These sources align with Gresham's operational control and financial control boundaries. Gresham does not have responsibility for any emission sources that are beyond the boundary of Gresham's operational control. For example, business travel other than by car (including, for example, commercial flights or railways) and fully managed offices are not within Gresham's operational control and, therefore, are not considered to be its responsibility.

Methodology

The methodology used to calculate Gresham's 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). Gresham has also utilised Defra's 2016 conversion factors within the reporting methodology.

Global greenhouse gas emissions data

For the year ended 31 December 2016:

Emissions from	31 December 2016	31 December 2015
Electricity, heat, steam and cooling purchased for own use – tonnes of CO ₂ e	118	100
Group's chosen intensity measurement		
Emissions reported above normalised to tonnes of CO ₂ e per total £1,000,000 revenue	6.9	6.8

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

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

The Strategic Report was approved by the Board of Directors on 13 March 2017.

On behalf of the Board

Ian Manocha
13 March 2017

Rob Grubb
13 March 2017

Board of Directors

Chairman's introduction to governance

The Board is committed to upholding high standards of corporate governance throughout the Group. As part of that, the Board acknowledges its role in setting the culture, values and ethics of the Group, and its collective responsibility for delivering long-term success to the Group.

The Board's aim is to operate as effectively as possible, in line with the governing principles of the UK Corporate Governance Code. Board discussions are conducted openly and transparently, which creates an environment for sustainable and robust debate. In the year, the Board has constructively and proactively challenged management on Group strategies, proposals, operating performance and key decisions, as part of its ongoing work to assess and safeguard the position and prospects of the Group.

Key risks and uncertainties affecting the business are regularly assessed and updated. The Board challenges management to ensure appropriate risk mitigation measures are in place. The Board has completed a full, specific review of the Group's key risks and uncertainties, which are set out on pages 14 and 15, in light of the new and emerging risks or uncertainties arising from the Group's strategic growth plans and the wider economic, political and market conditions.

In line with a structured plan to match the evolution of the Group, the composition of the Board has changed significantly in the last two years. Ian Manocha succeeded Chris Errington as Chief Executive in 2015, who changed role to Non-Executive Director. In September 2016, Imogen Joss replaced Max Royde as Senior Independent Non-Executive Director, following the establishment of a nomination committee in March 2016. These appointments have significantly extended the skills, experience and level of independence of the Board and its committees, and the nomination committee continues to be charged with the ongoing assessment of such matters and the composition of the Board generally.

This year, the Group's remuneration policy is being put for shareholder approval in line with the three-year cycle. Shareholders will note that we have made further steps to align the policy as closely as possible with best practice and I am pleased with the progress we have made in this area.

Finally, the Board continues to engage with shareholders and welcomes ongoing dialogue throughout the year, as well as through the formal shareholder events include the capital markets day and the Annual General Meeting. The Board has reviewed its communications policy for 2017, as it does at least annually, and has taken account of shareholder feedback throughout the year, and of course the changing regulatory requirements. As always, I welcome shareholder attendance and participation at the forthcoming Annual General Meeting.

Your Board looks forward to serving you in 2017.

Ken Archer
Non-Executive Chairman
13 March 2017



Ken Archer Non-Executive Chairman

Skills and experience Ken has over 35 years' experience in the IT industry and possesses a wealth of knowledge of financial technology products and services having held a number of senior executive positions in this sector.

Committees Chairman of the nomination committee and member of the remuneration and audit committees.

Term of office Ken was appointed to the Board as a Non-Executive Director in June 2010 and became Non-Executive Chairman in November 2010.

External appointments Ken is a non-executive director of Fidessa group plc (LSE:FDSA).



Ian Manocha Chief Executive Officer

Skills and experience Ian has extensive experience in the business technology sector. He joined Gresham from SAS where he worked for nearly 20 years, most recently as vice president business units, EMEA and AP. Ian has worked extensively with many of the world's leading financial institutions and has been successful in growing companies to significant scale through securing and delivering high value enterprise software deals.

Committees None.

Term of office Ian was appointed to the Board in June 2015.

External appointments None.



Imogen Joss Senior Independent Non-Executive Director

Skills and experience Imogen has worked within the financial sector for over 20 years, and has extensive experience in financial sales and marketing. Most recently, Imogen has been the President of S&P Global Platts Inc., Imogen's executive career also includes leadership roles with a range of high profile financial services organisations, including Lloyds Bank, Reuters plc, Financial Times Information Ltd, Extel Financial Ltd. and FTSE Group.

Committees Chair of the remuneration committee and member of the audit committee and nomination committee.

Term of office Imogen was appointed to the Board in September 2016.

External appointments None.



Chris Errington Non-Executive Director

Skills and experience Chris qualified as a Chartered Accountant with Ernst & Young and has acquired substantial experience in the financial technology sector having joined Gresham in 2004. Chris is head of research at Kestrel Partners LLP.

Committees Chairman of the audit committee and a member of the nomination committee.

Term of office Chris was appointed as a Non-Executive Director in June 2015, having previously been CEO (2010 to 2015) and CFO (2004 to 2010).

External appointments Chris is executive chairman of Snoozebox Holdings plc (AIM:ZZZ).



Rob Grubb Chief Financial Officer

Skills and experience Rob qualified as a Chartered Accountant with Ernst & Young and has acquired substantial experience in assurance and strategic financial planning, as well as strong listed company experience. Rob joined Gresham in 2009 as Group Financial Controller, a position he held until 2011 when he was appointed to the Board as Chief Financial Officer.

Committees None.

Term of office Rob was appointed to the Board in 2011.

External appointments None.

Statement of corporate governance

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, as published in September 2014 by the Financial Reporting Council and available at www.frc.org.uk. For the next reporting period, commencing 1 January 2017, the Company will report against the UK Corporate Governance Code published in April 2016. All references to the Company are in respect of the statutory entity Gresham Technologies 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 2014 (Code) throughout the year with the exception of the matters referred to below:

Provisions	Exceptions	Explanations and steps taken
B1.2: there should be at least two independent non-executive directors.	The Company only has one Non-Executive Director who is considered to be independent, namely Ms I Joss who was appointed on 1 September 2016. Mr K Archer is not considered to be independent as a result of his participation in the Group's share option scheme in December 2010. Mr C Errington is not considered independent as he previously held the role of Chief Executive of the Company, and has a paid role at Kestrel Partners LLP, a significant shareholder.	The Company has made progress in the year by appointing Ms I Joss as Senior Independent Non-Executive Director, in place of Mr M Royde who was not considered independent. The nomination committee, which was constituted on 7 March 2016, continues to assess the need for further independent Non-Executive Directors taking into account the Company's size, complexity and circumstances.
B2.1: the nomination committee should include a majority of independent non-executive directors.	The nomination committee comprises Mr K Archer (chair), Ms I Joss and Mr C Errington. The Company is not currently able to comply with this Provision as Ms I Joss is currently the only independent Non-Executive Director on the Board.	The Company established the nomination committee on 7 March 2016, which is a positive corporate governance development on the prior year. As noted above, the need for further independent Non-Executive Directors is being assessed by the nomination committee.
C1.3: the audit committee should include at least two independent non-executive directors.	The audit committee comprises Mr C Errington (chair), Mr K Archer and Ms I Joss. The Company is not currently able to comply with this Provision as Ms I Joss is currently the only independent Non-Executive Director on the Board.	Ms I Joss is an independent Non-Executive Director, and C Errington has recent and relevant financial experience but is not considered independent for the reasons set out above. The need for further independent Non-Executive Directors is being assessed by the nomination committee.
D2.1: the remuneration committee should include at least two independent non-executive directors. The company chairman should not chair the remuneration committee.	From 13 March 2017, the remuneration committee comprises Ms I Joss (chair) and Mr K Archer (member). The Company is not currently able to comply with this Provision as Ms I Joss is currently the only independent Non-Executive Director on the Board. Mr K Archer was chairman of the committee between 1 September 2016 and 13 March 2017.	Ms I Joss is an independent Non-Executive Director and was appointed chair of the committee after the role was performed by Mr K Archer on an interim basis, following Mr M Royde's resignation in September 2016. As noted above, the need for further independent Non-Executive Directors is being assessed by the nomination committee.
D1.3: remuneration for non-executive directors should not include share options.	Mr K Archer was granted share options under the Group's share option scheme established in December 2010. Details of directors' interests in options are set out in the Directors' Remuneration Report.	The Group's share option scheme was approved following consultation with significant shareholders. The grant to Mr K Archer was considered to be necessary in light of the circumstances at that time. No further grants to Non-Executive Directors are planned.

The Board and its committees

Board composition

The Board is currently comprised of the Non-Executive Chairman, two Executive Directors and two Non-Executive Directors.

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 Independent Non-Executive Director, Ms I Joss, 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 Secretary is J Cathie who was appointed to the role on 21 March 2014. 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 44 and a viability statement and a statement on going concern is given on page 15.

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 Executive Directors, supported by policies for reporting to the Board. Presentations are made to the main Board at each monthly Board meeting by the Executive Directors and also on regular occasions by 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 and the Company Secretary, 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 Directors 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 is required to provide a written statement to the Chairman for circulation to the Board if there are any such concerns.

The Board has formed the following committees to deal with the specific aspects of the Group's affairs. 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 is currently comprised of Mr C Errington (committee chairman), Mr K Archer and Ms I Joss. Mr C Errington was appointed as committee chairman on 28 April 2016 following conclusion of the Annual General Meeting, replacing Mr M Royde who ceased to be a member of the audit committee from such time. Ms I Joss was appointed to the audit committee on 2 November 2016. There were two audit committee meetings in respect of the 2016 financial year, and both were attended by the lead external audit partner and were attended by the Executive Directors and Company Secretary by invitation.

Meetings and attendance

The following table summarises the number of Board, audit committee, remuneration committee and nomination committee meetings held during the year and the attendance record of individual Directors at those meetings.

Number of meetings attended	Board	Audit	Remuneration	Nomination
K Archer	14/14	2/2	3/3	1/1
I Manocha	14/14	—	—	—
R Grubb	14/14	—	—	—
M Royde ⁽¹⁾	8/8	1/1	2/2	—
C Errington	14/14	2/2	—	1/1
I Joss ⁽²⁾	6/6	1/1	1/1	—

(1) Mr M Royde left the Board on 30 September 2016.

(2) Ms I Joss was appointed to the Board on 1 September 2016.

The role and responsibilities of the audit committee are set out in terms of reference available on the Company's website and are described in more detail in the report of the audit committee on page 29.

Remuneration committee

As of 13 March 2017, the remuneration committee is comprised of Ms I Joss (committee chair) and Mr K Archer. Prior to this, the committee was chaired by Mr M Royde (until 1 September 2016) and then by Mr K Archer (1 September 2016 until 13 March 2017). Ms I Joss operated as a member of the committee from 2 November 2016 until becoming chair. The role and responsibilities of the remuneration committee are set out in terms of reference available on the Company's website and are outlined in the Directors' Remuneration Report on page 33.

Nomination committee

The nomination committee is currently comprised of Mr K Archer (committee chairman), Mr C Errington and Ms I Joss. The nomination committee was formed on 7 March 2016. Mr K Archer and Mr C Errington were appointed to their roles on the committee on 7 March 2016. Ms I Joss was appointed to the committee on 2 November 2016. The role and responsibilities of the nomination committee are set out in terms of reference available on request Company's website and are outlined in the report of the nomination committee on page 32.

Induction, training and performance evaluation

Induction and training

New Directors receive a thorough and tailored 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. A full induction programme was provided for Ms I Joss, who joined the Board on 1 September 2016.

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.

Statement of corporate governance continued

Induction, training and performance evaluation continued 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 Chairman has formally reviewed the performance of Ms I Joss and Mr C Errington and satisfied himself that their performance continues to be effective and that they continue to demonstrate commitment to the role. The Senior Independent Non-Executive Director is responsible for, and has undertaken, the performance evaluation of the Chairman, taking into account the views of the other Directors and the criteria above, and is satisfied that his performance continues to be effective and that he continues to demonstrate commitment to the role.

Retirement and re-election

All Directors are subject to election by shareholders at the first AGM immediately following their appointment and thereafter are subject to re-election at intervals of no more than three years, or annually for any Non-Executive Director who has served for more than nine years. Prior to Ms I Joss' appointment, Non-Executive Directors were appointed for unspecified terms and were terminable by three months' notice from either the Company or the individual. This has now been reviewed and all Non-Executive Directors are appointed for fixed terms in line with corporate governance requirements.

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.

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 advisers. 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.

Ms I Joss, the Senior Independent Non-Executive Director, and Mr K Archer, the Non-Executive Chairman, are available to shareholders if they have concerns where contact through the normal channel of Chief Executive has failed to resolve or for which such contact is inappropriate.

Constructive use of the AGM

The Board uses the AGM 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.

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 44.

Management and specialists within the Group's 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 41. Refer to page 15 for the viability statement required pursuant to Provision C2.2 of the Code.

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 plans and financial 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 due diligence on all acquisitions.

Audit committee report



Chris Errington

Audit committee membership

- Chris Errington (committee chairman)
- Imogen Joss
- Ken Archer

Dear shareholder

I am pleased to present the report of the audit committee for the year ended 31 December 2016.

Introduction

The composition of the committee has seen some change in 2016. I took over as chairman of the committee from Mr M Royde in March 2016, and Ms I Joss joined the committee in November 2016. Mr K Archer continues to serve as a committee member. In the performance of its duties, the committee held two meetings in the year. Each of these was attended, at the committee's invitation, by representatives of the external auditor and the Executive Directors.

In relation to the external audit, the committee is satisfied with the performance and independence of BDO LLP who will be proposed for reappointment the forthcoming Annual General Meeting. In particular, the level of non-audit fees paid to the external auditor in the year has reduced compared to the previous year, as shown in note 6 to the Group financial statements following a decision to move tax advisory work to an alternative firm to preserve auditor independence. The committee has assessed that there is no need for an internal audit function at this stage of the Group's evolution.

Collectively, the committee has recent and relevant financial experience, as well as operational skills and experience, and now includes an independent Non-Executive Director with the appointment of Ms I Joss, and I am satisfied that the committee has appropriately discharged its duties in the year in accordance with its terms of reference. Terms of reference are reviewed annually and are available at www.greshamtech.com/investors.

Responsibilities

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 judgements 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, reappointment 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 for which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Audit committee report continued

Significant judgements in relation to financial statements

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 has concluded treatment of development costs continues to be in line with IFRS requirements.

Revenue and profit recognition

Revenue and the associated profit are recognised from sale of software licences, rendering of services, subscriptions and maintenance and solution sales. Whilst in most cases performance obligations clearly follow the commercial and contractual arrangement we have agreed with the customer, in some cases the revenue streams are combined as within an overall commercial arrangement. Such bundling requires judgement to assess performance obligations associated with each revenue stream and further judgement as to when and how such performance obligations have been discharged in order to recognise the associated revenue. The estimation of the stage of completion, along with the unbundling of multi-element solution sales, represents a risk of incorrect revenue recognition.

The committee has reviewed executive and operational management's descriptions and status reports on material new deals and on delivery 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 support the carrying values of intangible assets at the year end, in line with IFRS requirements.

Acquisition accounting and contingent consideration

In determining the fair value of intangible assets arising on acquisition, management are required to make judgements regarding the timing and amount of future cash flows applicable to the businesses being acquired, discounted using an appropriate discount rate. Such judgements are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates and expected changes to selling prices and operating costs. Management estimate the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired.

Contingent consideration relating to acquisitions is included based on management estimates of the most likely outcome. Those judgements include the forecasting of a number of different outcomes against the performance targets and estimating a probability and risk of each outcome before arriving at a risk weighted value of contingent consideration.

The committee has considered management's assessments of the fair value of the consideration and values attributed to the assets and liabilities acquired on acquisition as at the reporting date. This included specifically considering and subsequently reviewing and approving the sale and purchase agreement, assessing the estimate of contingent consideration against business plans prepared by management supporting the future performance expectations. The committee has concluded that the fair values attributed to both the acquisition and contingent consideration is in line with IFRS requirements.

Risk management and internal control systems

The Board is responsible for maintaining a sound risk management and internal control system 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, and for risk management, that are appropriate to the business environment in which it operates and the risks to which it is exposed, and for monitoring those systems.

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

The Company's risk management and internal control systems are 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 principal 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 Guidance on Risk Management, Internal Control and Related Financial and Business Reporting produced by the Financial Reporting Council in September 2014.

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 function

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 of the Group's maturity. The need for an internal audit function is reviewed at least annually.

External auditor

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

The last audit tender process undertaken by the committee was performed in 2010 resulting in the appointment of BDO LLP as external auditor for the year ended 31 December 2010. BDO LLP has continued as external auditor for every year since then including in respect of this Annual Financial Report. The external audit partner was last rotated in 2015.

In considering the effectiveness of the external auditor, the committee discussed and approved the scope of and the fees for the external audit plan, and reviewed the external auditor's assessment of the significant risks in the Group's financial statements and its associated work. In addition, the committee considered the commercial experience and expertise of the auditor, particularly in the Group's industry sector; the fulfilment of the agreed audit plan and any variations from this plan; and the robustness of the external auditor in its handling of key accounting and audit judgements.

In relation to independence, the committee reviews and controls the manner in which non-audit services are awarded to the external auditor on at least an annual basis. All significant non-audit work, and any work of a non-compliance consultancy nature, commissioned from the external auditor requires audit committee approval. In the year, non-audit fees represented 9% of the total fees paid to the external auditor, compared to 118% in the prior year.

The committee is satisfied with the effectiveness and independence of the external auditor, and a resolution to reappoint BDO LLP as the Group's auditor will be proposed at the forthcoming Annual General Meeting.

Chris Errington

Chairman of the audit committee

13 March 2017

Nomination committee report



Ken Archer

Nomination committee membership

- Ken Archer (committee chairman)
- Imogen Joss
- Chris Errington

Dear shareholder

I am pleased to present the report of the nomination committee for the year ended 31 December 2016.

The committee was formed on 7 March 2016, and, in addition to myself, includes Mr C Errington and Ms I Joss. In the performance of its duties, the committee held one meeting in the year which, at the committee's invitation, was attended by the Chief Executive, Mr I Manocha.

The principal activities of the nomination committee in the year were leading the recruitment process and ultimately recommending the appointment of Ms I Joss as Senior Independent Non-Executive Director. The process included a merit-based assessment based on objective criteria designed to strengthen the collective skills and experience of the Board. The process did not involve the use of independent search consultants as this was not considered to be appropriate or necessary in the circumstances, and the appointment was unanimously recommended to the Board by all members of the committee and the Chief Executive based on merit.

The Board's policy is to ensure that all appointments are merit-based and based on objective criteria, giving all due regard to equality of opportunity, and to promote inclusion and diversity. The Board notes that achieving diversity in the technology sector is challenging, having regard to the available pool of individuals with the right skills, experience and talent. Given the relatively small size of the Board and the Group, the committee does not currently set any measurable objectives for implementing a diversity policy but it acknowledges the role of the Board in promoting diversity, including gender diversity, throughout the Group. Currently there is one female member of the Board, representing 20% of Board membership.

In relation to succession planning, the nomination committee 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. As regards Non-Executive Directors, the committee considers, amongst other factors, their other significant outside commitments prior to making recommendations, which is designed to ensure that they have sufficient time to meet what is expected of them, and keeps any changes to these commitments under review.

I am satisfied that the committee has appropriately discharged its duties in the year in accordance with its terms of reference. Terms of reference are reviewed annually and are available at www.greshamtech.com/investors.

Ken Archer

Chairman of the nomination committee

13 March 2017

Remuneration report



Imogen Joss

Remuneration committee membership

- Imogen Joss (committee chair)
- Ken Archer

Annual statement from the chair of the remuneration committee

As newly appointed chair of the remuneration committee, I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2016.

As of 13 March 2017, the committee is chaired by me and Mr K Archer is a member. Prior to this, Mr K Archer chaired the committee on an interim basis from 1 September 2016, following the announcement that Mr M Royde, the previous committee chairman, would be leaving the Board, and I joined as a member in November 2016. In the performance of its duties, the committee held three meetings in the year. Each of these was attended, at the committee's invitation, by the Executive Directors, except in relation to discussions affecting their own remuneration.

This year, the Directors' remuneration policy will be put to a shareholder vote at the AGM, having last been approved by shareholders at the 2014 AGM. As previously, the Group's policy on Directors' remuneration 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.

To achieve this, the Group will continue to operate a simple remuneration structure made up of basic salary, benefits, share options, performance-related bonuses and pensions, as it has done since 2010. As previously, a significant proportion of remuneration will be based on performance, designed to align executive pay with shareholder interests. Consideration will also be given to pay and employment policies elsewhere in the Group.

The main activities of the Committee since the last report can be summarised as follows:

- assessing the performance of Executive Directors for the year reported and setting targets for the following financial period;
- considering proposed bonus and share awards for the year reported;
- making recommendations to the Board, within the agreed terms of reference, on the overall remuneration package for Executive Directors and, with advice from the Chief Executive, for other Senior Executives;
- reviewing the Directors' remuneration policy for shareholder vote; and
- preparing and approving the Directors' Remuneration Report.

For the year ended 31 December 2016, no bonus payments will be made to Directors. During 2017, the committee intends to review the Group's bonus and long-term incentive schemes for Executive Directors, within the framework of the remuneration policy, and will consult with major shareholders if any key changes are proposed. The committee will also review bonus and incentive schemes for Senior Executives and for staff as a whole.

Imogen Joss

Chair of the remuneration committee

13 March 2017

Remuneration report continued

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 2014) and the Listing Rules.

The report is in two sections:

- the Directors' remuneration policy. This section contains details of the remuneration policy that will the Company proposes to apply for the period commencing 1 January 2017, subject to shareholder approval; and
- the Directors' Remuneration Report. This section sets out details of how our remuneration policy was implemented for the year ended 31 December 2016 and how the Company intends for the policy to apply for the year ended 31 December 2017.

At the AGM to be held in 2017, the Directors' remuneration policy will be put to a binding shareholder vote, and the Directors' Remuneration Report will be put to an advisory shareholder vote.

Directors' remuneration policy

Remuneration policy table

The table below sets out the remuneration policy that the Company proposes to apply, subject to shareholder approval. If approved, the Company intends to apply the policy for three years commencing 1 January 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	Link to Group strategy	Operation	Framework
Base salary	Supports the recruitment and retention of Executive Directors of the calibre required to deliver the Group's strategy.	Base salary is paid monthly and reviewed annually, with any increases applying from 1 April.	Base salary and reviews are assessed on both Group and individual performance, and, in the case of new Directors, their prior experience and skills. Consideration is also given to pay increases for other employees in the Group and to comparable pay for similar roles at similar companies. Where appropriate, the committee will engage external remuneration consultants for benchmarking.
Pension	Supports the recruitment and retention of Executive Directors of the calibre required to deliver the Group's strategy.	Pension contributions are made by the Company to a defined contribution scheme operated by a third party provider.	Pension contributions are matched by the Company up to a maximum of 5% of base salary, in line with other employees in the Group. In exceptional circumstances, such as recruitment of new Directors, the committee has discretion to authorise higher Company contributions up to a maximum of 10% of base salary in total.
Benefits	Supports the recruitment and retention of Executive Directors of the calibre required to deliver the Group's strategy.	Benefits principally comprise private healthcare and death in service insurance.	Premiums are paid by the Company to an external broker to arrange cover, in line with other Group employees. These benefits are standard for all Group employees and are not assessed against performance.
Annual bonus	Rewards and incentivises the Executive Directors for achievement of strategic objectives as measured by KPIs.	The committee sets annual performance targets, linked to strategic objectives. Bonus payments in respect of a year are made in April, or later if any element is deferred.	<p>Annual targets are set predominantly, or even exclusively, in relation to financial measures, so as to maintain a link between shareholder value and bonus payments.</p> <p>The committee has final discretion in determining the value of the bonus payment based on its assessment of performance against the set targets and as a whole. The committee has discretion to defer up to 50% of the annual bonus, which may be adjusted or forfeited if specified conditions are not achieved.</p> <p>The maximum bonus payable in respect of a year is 100% of basic salary.</p>

Element of remuneration	Link to Group strategy	Operation	Framework
Share option plan	Directly aligns financial incentives with returns to shareholders. Financial reward is created through the creation of shareholder value.	The committee has discretion to make option grants to Executive Directors and other staff, subject to the scheme rules, and to determine appropriate performance conditions.	The share option plans are subject to rules and limits approved by shareholders in general meeting. 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. All options are subject to a minimum three-year vesting period, and any exercise is subject to satisfaction of the specified performance conditions, which the committee assesses.
Chairman and Non-Executive Director fees	Supports the recruitment and retention of individuals of the calibre required to constitute an effective Board and contribute to the Company's long-term success.	Fees for Non-Executive Directors are set by the Board (excluding Non-Executive Directors). Fees are paid monthly.	A basic fee is set for normal duties, commensurate with fees paid for similar roles in other similar companies, taking account of the time commitment, responsibilities, and committee position(s). Supplementary fees are paid for any additional duties at fixed day rates. Non-Executive Directors are not eligible for pensions, incentives, bonus 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.

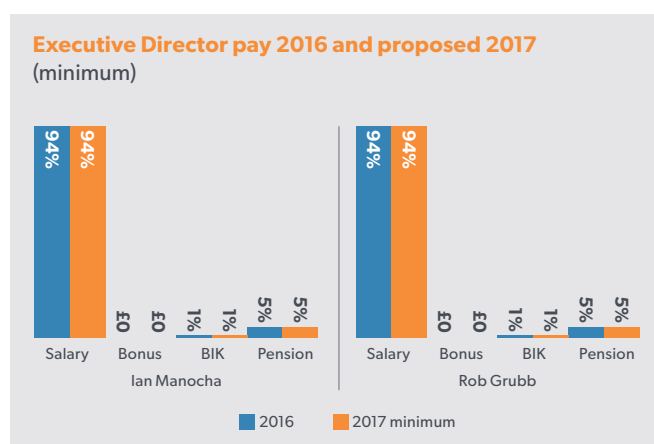
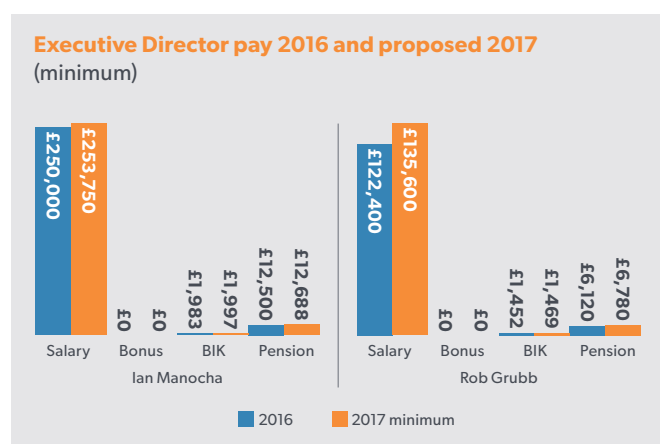
Remuneration scenarios

Executive pay under the above policy is wholly contractually based and represents 100% of maximum remuneration.

The following graphs compare all elements of Executive Director pay in respect of 2016, and proposed for 2017, 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.

For each scenario, the first graph illustrates these amounts in Pounds Sterling, and the second graph shows the proportion each element is of total pay for the individuals shown expressed as a percentage. On each graph, "BIK" means benefits in kind.

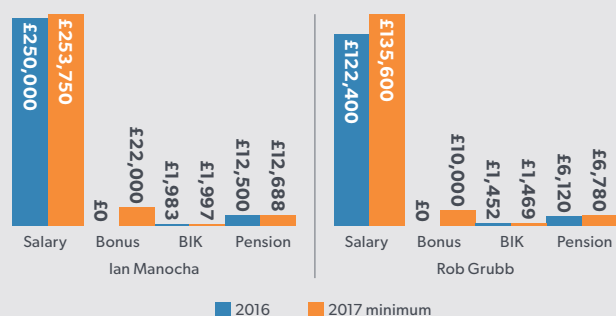


Remuneration report continued

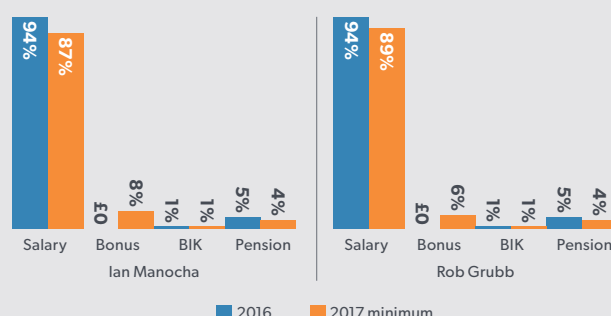
Directors' remuneration policy continued

Remuneration scenarios continued

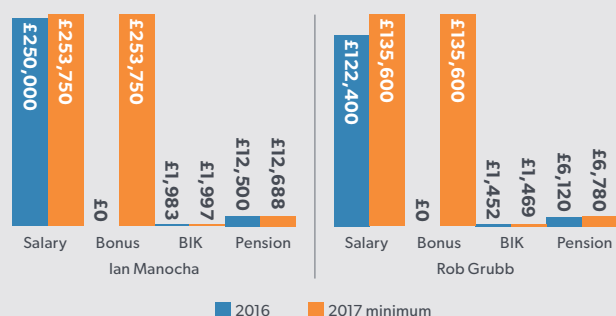
Executive Director pay 2016 and proposed 2017 (expected)



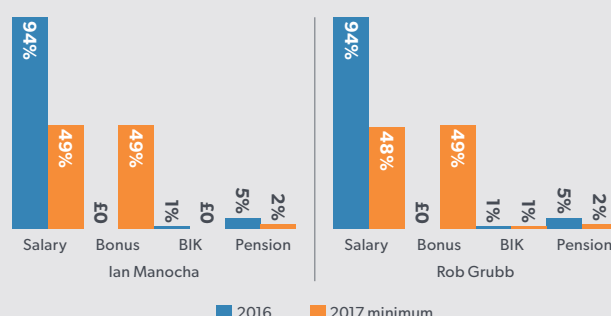
Executive Director pay 2016 and proposed 2017 (expected)



Executive Director pay 2016 and proposed 2017 (maximum)



Executive Director pay 2016 and proposed 2017 (maximum)



Remuneration policy considerations

Recruitment

The Company's nomination committee is responsible for leading the process for Board appointments and making recommendations to the Board. Prior to the formation of the nomination committee in March 2016, these responsibilities were undertaken by the Board as a whole.

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 nomination committee 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 only in exceptional circumstances would the committee 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 practices.

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 Board and the remuneration committee did not consult with employees when formulating and implementing the policy.

Service contracts and letters of appointment

It is the Company's policy to offer Executive Directors service contracts terminable with a maximum of twelve months' rolling notice from either side. None of the Non-Executive Directors have a service contract. Appointments are for three-year terms, which may be renewed by mutual agreement, subject always to termination by either party at any time on three months' notice.

Policy on Director shareholding

The Company has no policy on Director shareholdings.

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 2016 and 2015:

31 December 2016	Basic salary and fees £	Benefits in kind £	Loss of office £	Performance related bonus £	Pension £	IFRS 2 Share-based payment charge £	Total 2016
Executive Directors							
I Manocha ⁽¹⁾	250,000	1,983	—	—	12,500	75,441	339,924
R Grubb	122,400	1,452	—	—	6,120	—	129,972
Non-Executive Directors							
K Archer	80,000	—	—	—	—	—	80,000
I Joss ⁽³⁾	13,333	—	—	—	—	—	13,333
C Errington ⁽²⁾	30,000	—	—	—	—	—	30,000
M Royde ⁽⁴⁾	25,000	—	—	—	—	—	25,000
	520,733	3,435	—	—	18,620	75,441	618,229
31 December 2015	Basic salary and fees £	Benefits in kind £	Loss of office £	Performance related bonus £	Pension £	IFRS 2 Share-based payment charge £	Total 2015
Executive Directors							
I Manocha ⁽¹⁾	145,833	544	—	—	7,292	35,889	189,558
R Grubb	115,000	936	—	—	5,750	—	121,686
C Errington ⁽²⁾	62,500	545	—	—	3,125	—	66,170
Non-Executive Directors:							
K Archer	82,250	—	—	—	—	—	82,250
I Joss ⁽³⁾	—	—	—	—	—	—	—
C Errington ⁽²⁾	17,500	—	—	—	—	—	17,500
H Purdey ⁽⁵⁾	2,077	—	—	—	—	—	2,077
M Royde ⁽⁴⁾	30,000	—	—	—	—	—	30,000
	455,160	2,025	—	—	16,167	35,889	509,241

(1) Appointed CEO 1 June 2015.

(2) CEO appointment ceased and became a Non-Executive 1 June 2015.

(3) Appointed Non-Executive Director 1 September 2016.

(4) Resigned as Non-Executive Director 30 September 2016.

(5) Appointed 18 June 2014. Resigned 26 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 years ended 31 December 2016 and 2015 the committee did not award any performance-related bonuses in respect of Directors.

No share options were granted to Directors in the year. During 2015, 1,500,000 share options were granted to I Manocha upon his appointment as CEO. These share options are granted under the share options schemes adopted in 2010 and are subject to a minimum three-year vesting period and performance conditions, details of which can be found on page 38.

Remuneration report continued

Directors' remuneration report continued

Interests in options (audited information)

The Group operates share option schemes (Option Schemes 2010), under which Directors and other Senior Executives are able to subscribe for ordinary shares in the Company. There are no other share option schemes in operation. Further details concerning the Option Schemes 2010, including vesting conditions, can be found in note 22 to the Group financial statements.

The interests of the Directors under the Option Schemes 2010 were as set out in the table below:

	Options at 1 January 2016	Granted	Cancelled	Exercised	Options at 31 December 2016	Date of grant	Exercise price	Date first exercisable	Expiry date
Executive Directors									
I Manocha ^{(1) (4)}	1,500,000	—	—	—	1,500,000	01.06.15	111p	01.06.18	01.06.25
R Grubb	—	—	—	—	—	—	—	—	—
Non-executive Directors									
M Royde ^{(2) (3)}	500,000	—	—	—	500,000	31.12.10	28p	31.12.13	31.12.20
K Archer ^{(1) (3)}	700,000	—	—	—	700,000	31.12.10	28p	31.12.13	31.12.20
I Joss	—	—	—	—	—	—	—	—	—
C Errington	—	—	—	—	—	—	—	—	—
	2,700,000	—	—	—	2,700,000				

(1) Options over which the Director has agreed to pay any employer's national insurance arising from the exercise of the options.

(2) Resigned as Non-Executive Director 30 September 2016.

(3) Vested.

(4) Yet to vest.

The closing market price of the Company's shares on 31 December 2016 was 129.5 pence. During the year, the closing price per ordinary share ranged from 89.5 pence to 132.0 pence.

There were no exercises of Director share options in the years ended 31 December 2016 or 31 December 2015.

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

Service contracts

I Manocha has a service agreement dated 15 February 2015 which is terminable by twelve months' rolling notice from either side. R Grubb has a service agreement dated 18 May 2011, which is terminable by six months' rolling notice from either side.

Each of the Non-Executive Directors has a letter of appointment. Appointments are for three-year terms, which may be renewed by mutual agreement, subject always to termination by either party at any time on three months' notice. Until 30 September 2016, the services of Mr M Royde were provided and invoiced by Kestrel Partners LLP (a company in which he has an ownership interest) under a consultancy agreement dated 19 November 2009.

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

The link between pay and 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.

Information regarding performance-related pay conditions in 2016

The following information is provided in relation to performance-related pay conditions for Executive Directors that applied during 2016.

No bonus scheme was put in place for Mr I Manocha or Mr R Grubb for the year ended 31 December 2016, and accordingly no bonus was paid to either of them.

The share options granted to Mr I Manocha in June 2015 are subject to a minimum three-year vesting period, such that exercise is not possible until 1 June 2018 at the earliest. The exercise of these share options is also subject to a performance condition requiring the number of direct CTC customers at the date of exercise to be equal to or greater than 40 (forty). This condition is expected to be achieved during 2017. The remuneration committee is responsible for determining whether the performance condition has been achieved. Mr R Grubb does not hold any share options.

Payments for loss of office (audited information)

No payments for loss of office were made during the year ended 31 December 2016 (2015: £nil).

Percentage change in the remuneration of the CEO

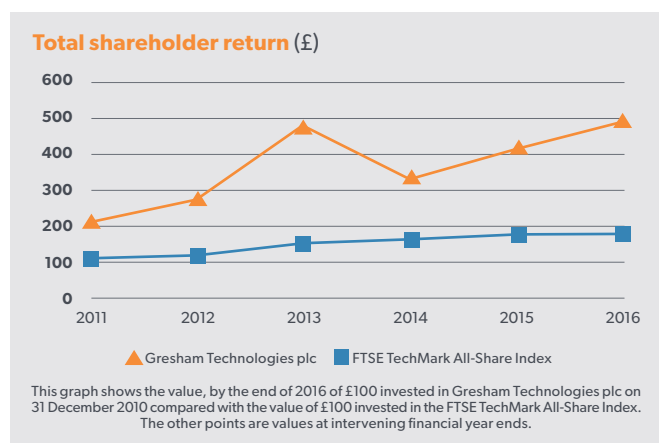
The table below sets out the increase in the total remuneration of the CEO and our staff (excluding promotions where relevant) in 2016. We have selected all staff (around 120 people) for this comparison because it is considered to be the most relevant, due to the structure of total remuneration.

	Change in base salary	Bonus payment as % of base salary
CEO (I Manocha)	0%	0%
All staff	2%	0%

Performance graphs

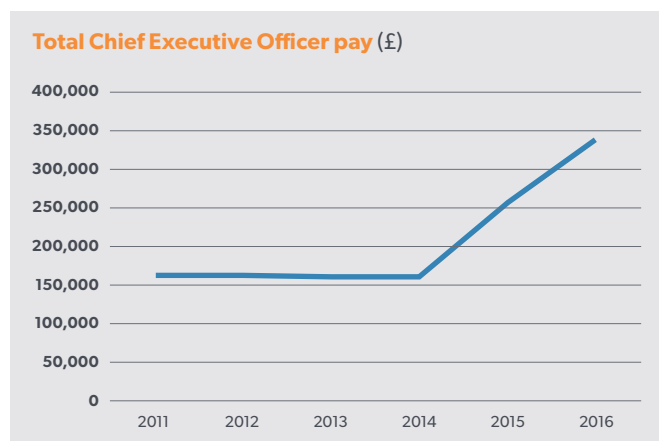
Total shareholder return

The graph below shows the total shareholder return for each of the last six financial years in terms of the change in value (with dividends reinvested) of an initial investment of £100 on 31 December 2010 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

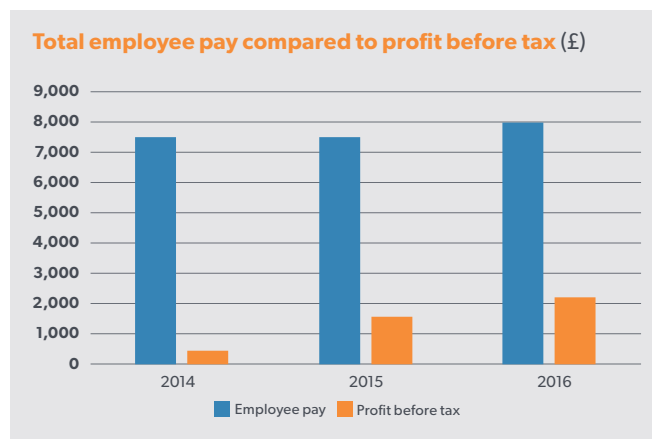
The graph below shows the single total figure of remuneration for the role of CEO for the current and previous five years.



The table on page 40 shows how the total Chief Executive Officer pay is broken down.

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 ended 31 December 2016 and 2015. There were no distributions or share buy backs in the year.



Statement of remuneration policy in the following year

The remuneration policy proposed to apply for the year commencing 1 January 2017 is set out above and will be put to shareholder vote at the 2017 AGM. There are no significant changes in the way the remuneration policy will be implemented in 2017 compared to how it was implemented for the reported year.

Consideration of matters relating to Directors' remuneration

Until 1 September 2016, the remuneration committee was comprised of Mr M Royde (chairman) and Mr K Archer. Neither are considered independent, as required by provision D2.1 of the Code. Mr K Archer held the chair from 1 September 2016 until 13 March 2017. Ms I Joss joined the committee as a member in November 2016 and became chair on 13 March 2017. Only Ms I Joss is considered independent, and therefore the remuneration committee does not include at least two independent Non-Executive Directors, as required by provision D2.1 of the Code.

The committee is responsible for considering and setting remuneration for all Executive Directors and the Chairman appointed by the Company, including pension rights and provision for compensation payments. In 2016, Mr R Grubb's base salary was increased by 2% to £122,400, in line with other Group employees. Mr I Manocha's base salary remained unchanged throughout the year.

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. Where appropriate, the committee seeks independent advice from remuneration consultants and also consults with the remainder of the Board.

Remuneration report continued

The Total Chief Executive Officer pay graph on page 39 is derived from the data in the following table:

	2011	2012	2013	2014	2015	2016
Ian Manocha						
(CEO from 1 June 2015)						
Base salary	—	—	—	—	145,833 ⁽¹⁾	250,000
Benefits in kind	—	—	—	—	544 ⁽¹⁾	1,983
Bonus	—	—	—	—	—	—
Pension	—	—	—	—	7,292 ⁽¹⁾	12,500
IFRS2 share-based payment charges	—	—	—	—	35,889 ⁽¹⁾	75,441
	—	—	—	—	189,558 ⁽¹⁾	339,924
Chris Errington						
(CEO until 1 June 2015)						
Base salary	150,000	150,000	150,000	150,000	62,500 ⁽²⁾	—
Benefits in kind	1,691	1,691	1,165	1,334	545 ⁽²⁾	—
Bonus	—	—	—	—	—	—
Pension	7,500	7,500	7,500	7,500	3,125 ⁽²⁾	—
IFRS2 share-based payment charges	—	—	—	—	—	—
	159,191	159,191	158,665	158,834	66,170 ⁽²⁾	—
Total	159,191	159,191	158,665	158,834	255,728	339,924

(1) Relates to the seven-month period 1 June 2015 to 31 December 2015.

(2) Relates to the five-month period 1 January 2015 to 30 June 2015.

External advisers

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

Imogen Joss

Chair of the remuneration committee

13 March 2017

Directors' report

Registered number 1072032

The Directors present their report and the Group financial statements for the year ended 31 December 2016.

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, CEO's Statement and Strategic Report. Disclosures in respect of principal risks and uncertainties, people (including employees and disabled employees), Global Greenhouse Gas Emissions and product development (incorporating research and development activities) are included within the Strategic Report under s414(c) of the Companies Act 2006. 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. The statement of corporate governance beginning on page 26 forms part of the Directors' Report.

Directors and officers

The Directors who served on the Board during the year are set out on pages 24 and 25, all of whom served throughout the year with the exception of Ms I Joss who was appointed on 1 September 2016. In addition, Mr M Royde was a Director of the Company until his resignation on 30 September 2016. Mr J Cathie served as Company Secretary throughout the year.

Results and dividends

The Group profit for the year, after taxation, amounted to £2,605,000 (2015: £1,950,000). The Directors do not recommend a final ordinary dividend, which leaves the profit of £2,605,000 to be added to reserves. No dividends are recommended and none were paid in the prior year.

Going concern and viability statement

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 solution, CTC, and its other Clareti solutions.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

Refer to page 15 for the viability statement required pursuant to Provision C2.2 of the Code.

Change of name

The Company changed its name from Gresham Computing plc to Gresham Technologies plc by shareholder vote in general meeting held on 17 November 2016. The change was registered with Companies House on the same day and therefore effective 17 November 2016.

Post balance sheet events

There were no post balance sheet events.

Significant relationships

In 2016, the Group had two customer relationships considered to be individually significant to the Group. The first relates to APAC operations and includes a mix of revenues from the Group's cash management solution, from Clareti, and from other strategic non-recurring revenues. The other relates to EMEA operations and derives from the Group's cash management solution, comprising Gresham integration technology and CashFac's Virtual Bank Technology®. Revenues from these customer relationships individually exceeded 10% of the Group's revenue in 2016. In the opinion of the Directors, the Group does not have any other individually significant relationships.

Directors and their interests

The Directors at 31 December 2016 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 Directors' Remuneration Report) are as follows:

	Ordinary shares of 5 pence each	
	31 December 2016	1 January 2016
K Archer	150,000	150,000
I Joss ⁽¹⁾	—	—
C Errington	532,268	532,268
I Manocha	75,000	—
R Grubb	231,405	231,405
M Royde ⁽²⁾	—	42,472
M Royde Kestrel Opportunities ⁽²⁾	—	5,767,164

(1) Appointed 1 September 2016.

(2) Resigned 30 September 2016.

There have been no further changes in the Directors' interests disclosed above from 31 December 2016 to 28 February 2017.

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 in 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 £10m has been purchased in order to minimise the potential impact of proceedings against Directors.

Directors' report continued

Registered number 1072032

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 28 February 2017:

	Number	Percentage held
Kestrel Partners	9,656,653	14.5%
Schroder Investment Management	8,796,136	13.2%
JO Hambro Capital Management	6,470,000	9.7%
Hargreave Hale, stockbrokers	4,604,109	6.9%
Majedie Asset Management	3,752,987	5.6%
Herald Investment Management	3,183,774	4.8%
Mrs MA Green	3,073,290	4.6%
Mr Richard Griffiths	2,607,505	3.9%
Blevins Franks Trustees Limited as Trustee of the Lusitania Trust	2,178,091	3.3%
Artemis Investment Management	2,361,757	3.5%
Mr Stephen William Purchase	2,001,678	3.0%

Political donations

No donations were made in 2016 or 2015.

Social and community

No social or community review has been performed for 2016 or 2015.

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 unissued share capital up to a maximum nominal amount of £1,113,075 representing one-third of the issued ordinary share capital as at 28 February 2017 and to allot and grant rights over shares for cash up to a maximum nominal amount of £166,961, representing 5% of the issued ordinary share capital as at 28 February 2017, without first making a pro rata offer to all existing shareholders.

Further special business to be conducted at the AGM relates to the renewal of 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 6,678,452 ordinary shares which represents 10% of the issued ordinary shares capital of the Company as at 28 February 2017.

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 2016, the Company's issued share capital comprised:

	Number	Nominal value £	% of total share capital
Ordinary shares of £0.05 each	66,784,518	3,339,226	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 2016, certain share options granted under the Option Scheme 2010 were exercised and as a result the Group issued 350,000 ordinary shares, such shares ranking pari passu with ordinary shares then in issue (2015: 37,500). See note 22 of the Group financial statements for further details.

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 may 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 by shareholders at a general meeting must offer themselves up for re-election at the following Annual General Meeting.

Significant interests

Directors' interests in the share capital of the Company are shown in the table on page 41. Major interests (i.e. those >3%) of which the Company has been notified are shown on page 42.

Change of control

In the event of a change of control of the Company, employee share options granted under the Option Scheme 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 Group 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 unissued share capital, to allot and grant rights over the unissued share capital for cash without first making a pro rata offer to all existing shareholders and to make market purchases of shares in the issued share capital of the Company 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.

Information to be included in the Annual Report and Accounts

As part of our requirements under the FCA Listing Rules (LR), for the purposes of LR 9.8.4 R the information required to be disclosed by LR 9.8.4 R can be found in the following locations in this Annual Report:

LR 9.8.4 R	Topic	Location in Annual Report
(1)	Interest capitalised	Not applicable
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of long-term incentive schemes	Not applicable
(5)	Waiver of emoluments by a director	Not applicable
(6)	Waiver of future emoluments by a director	Not applicable
(7)	Non pre-emptive issues of equity for cash	Page 78
(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	Page 41
(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.

Auditor

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

Directors' statement as to disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 24 and 25. Having made enquiries of fellow Directors and of the Group's auditor, 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 auditor in connection with preparing their report) of which the Group's auditor is 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 auditor is aware of that information.

On behalf of the Board

Jonathan Cathie

Company Secretary

13 March 2017

Statement of Directors' responsibilities

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 Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework 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; and
- prepare a strategic report, directors' report and directors' 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 position and 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 DTR 4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with IFRSs 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; and
- 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.

On behalf of the Board

Ian Manocha
Chief Executive
13 March 2017

Independent auditor's report

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 2016 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 Technologies plc for the year ended 31 December 2016 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, the Company statement of changes in equity 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) including Financial Reporting Standard 101 "Reduced Disclosure Framework".

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 44, 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.

Our assessment of risks of material misstatement and overview of the scope of our audit

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

Our Group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

We set out below the risks that had the greatest impact on our audit strategy and scope. The Audit Committee's consideration of these matters is set out in the audit committee report commencing on page 29:

Development costs

Risk	Response
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 six to 20 years. Both the initial conclusion of whether development costs have met the criteria for capitalisation including estimates of the technical and commercial viability of the asset created, and the period of amortisation to the income statement require management judgement and therefore have an inherent risk of management override.	<p>We reviewed the Group's accounting policy in this area to ensure that it was in accordance with International Accounting Standard 38. We agreed a sample of capitalised costs to underlying supporting documentation and checked that the five criteria for capitalisation, as required by the standard, had been met. This included discussing the technical feasibility of projects with the development team, as well as obtaining evidence of future economic benefits. Furthermore, we specifically reviewed costs capitalised as enhancements to software available for sale, ensured that the enhancements did not supersede existing development costs and determined whether such enhancements met each of the five criteria for capitalisation under the standard.</p> <p>In respect of enhancements released to the market during the year, we inspected evidence of when the development projects were first available for sale by reference to communication with customers and prospective customers, board minutes and market announcements. 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.</p>

Independent auditor's report continued

Our assessment of risks of material misstatement and overview of the scope of our audit continued

Goodwill and intangible asset impairment risk

Risk	Response
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 Clareti or other 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

Risk	Response
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. This relates to the estimated stage of completion of service contracts and the unbundling of multi-element solution sales, both of which drive the recognition of revenue and profit and so present a revenue recognition risk.	<p>We reviewed in detail the revenue recognition principles applied to the significant new contracts written and performed during the year and ensured that the revenue recognition policies were in accordance with IFRSs as adopted by the European Union and industry standard. The relevant IFRS are International Accounting Standard 18 Revenue and International Accounting Standard 11 Construction Contracts.</p> <p>We inspected particularly solution sales and assessed the appropriateness of unbundling revenue into separate components along with the fair value of the consideration attributed to each component. We noted two instances during the financial year in which Management exercised significant judgement in estimating the fair value of constituent elements of a solution, the substance of which were considered to differ from the legal form. The total impact of this was to defer revenues and profits of £516,000. We assessed this judgement through benchmarking with reference to historic contracts executed by the Group and external sources in relation to the sector.</p> <p>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.</p>

Acquisition accounting

Risk	Response
As detailed in the judgements and key sources of estimation uncertainty within the accounting policies, the Group undertook an acquisition during the financial year. Consequently Management had to exercise judgement in considering the fair value of both the consideration, which contained a contingent element, and the assets and liabilities acquired.	In respect of the fair value of the consideration, we reviewed Management's calculation with reference to the Sale and Purchase agreement; assessing the estimate of contingent consideration against forecasts and current performance and verifying the initial cash payment.
Management recognised on acquisition separately identifiable intangible assets in respect of software and customer relationships, exercising judgement in estimating the fair value for each. A third party specialist was commissioned by Management to assist with the valuation.	We ensured that the acquisition accounting exercise had been carried out in accordance with International Financial Reporting Standard 3, Business Combinations, and reviewed Management's estimates in respect of the fair value of the assets and liabilities acquired. In particular, we assessed the valuation of the intangible assets that were considered separately identifiable on acquisition; testing the key inputs and assumptions in the valuation models and, with the assistance of our valuations specialists, reviewing the methodology deployed. We also considered the completeness of the separately identifiable intangible assets with reference to our understanding of the business and key motivations for the transaction.
The provision for contingent consideration is based upon estimates, at the date of acquisition, of the future performance of the acquired entity.	

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 above) 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 application of materiality

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 £170,000. In determining this, we based our assessment on a level of 1% of anticipated consolidated revenue which we believe is a key benchmark used by the Group in assessing financial performance. On the basis of our risk assessment, together with our assessment of the Group's control environment, our judgement is that performance materiality for the financial statements should be 75% of planning materiality, namely £128,000. Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our planning materiality of £170,000 for the financial statements as a whole. Materiality levels used for each key component ranged from £90,000 to £130,000. Materiality levels are not significantly different from those applied in the previous year. We agreed with the audit committee that we would report to the committee all audit differences in excess of £7,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Statement regarding the directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company

We have nothing material to add or to draw attention to in relation to:

- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Matters on which we are required to report by exception

- The strategic report and director's report; and
- the information about internal control and risk management systems in relation to financial reporting processes and share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Report and Accounts 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 Report and Accounts is fair, balanced and understandable and whether the Report and Accounts appropriately discloses those matters that we communicated to the Audit committee which we consider should have been disclosed.

We have nothing to report in respect of these matters.

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

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

We have nothing to report in respect of these matters.

Under the Listing Rules we are required to review the part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for review by the auditor in accordance with Listing Rule 9.8.10 R(2). The Listing Rules also require that we review the directors' statements set out on page 41 regarding going concern and longer term viability.

We have nothing to report in respect of these matters.

Kim Hayward (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

**Southampton
United Kingdom**

13 March 2017

Consolidated income statement

	Notes	31 December 2016 £'000	31 December 2015 £'000
Revenue	3,4	17,156	14,842
Cost of sales		(2,984)	(2,822)
Gross profit		14,172	12,020
Adjusted administrative expenses		(11,488)	(10,200)
Adjusted operating profit		2,684	1,820
Adjusting administrative items:			
Exceptional items	4	(275)	(149)
Amortisation on acquired intangibles	13	(108)	—
Share based payments	22	(117)	(110)
		(500)	(259)
Total administrative expenses		(11,988)	(10,459)
Statutory operating profit	4,5	2,184	1,561
Finance revenue	3,8	22	21
Finance costs	8	—	—
Profit before taxation		2,206	1,582
Taxation	9	399	368
Attributable to owners of the Parent	2	2,605	1,950
Earnings per share			
Statutory			
Basic earnings per share - pence	10	4.06	3.08
Diluted earnings per share - pence	10	3.92	2.98
Adjusted			
Basic earnings per share - pence	10	4.83	3.49
Diluted earnings per share - pence	10	4.67	3.38

All activities during the year were continuing.

Consolidated statement of comprehensive income

	31 December 2016 £'000	31 December 2015 £'000
Attributable to the owners of the Parent	2,605	1,950
Other comprehensive income/(expense)		
Items that will or may be re-classified into profit or loss - exchange differences	86	(27)
Total other comprehensive income/(expense)	86	(27)
Total comprehensive income for the year	2,691	1,923

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a debit of £17,000 (2015: credit of £5,000).

Consolidated statement of financial position

	Notes	31 December 2016 £'000	31 December 2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	656	499
Intangible assets	13	18,794	10,648
Deferred tax assets	9	1,151	239
		20,601	11,386
Current assets			
Trade and other receivables	16	4,759	3,472
Income tax receivable	16	2	892
Cash and cash equivalents	17	7,206	4,666
		11,967	9,030
Total assets		32,568	20,416
Equity and liabilities			
Equity attributable to owners of the Parent			
Called up equity share capital	21	3,340	3,164
Share premium account	23	3,242	9
Other reserves	23	313	313
Foreign currency translation reserve	23	21	(65)
Retained earnings	23	14,235	11,513
Total equity attributable to owners of the Parent	23	21,151	14,934
Non-current liabilities			
Deferred income	18	267	53
Provisions	18	44	24
Deferred tax liability	9	680	—
Contingent consideration	27	378	—
		1,369	77
Current liabilities			
Trade and other payables	18	9,060	5,294
Financial liabilities	18	71	3
Income tax payable	18	139	89
Provisions	18	20	19
Contingent consideration	27	758	—
		10,048	5,405
Total liabilities		11,417	5,482
Total equity and liabilities		32,568	20,416

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2017.

On behalf of the Board

Ian Manocha
13 March 2017

Rob Grubb
13 March 2017

Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation £'000	Retained earnings £'000	Total £'000
At 1 January 2015		3,162	16,522	313	(38)	(7,069)	12,890
Attributable profit for the period		—	—	—	—	1,950	1,950
Other comprehensive expense		—	—	—	(27)	—	(27)
Total comprehensive income		—	—	—	(27)	1,950	1,923
Share premium cancellation		—	(16,522)	—	—	16,522	—
Exercise of share options	21	2	9	—	—	—	11
Share-based payment expense	22	—	—	—	—	110	110
At 31 December 2015		3,164	9	313	(65)	11,513	14,934
Attributable profit for the period		—	—	—	—	2,605	2,605
Other comprehensive income		—	—	—	86	—	86
Total comprehensive income		—	—	—	86	2,605	2,691
Share issue proceeds	21	158	3,163	—	—	—	3,321
Share transaction costs	21	—	(101)	—	—	—	(101)
Exercise of share options	21	18	171	—	—	—	189
Share-based payment expense	22	—	—	—	—	117	117
At 31 December 2016		3,340	3,242	313	21	14,235	21,151

Consolidated statement of cashflow

	Notes	31 December 2016 £'000	31 December 2015 £'000
Cashflows from operating activities			
Profit after taxation		2,605	1,582
Depreciation, amortisation and impairment	5	1,355	976
Share-based payment expense	22	117	110
Increase in trade and other receivables		(737)	(217)
Increase/(decrease) in trade and other payables		2,551	(277)
Movement in deferred tax provisions		1	—
Movement in provisions		21	7
Loss on disposal of property, plant and equipment		32	—
Net finance income	8	(22)	(21)
Cash inflow from operations		5,923	2,160
Net income taxes received		216	1,035
Net cash inflow from operating activities		6,139	3,195
Cashflows from investing activities			
Interest received	8	22	21
Purchase of property, plant and equipment	12	(508)	(217)
Disposal of property, plant and equipment		13	—
Net payments to acquire subsidiary undertaking	27	(3,014)	—
Payments to acquire intangible fixed assets	13	(3,779)	(3,014)
Net cash used in investing activities		(7,266)	(3,210)
Cashflows from financing activities			
Interest paid		—	—
Share issue proceeds	21	3,510	—
Share issue transaction costs	21	(101)	11
Net cash generated from financing activities		3,409	11
Net increase/(decrease) in cash and cash equivalents		2,282	(4)
Cash and cash equivalents at beginning of year		4,666	4,707
Exchange adjustments		258	(37)
Cash and cash equivalents at end of year	17	7,206	4,666

Notes to the financial statements

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

Gresham Technologies 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.

During the year, the Company changed its name from Gresham Computing plc to Gresham Technologies plc as part of its strategic plan going forward.

The financial statements of Gresham Technologies plc and its subsidiaries (the Group) for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 13 March 2017 and the Consolidated Statement of Financial Position was signed on the Board's behalf by Mr I Manocha and Mr 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 2016.

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 2016 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 2016.

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 2016, the Company recorded a retained profit of £665,000 (2015: loss of £212,000).

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.

Valuation and asset lives of separately identifiable intangible assets

In determining the fair value of intangible assets arising on acquisition, management are required to make judgements regarding the timing and amount of future cash flows applicable to the businesses being acquired, discounted using an appropriate discount rate. Such judgements are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates and expected changes to selling prices and operating costs. Management estimates the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired.

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 that 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.

Notes to the financial statements continued

2. Accounting policies continued

Judgements and key sources of estimation uncertainty continued

Revenue and profit recognition

Revenue and the associated profit are recognised from sale of software licenses, rendering of services, subscriptions and maintenance and solution sales. Whilst in most cases performance obligations clearly follow the commercial and contractual arrangement we have agreed with the customer, in some cases the revenue streams are combined as within an overall commercial arrangement. Such bundling requires judgement to assess performance obligations associated with each revenue stream and further judgement as to when and how such performance obligations have been discharged in order to recognise the associated revenue. The estimation of the stage of completion, along with the unbundling of multi-element solution sales, represents a risk of incorrect revenue recognition.

In considering the unbundling of multi-element solutions, instances may arise whereby the substance of the performance obligations differs from the legal form of the contract. In such circumstances judgement is required to assess the fair value of the constituent elements and recognise revenue accordingly.

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.

Contingent consideration

Contingent consideration relating to acquisitions is included based on management estimates of the most likely outcome. Those judgements include the forecasting of a number of different outcomes against the performance targets and estimating a probability and risk of each outcome before arriving at a risk weighted value of contingent consideration.

Basis of consolidation

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

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries made up to the reporting date. Investees are classified as subsidiaries where the company has control, which is achieved where the company has the power to govern the financial and operating policies of an investee entity, exposure to variable returns from the investee and the ability to use its power to affect those variable returns. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets and liabilities are initially recognised at their fair values at acquisition date. The results of acquired entities are included in the consolidated statement of comprehensive income from the date at which control is obtained and are deconsolidated from the date control ceases.

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, in the instance where the differences on monetary assets and liabilities form part of the Group's net investment in foreign operations, they are moved to the statement of other comprehensive income on consolidation and held in a separate component of 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 consolidation, all assets and liabilities of overseas subsidiaries who report in a different functional currency are retranslated using the closing rate.

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

2. Accounting policies continued

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 Consolidated 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 are subject to the same recognition tests as development costs and if met, they are capitalised.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that they 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 two and ten 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 becomes available for use as part of a version release issued to customers on a straight-line basis over six 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 one and ten 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.

Notes to the financial statements continued

2. Accounting policies continued

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 sublets 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 cashflows 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 incorporating industry standard 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 cashflows 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 cashflows 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.

2. Accounting policies continued

Financial assets continued

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 cashflows (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 financial 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 Consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the Consolidated Statement of Cashflow, 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.

Notes to the financial statements continued

2. Accounting policies continued

Income taxes continued

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.

The 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 licences

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, maintenance and 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.

2. Accounting policies continued

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 and 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:

Standard or interpretation	Title	Effective from
IFRS 5	Amendments resulting from the September 2014 Annual Improvements to IFRSs	1 January 2016
IFRS 10, IAS 28 and IFRS 12	Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
IFRS 11	Amendments	1 January 2016
IAS 1	Amendments resulting from the disclosure initiative	1 January 2016
IAS 16	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
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 the September 2014 Annual Improvements to IFRSs	1 January 2016
IAS 38	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016

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 disclosures.

Notes to the financial statements continued

2. Accounting policies continued

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 the classification and measurement of share-based payment transactions	1 January 2018
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	1 January 2018
IFRS 15	Revenue recognition – Original issue	1 January 2018
IFRS 16	Leases – Original issue	1 January 2019
IAS 7	Amendments resulting from the disclosure initiative	1 January 2017
IAS 12	Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IFRIC 22	Original issue	1 January 2018

IFRS 9 'Financial Instruments' replaces IAS 39. The standard is effective for the year ending 31 December 2018 and will impact the classification and measurement of financial instruments and will require certain additional disclosures. Whilst an assessment of the new standard is ongoing, the changes to recognition and measurement of financial instruments and changes to hedge accounting rules are not currently considered likely to have any major impact on the Group's current accounting treatment or hedging activities.

IFRS 15 'Revenue from Contracts with Customers' (effective for the year ending 31 December 2018) replaces IAS 18 'Revenue', IAS 11 'Construction Contracts' and related interpretations. The standard introduces a single, five-step revenue recognition model that is based upon the principle that revenue is recognised at the point that control of goods or services is transferred to the customer. The standard also updates revenue disclosure requirements. An assessment of this new standard is currently ongoing.

IFRS 16 'Leases' (effective for the year ending 31 December 2019) will require all leases to be recognised on the balance sheet. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 supersedes IAS 17 'Leases' and related interpretations. The Group has a number of operating lease arrangements and will consider the financial impact of IFRS 16 in due course but in broad terms the impact will be to recognise a lease liability and corresponding asset for the operating lease commitments.

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. Assessment is currently being undertaken and impact is currently unknown.

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:

	2016 £'000	2015 £'000
Rendering of services	17,156	14,842
Finance revenue	22	21
	17,178	14,863

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 and the Board of Directors.

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

During the year ended 31 December 2015 the Group re-evaluated the internal presentation of its operating segments to more appropriately aggregate the differing sets of risks that the Group's businesses face.

4. Segment information continued

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

- Clareti Solutions – supply of solutions predominantly to the finance and banking markets across Asia Pacific, EMEA and North America. These solutions include:
 - Clareti Transaction Control: a high performance enterprise data control solution for data validation and real-time transaction matching and reconciliation.
 - Clareti Accounts Receivable Management: a receivables management application with automated matching, reconciliation and allocation to reduce the order-to-cash cycle.
 - Clareti 24 Integration Objects: integration software to enable rapid adoption of financial message standards and transform complex data types.
 - Clareti Loan Control: a front-to-back loan servicing solution that enables effective and auditable management of simple and complex loan portfolios.
- Other Solutions – supply of a range of well-established solutions to enterprise-level customers in a variety of end markets.

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.

Year ended 31 December 2016	Notes	Other			Adjustments, central and eliminations £'000	Consolidated £'000
		Clareti Solutions £'000	Solutions £'000	Contracting Services £'000		
Revenue						
External customer		7,491	6,901	2,764	—	17,156
Inter-segment		—	—	—	—	—
Total revenue	3	7,491	6,901	2,764	—	17,156
Cost of sales		(566)	(2,070)	(675)	—	(3,311)
Cost of sales capitalised as intangible asset		327	—	—	—	327
Gross profit		7,252	4,831	2,089	—	14,172
		97%	70%	76%	—	83%
Contracting administrative expenses		—	—	(1,678)	—	(1,678)
Gross profit after contracting fully costed		7,252	4,831	411	—	12,494
		97%	70%	15%	—	73%
Adjusted administrative expenses		—	—	—	(9,810)	(9,810)
Adjusted operating profit		7,252	4,831	411	(9,810)	2,684
Adjusting items:						
Exceptional costs	4	—	—	—	(275)	(275)
Amortisation of acquired intangibles	13	—	—	—	(108)	(108)
Share based payments	22	—	—	—	(117)	(117)
Statutory administrative expenses		—	—	—	(500)	(500)
Statutory operating profit		7,252	4,831	411	(10,310)	2,184
Interest revenue	8					22
Interest expense						—
Profit before taxation						2,206
Taxation	9					399
Profit after taxation						2,605
Segment assets						32,568
Segment liabilities						(11,417)

Notes to the financial statements continued

4. Segment information continued

Year ended 31 December 2015	Notes	Other			Adjustments, central and eliminations £'000	Consolidated £'000
		Clareti Solutions £'000	Solutions £'000	Contracting Services £'000		
Revenue						
External customer		5,270	7,070	2,502	—	14,842
Inter-segment		—	—	—	—	—
Total revenue	3	5,270	7,070	2,502	—	14,842
Cost of sales		(172)	(1,977)	(673)	—	(2,822)
Gross profit		5,098	5,093	1,829	—	12,020
		97%	72%	73%	—	81%
Contracting administrative expenses		—	—	(1,441)	—	(1,441)
Gross profit after Contracting fully costed		5,098	5,093	388	—	10,579
		97%	72%	16%	—	71%
Adjusted administrative expenses		—	—	—	(8,759)	(8,759)
Adjusted operating profit		5,098	5,093	388	(8,759)	1,820
Adjusting items:						
Exceptional costs	4	—	—	—	(149)	(149)
Amortisation of acquired intangibles	13	—	—	—	—	—
Share based payments	22	—	—	—	(110)	(110)
Statutory administrative expenses		—	—	—	(259)	(259)
Statutory operating profit		5,098	5,093	388	(9,018)	1,561
Interest revenue	8					21
Interest expense						—
Profit before taxation						1,582
Taxation	9					368
Profit after taxation						1,950
Segment assets						20,416
Segment liabilities						(5,482)

Administrative expenses, segment assets and segment liabilities are shared across the Group and cannot be allocated to operating segments.

The Group has customer relationships with two banking customers which are both considered by the Directors to be individually significant relationships; revenue from these relationships both individually exceeded 10% of the Group's revenue, with one customer totalling £3.0m for the year and the other customer totalling £4.4m (this revenue includes the low margin contracting revenue of £2.8m noted above). The revenues from these two customers fall predominantly within the Other Solutions segment.

Exceptional items

	2016 £'000	2015 £'000
Exceptionals		
Staff costs (recruitment and termination costs)	124	149
Property (office closures)	32	—
Acquisition costs	119	—
	275	149

In H1 2016, the Group completed its planned office closures, which incurred a number of one-off costs relating to the termination of property leases and the associated costs to repair and property damage together with costs for recruitment of key personnel. In H2 2016 the Group acquired the company C24 Technologies Limited in October 2016 which resulted in further one-off costs being incurred. In aggregate, these one-off costs totalled £275,000 (2015: £149,000). 2015 costs related to CEO succession costs and a review of the group marketing and operational activities, which incurred a number of one-off costs.

4. Segment information *continued*

Geographic information

	2016 £'000	2015 £'000
Revenues from external customers (by destination)		
EMEA	333	385
North America	1,405	1,340
UK	9,310	7,371
Australia	4,683	4,118
Asia Pacific	1,425	1,628
	17,156	14,842
	2016 £'000	2015 £'000
Non-current assets		
UK	18,646	10,304
North America	37	104
Asia Pacific	767	739
	19,450	11,147

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

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

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

5. Group trading profit

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

	Notes	2016 £'000	2015 £'000
Research and development costs written off		144	128
Amortisation of deferred development costs recognised in administration expenses	13	741	531
Total research and development costs		885	659
Depreciation of property, plant and equipment	12	351	322
Amortisation of intangible assets (excluding development costs)	13	263	123
Total depreciation, impairment and amortisation expense		614	445
Net foreign currency differences - gains		41	25
Operating lease payments			
Minimum lease payments		423	524
Sublease income		(31)	(129)
		392	395

6. Auditor's remuneration

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

	2016 £'000	2015 £'000
Audit fees		
Audit of the Group financial statements	20	20
Other fees to the auditor – auditing the accounts of subsidiaries	47	40
	67	60
Non-audit fees		
Corporate taxation services	20	54
Other-Acquisition advice	3	17
	23	71

Notes to the financial statements continued

7. Staff costs and Directors' emoluments**(a) Staff and Director costs**

	Income statement £'000	Development capitalised £'000	Total excluding contracting £'000	Contracting costs expensed £'000	Total £'000
31 December 2016					
Wages and salaries	5,460	2,513	7,973	1,373	9,346
Social security costs	548	267	815	67	882
Other pension costs	204	83	287	130	417
	6,212	2,863	9,075	1,570	10,645
31 December 2015					
Wages and salaries	5,108	1,972	7,080	1,141	8,221
Social security costs	478	245	723	55	778
Other pension costs	176	76	252	108	360
	5,762	2,293	8,055	1,304	9,359

Included in wages and salaries is a total expense of share-based payments of £117,000 (2015: £110,000) 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:

	2016	2015
Management	8	9
Sales and administration	24	21
Technical	85	81
Total Gresham	117	111
GCIS	14	12

(b) Directors' emoluments

	2016 £'000	2015 £'000
Directors' emoluments		
Remuneration	524	457
Social security costs	68	59
Pension	18	16
Share-based payments	75	36
	685	568
Number of Directors accruing benefits under defined contribution schemes	2	2

8. Finance revenue and costs

	2016 £'000	2015 £'000
Finance revenue		
Bank interest receivable	22	21
Total finance revenue	22	21
Finance costs		
Other bank charges	—	—
Total finance costs	—	—

9. Taxation

(a) Tax on loss on ordinary activities

Tax credited in the income statement

	2016 £'000	2015 £'000
Current income tax		
Overseas tax charge/(credit) – adjustment to previous years	22	(21)
Overseas tax charge - current year	140	139
UK corporation tax charge – adjustment to previous years	166	98
UK corporation tax credit – current year	—	(892)
Total current income tax	328	(676)
Deferred income tax		
(Recognition)/reversal of deferred tax asset	(863)	322
Tax rate change adjustments	136	(14)
Total deferred income tax	(727)	308
Total credit in the income statement	(399)	(368)

For the year ended 2015 the group surrendered tax losses in a UK company in return for an R&D tax credit.

Given the group and UK companies are profitable, rather than surrendering these losses going forward they are being used to directly offset UK tax liabilities.

(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 20.0% (2015: 20.3%). The differences are reconciled below:

	2016 £'000	2015 £'000
Profit before taxation	2,206	1,582
Accounting profit multiplied by the UK standard rate of corporation tax of 20.0% / 20.3%	441	321
Income/expenses not deductible/(taxable) for tax purposes	43	(31)
Differences in tax rates	85	(7)
Overseas tax credit - adjustment to previous years	22	(21)
R&D tax credit - previous year	122	98
R&D tax credit - current year	—	(892)
Losses surrendered for R&D tax credit - current year	—	1,246
R&D enhanced relief	(1,604)	(692)
Movement in unrecognised losses carried forward	(1,307)	129
Movement in unrecognised temporary differences	2,200	(486)
Movement in unrecognised fixed asset temporary differences	15	5
Temporary difference on share-based payments	(552)	(24)
Prior year adjustments on recognised deferred tax	—	—
Tax rate change adjustments	136	(14)
Total tax credit reported in the income statement	(399)	(368)

(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 debit of £17,000 (2015: credit of £5,000).

(d) Temporary differences associated with Group investments

At 31 December 2016, there was no recognised deferred tax liability (2015: £nil) for taxes that would be payable on the unremitted 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 (2015: £nil).

Notes to the financial statements continued

9. Taxation continued

(e) Deferred tax

Recognised deferred tax

	2016 £'000	2015 £'000
1 January	239	547
Movement in the period – Losses	(2,339)	(376)
– Share based payments timing differences	(552)	40
– Other timing differences	3,884	6
– Fixed asset timing differences	(145)	8
Acquired on acquisition of subsidiary undertaking	200	—
Impact of change in tax rate	(136)	14
31 December	1,151	239
Comprising:		
Temporary differences	(1,231)	42
Tax losses	2,382	197
31 December	1,151	239

A deferred tax credit of £1,048,000 has been recognised in the year in respect of tax losses and capital allowances in excess of depreciation and other temporary differences.

Deferred tax liability

	2016 £'000	2015 £'000
Intangible asset acquired on acquisition	680	—
Comprising:		
1 January	—	—
Acquisition of intangibles in subsidiaries	680	—
31 December	680	—

Unrecognised potential deferred tax assets

The deferred tax not recognised in the Group Statement of Financial Position is as follows:

	2016 £'000	2015 £'000
Temporary differences	159	(1,421)
Tax losses	1,009	2,150
Unrecognised deferred tax asset	1,168	729
Gross temporary differences unrecognised	530	(7,169)
Gross tax losses unrecognised	3,750	10,173
Gross temporary timing differences unrecognised	4,280	3,004

Future tax rates

The main rate of corporation tax for UK companies reduced from 21% to 20% from 1 April 2015. Finance Bill 2015, which was substantively enacted on 26 October 2015, announced further reductions to the main rate of corporation tax. The rate will reduce to 19% from 1 April 2017 and by a further 1% to 18% from 1 April 2020. The Finance Act 2016 was approved on 15 September 2016. The Act reduces the main rate of corporation tax to 17% from 1 April 2020 (superseding the 18% rate effective from that date introduced in Finance (No.2) Act 2015).

The Group's recognised and unrecognised deferred tax assets in the UK, Australian and US subsidiaries have been shown at the rates in the following table, being the substantively enacted rates in these countries.

	2016	2015
UK	17%/20%	18%/20%
Australia	30%	30%
US	40%	40%

10. Earnings per share

Earnings per share

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:

		31 December 2016 £'000	31 December 2015 £'000
Basic weighted average number of shares		64,223,010	63,238,526
Dilutive potential ordinary shares		—	—
Employee share options – weighted (note 22)		2,198,808	2,178,202
Diluted weighted average number of shares		66,421,818	64,223,010
	Notes	31 December 2016 £'000	31 December 2015 £'000
Adjusted earnings attributable to owners of the parent		3,105	2,209
Adjusting items:			
Exceptional items	4	(275)	(149)
Amortisation of acquired intangibles	13	(108)	—
Share based payments	22	(117)	(110)
Statutory earnings attributable to owners of the Parent		2,605	1,950
Earnings per share			
Statutory			
Basic earnings per share – pence		4.06	3.08
Diluted earnings per share – pence		3.92	2.98
Adjusted			
Basic earnings per share – pence		4.83	3.49
Diluted earnings per share – pence		4.67	3.38

Adjusted EBITDA earnings

	Notes	31 December 2016 £'000	31 December 2015 £'000
Adjusted EBITDA			
Profit before tax		2,206	1,582
Adjusting items:			
Exceptional items	4	275	149
Amortisation on intangibles	13	1,004	654
Depreciation on PPE (exc Development)	12	224	225
Loss on disposal		32	—
Share based payments	22	117	110
Interest received	3,8	(22)	(21)
Adjusted EBITDA		3,836	2,699

During the year ended 31 December 2016, share options granted under the 2010 Share Option Plans were exercised and the Group issued 350,000 (2015: 37,500) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

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 Report.

Notes to the financial statements continued

11. Dividends paid and proposed

No dividends were declared or paid during the year and no dividends will be proposed for approval at the AGM (2015: none).

12. Property, plant and equipment

31 December 2016

	Fixtures and fittings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January	583	841	1,424
Additions	239	268	507
Additions acquired as part of business combination	1	—	1
Disposals	(100)	(99)	(199)
Exchange adjustment	22	48	70
At 31 December	745	1,058	1,803
Depreciation and impairment			
At 1 January	(339)	(586)	(925)
Charge for year	(141)	(210)	(351)
Disposals	81	92	173
Exchange adjustment	(10)	(34)	(44)
At 31 December	(409)	(738)	(1,147)
Net carrying amount			
At 31 December	336	320	656
At 1 January	244	255	499

31 December 2015

	Fixtures and fittings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January	572	738	1,310
Additions	93	124	217
Disposals	(33)	(46)	(79)
Exchange adjustment	(49)	25	(24)
At 31 December	583	841	1,424
Depreciation and impairment			
At 1 January	(234)	(459)	(693)
Charge for year	(152)	(170)	(322)
Disposals	33	45	78
Exchange adjustment	14	(2)	12
At 31 December	(339)	(586)	(925)
Net carrying amount			
At 31 December	244	255	499
At 1 January	338	279	617

13. Intangible assets

	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition		Goodwill £'000	Total £'000
			Software £'000	Customer relationships £'000		
31 December 2016						
Cost						
At 1 January	15,112	1,673	—	—	876	17,661
Additions	3,690	89	—	—	—	3,779
Additions acquired as part of business combination	—	—	3,067	866	1,376	5,309
Disposals	—	(31)	—	—	—	(31)
Exchange adjustment	41	14	—	—	77	132
At 31 December	18,843	1,745	3,067	866	2,329	26,850
Amortisation and impairment						
At 1 January	(5,506)	(1,257)	—	—	(250)	(7,013)
Charge for year	(741)	(155)	(79)	(29)	—	(1,004)
Eliminated on disposal	—	12	—	—	—	12
Exchange adjustment	(41)	(10)	—	—	—	(51)
At 31 December	(6,288)	(1,410)	(79)	(29)	(250)	(8,056)
Net carrying amount						
At 31 December	12,555	335	2,988	837	2,079	18,794
At 1 January	9,606	416	—	—	626	10,648

	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition		Goodwill £'000	Total £'000
			Software £'000	Customer relationships £'000		
31 December 2015						
Cost						
At 1 January	12,201	1,568	—	—	903	14,672
Additions	2,911	103	—	—	—	3,014
Exchange adjustment	—	2	—	—	(27)	(25)
At 31 December	15,112	1,673	—	—	876	17,661
Amortisation and impairment						
At 1 January	(4,975)	(1,134)	—	—	(250)	(6,359)
Charge for year	(531)	(123)	—	—	—	(654)
Exchange adjustment	-	-	—	—	—	—
At 31 December	(5,506)	(1,257)	—	—	(250)	(7,013)
Net carrying amount						
At 31 December	9,606	416	—	—	626	10,648
At 1 January	7,226	434	—	—	653	8,313

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 six to twenty 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 sixteen years.

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 ten years. Patents have a remaining life of three years and licences have a remaining life of one to ten years.

Notes to the financial statements continued

13. Intangible assets continued**Separately identified acquired intangibles**

Separately identified intangibles acquired through business combinations represent software and customer relationships which arose through the acquisition of C24 Technologies Ltd in October 2016.

Software is amortised over its useful economical life, which is deemed to be ten years.

Customer relationships acquired in the year are amortised over the useful economical life, which is deemed to be eight years.

Goodwill

Goodwill arose on the acquisition of our Asia Pacific real-time financial solutions business and C24 Technologies Ltd. It is assessed as having an indefinite life and is assessed for impairment at least annually. See note 27.

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

	2016 £'000	2015 £'000
Clareti Solutions CGU	1,224	626

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:

	2016 £'000	2015 £'000
Clareti Solutions CGU	12,555	9,606

Clareti Solutions cash-generating unit

The recoverable amount of this CGU has been determined based on a value-in-use calculation. To calculate this, cashflow projections are based on financial budgets approved by the Board for 2017, which are extrapolated for five years, and extended beyond five years, which the Board considers appropriate given the long-term opportunities that exists in the Asia Pacific, EMEA and North American regions. The discount rate applied to cashflow projections is 15% (2015: 15%) and cashflows beyond the five-year period are extrapolated using a 2% growth rate (2015: 2%) 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 2016 approved by the Board;
- growth rates, based on internally estimated growth rates for the market and the business offerings; and
- the 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 cashflows 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 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	Registered address	Holding (shares)	Proportion of voting rights and shares held	Nature of business
Gresham Computer Services Limited	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Financial Systems Limited	Aldermay House, London, England	Ordinary	100%	Software solutions
C24 Technologies Limited ⁽⁵⁾	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Computing Pty Limited ⁽³⁾	Level 6, 1 Pacific Highway, North Sydney, Australia	Ordinary	100%	Software solutions
Gresham Computing Sdn Bhd ⁽¹⁾	Level 7, Menara Milenium, Jalan Damanlela, Malaysia	Ordinary	100%	Software solutions
Gresham Computing Pte. Limited	138 Cecil Street, Cecil Court, Singapore	Ordinary	100%	Software solutions
Gresham Computing Inc ^(1,3)	40 Wall street, New York, USA	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc ⁽³⁾	40 Wall Street, New York, USA	Ordinary	100%	Software solutions
GMS Loan Technologies Limited ⁽⁶⁾	Aldermay House, London, England	Ordinary	50%	Software solutions
Gresham Consultancy Services Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Tech Limited ⁽²⁾⁽⁴⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Telecomputing Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Circa Business Systems Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Cheerkeep Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant

(1) held by a subsidiary undertaking

(2) subsidiary exempt from UK audit under section 480a of the Companies Act 2006

(3) subsidiary has no requirement for a local statutory audit

(4) name changed from Gresham Technologies Limited on 16 November 2016

(5) acquired October 2016

(6) incorporated in December 2016, dormant until 1 January 2017

In December 2016 Gresham established a newly formed company GMS Loan Technologies Limited in partnership with an existing customer partner to exploit the Group's Clareti Loan Control technology developed in 2016 in conjunction with this partner. The arrangement is a joint venture, with both parties holding an equal legal interest and exercising joint control. GMS Loan Technologies Limited did not trade in the year ended 31 December 2016 (2015: no trade) and is expected to begin its commercial activities in January 2017.

The following wholly owned subsidiaries were dissolved during the year ended 31 December 2015 following an application by the Company to strike off voluntarily:

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

16. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	2,499	1,546
Provision for impairment	—	—
Trade receivables - net	2,499	1,546
Prepayments and accrued income	2,260	1,740
Amounts recoverable on contracts	—	186
	4,759	3,472
	2016 £'000	2015 £'000
Income tax	2	892

For the year ended 2015 the group surrendered tax losses in a UK company in return for an R&D tax credit. Given the group and UK companies are profitable, rather than surrendering these losses they are being used going forward to directly offset UK tax liabilities.

Notes to the financial statements continued

16. Trade and other receivables continued

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

	2016 £'000	2015 £'000
Contracts in progress at the statement of financial position date		
Contract costs incurred plus recognised profits less recognised losses to date	—	344
Less: progress billings	—	(158)
Recognised as:		
Amounts recoverable on contracts	—	186

Trade receivables are denominated in the following currencies:

	2016 £'000	2015 £'000
Sterling	1,438	438
Euro	18	37
US Dollar	540	496
Singapore	3	—
Australian Dollar	468	545
Malaysian Ringgit	32	30
Total trade receivables	2,499	1,546

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:

	Total £'000	Due not impaired £'000	Past due but not impaired				
			<30 days £'000	30-60 days £'000	60-90 days £'000	90-120 days £'000	>120 days £'000
2016	2,499	1,451	909	136	3	—	—
2015	1,546	463	1,043	23	1	—	16

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

	2016 £'000	2015 £'000
Cash at bank and in hand	7,206	4,666

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 2016, the Group had £nil (2015: £nil) of undrawn committed borrowing facilities.

For the purpose of the Consolidated Statement of Cashflow, 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

	2016 £'000	2015 £'000
Trade payables	753	436
Other payables	1,929	1,188
Deferred income	6,378	3,670
	9,060	5,294
	2016 £'000	2015 £'000
Financial liabilities - forward foreign currency contract (current)	71	3
	2016 £'000	2015 £'000
Income tax payable	139	89

Current liabilities have increased over the year in part due to the acquisition of C24 Technologies Ltd in Oct 2016 (£0.9m), deferred income increase due to the new customer wins (£0.3m) and advanced billing on some existing customers predominantly in the UK (£0.6m) and in Australia (£0.9m).

Non-current

	2016 £'000	2015 £'000
Deferred income	267	53

Provisions

	Property provisions £'000
At 1 January 2016	
–Current	19
–Non-current	24
	43
Amounts provided during the year	26
Amounts utilised in the year	(5)
Amounts released during the year	—
At 31 December 2016	
–Current	20
–Non-current	44
	64
	Property provisions £'000
At 1 January 2015	
–Current	8
–Non-current	28
	36
Amounts provided during the year	18
Amounts released during the year	(9)
At 31 December 2015	
–Current	19
–Non-current	24
	43

Property provisions

The restructuring provision relates to 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.

Notes to the financial statements continued

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 one and five 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 2016 £'000	Other 2016 £'000	Total 2016 £'000	Land and buildings 2015 £'000	Other 2015 £'000	Total 2015 £'000
Not later than one year	304	—	304	325	—	325
After one but not more than five years	453	—	453	255	—	255
	757	—	757	580	—	580

Operating lease agreements where the Group is lessor

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

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

	Land and buildings 2016 £'000	Other 2016 £'000	Total 2016 £'000	Land and buildings 2015 £'000	Other 2015 £'000	Total 2015 £'000
Not later than one year	17	—	17	26	—	26
After one but not more than five years	—	—	—	—	—	—
	17	—	17	26	—	26

20. Financial instruments**Objectives, policies and strategies**

The Group's objective is to finance the business through management of existing liquidity, focussing 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 and 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. 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 to 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.

20. Financial instruments continued

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 one year £'000	Between one to two years £'000	Between two and five years £'000
Year ended 31 December 2016			
Contingent consideration	758	378	1,136
Provisions	20	37	57
	778	415	1,193
Year ended 31 December 2015			
Provisions	19	—	24
	19	—	24

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 and 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 on page 76.

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; and
- 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.

Categories 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):

	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
Year ended 31 December 2016				
Financial assets				
Trade receivables	2,499	—	—	2,499
Accrued income	1,142	—	—	1,142
Cash and cash equivalents	7,206	—	—	7,206
	10,847	—	—	10,847
Financial liabilities				
Trade payables	—	—	753	753
Other payables	—	—	1,432	1,432
Provisions	—	—	64	64
Foreign exchange instruments	—	71	—	71
Contingent consideration	—	1,136	—	1,136
	—	1,207	2,249	3,456

Notes to the financial statements continued

20. Financial instruments continued**Fair values of financial assets and liabilities**

Year ended 31 December 2015	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
Financial assets				
Trade receivables	1,546	—	—	1,546
Accrued income	1,009	—	—	1,009
Cash and cash equivalents	4,666	—	—	4,666
	7,221	—	—	7,221
Financial liabilities				
Trade payables	—	—	436	436
Other payables	—	—	643	643
Provisions	—	—	43	43
Foreign exchange instrument	—	3	—	3
	—	3	1,122	1,125

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 2016 and 31 December 2015, the Group held a foreign exchange instrument that had been measured at fair value using Level 2 techniques.

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 2016, the Group had the following outstanding foreign currency forward contracts (2015: Liability £3,000):

As at 31 December 2016		Rate	Asset/ (liability)
Sell US\$400,000	18-Jan-17	£/US\$1.3298	(23)
Sell US\$400,000	01-Feb-17	£/US\$1.3302	(24)
Sell US\$400,000	15-Feb-17	£/US\$1.3304	(24)
Charge recognised within the Income Statement and (liability) recognised on the Balance Sheet			71/(71)

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. In general, all overseas operating units trade and hold assets and liabilities in their functional currency.

20. Financial instruments continued

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 2016 and 2015 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.

	Increase/decrease in exchange rates	Effect on profit before tax £'000
2016		
Euro	+20%	(53)
	-20%	79
Australian Dollar	+20%	(444)
	-20%	666
US Dollar	+20%	(347)
	-20%	520
Malaysian Ringgit	+20%	(36)
	-20%	54
Singapore Dollar	+20%	(10)
	-20%	16
	Increase/decrease in exchange rates	Effect on profit before tax £'000
2015		
Euro	+20%	(29)
	-20%	43
Australian Dollar	+20%	(233)
	-20%	350
US Dollar	+20%	(259)
	-20%	389
Malaysian Ringgit	+20%	(27)
	-20%	41
Singapore Dollar	+20%	(15)
	-20%	22

The Group has no material exposure to interest rate sensitivities, however in addition to the year end risk quantified we remain susceptible to the changes on foreign exchange rates on our future currency cash inflows and outflows which although are notable, are mitigated through the use of forward exchange contracts from time to time and are not anticipated to materially affect the earnings in the future periods.

21. Issued share capital

	Number	Nominal value £'000
Ordinary shares allotted, called up and fully paid		
At 1 January 2015	63,233,478	3,162
Exercise of share options (see note 22)	37,500	2
At 31 December 2015	63,270,978	3,164
Exercise of share options (see note 22)	350,000	18
Share issue	3,163,540	158
At 31 December 2016	66,784,518	3,340

Notes to the financial statements continued

21. Issued share capital continued

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

During the year ended 31 December 2016, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 350,000 (2015: 37,500) 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 2016 and 2015 there were outstanding options granted to acquire ordinary shares in the Company. See note 22 for further details.

On 10 October 2016, the group issued 3,163,540 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to the acquisition of C24 Technologies Limited (note 27). The shares were issued at a placing price of £1.05 pence raising £3,163,000, after expenses of £101,000.

There are no preference shares in issue (2015: none).

An explanation of the Group's capital management process and objectives is set out in the discussion of capital management on pages 19 to 21 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 May 2012 and February 2015. The schemes consist of:

- the Gresham Technologies plc Enterprise Management Incentive Plan 2010;
- the Gresham Technologies plc Unapproved Share Option Plan 2010; and
- the Gresham Technologies 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 2016, 29 participants held awards under this scheme (2015: 28).

22. Share-based payments continued

Share Option Schemes 2010 continued

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2016, including those noted in the Directors' Remuneration Report, are as follows:

Share Option Schemes 2010 (options)	2016 Number	WAEP (pence)	2015 Number	WAEP (pence)
Outstanding at 1 January 2016	5,620,500	64	4,198,000	47
Granted during the year	100,000	1	1,500,000	111
Forfeited during the year	(45,000)	69	(40,000)	96
Exercised during the year	(350,000)	54	(37,500)	28
Outstanding at 31 December 2016	5,325,500	65	5,620,500	64
Exercisable at 31 December 2016	3,725,500	46	3,690,500	41
Weighted average remaining contractual life (years)	5.80		6.70	

During the year 350,000 options were exercised during the period when the company share price was 98.5 pence and 116 pence.

No price is payable on award of share options.

Outstanding options and awards to subscribe for ordinary shares of 5 pence at 31 December 2016, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates, are as follows:

31 December 2016	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
Share Option Schemes 2010	2,317,500	31-Dec-10	0.2805	31-Dec-13	31-Dec-20	650,059
	38,000	05-Aug-11	0.5803	05-Aug-14	05-Aug-21	22,051
	750,000	06-Apr-12	0.6424	06-Apr-15	06-Apr-22	481,800
	100,000	23-May-12	0.6105	23-May-15	23-May-22	61,050
	90,000	15-Aug-12	0.6850	15-Aug-15	15-Aug-22	61,650
	380,000	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	365,940
	50,000	07-Oct-13	1.3230	07-Oct-16	07-Oct-23	66,150
	1,500,000	01-Jun-15	1.1057	01-Jun-18	01-Jun-25	1,658,580
	50,000	21-Jun-16	1.0945	21-Jun-19	21-Jun-26	54,725
	50,000	29-Nov-16	1.2434	29-Nov-19	29-Nov-26	62,172
	5,325,500					3,484,177

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2015, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates, are as follows:

31 December 2015	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
Share Option Schemes 2010	2,417,500	31-Dec-10	0.2805	31-Dec-13	31-Dec-20	678,109
	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
	380,000	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	365,940
	50,000	07-Oct-13	1.3230	07-Oct-16	07-Oct-23	66,150
	1,500,000	01-Jun-15	1.1057	01-Jun-18	01-Jun-25	1,658,580
	5,620,500					3,586,755

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

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.

Notes to the financial statements continued

22. Share-based payments continued**Share Option Schemes 2010** continued

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

	2016 grants	2015 grants	2013 grants	2012 grants	2011 grants	2010 grants
Vesting date	21 Jun to 29 Nov 19	1 Jun 18	1 Aug 16 to 7 Oct 16	6 Apr 15 to 15 Aug 15	5 Aug 14	31 Dec 13
Expiry date (number of years after grant)	10	10	10	10	10	10
Exercise price	£1.09–£1.24	£1.11	£0.96–£1.32	£0.61–£0.69	£0.58	£0.28
Share price at valuation	£1.00–£1.12	£1.01	£0.84–£1.16	£0.52–£0.58	£0.53	£0.26
Vested options' expected life	5.8 years	5.8 years	5.6 years	5.6 years	5.6 years	5.9 years
Volatility	20.0%⁽¹⁾	20.0% ⁽¹⁾	20.0% ⁽¹⁾	30.0% ⁽¹⁾	46.3% ⁽¹⁾	43.8% ⁽¹⁾
Dividend yield	0%	0%	0%	0%	0%	0%
Risk free rate	1.0%⁽²⁾	1.0% ⁽²⁾	1.0% ⁽²⁾	1.0% ⁽²⁾	2.7% ⁽²⁾	3.5% ⁽²⁾
Impact of continued employment conditions	30%⁽³⁾	30% ⁽³⁾	30% ⁽³⁾	30% ⁽³⁾	30% ⁽³⁾	30% ⁽³⁾

(1) Expected future volatility, based on historical analysis and trend

(2) Spot yield on valuation date of UK Government bonds with a comparable maturity date

(3) 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:

	2016 £'000	2015 £'000
Expense recognised in respect of share-based payments	117	110

23. Reserves**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 2016, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 350,000 (2015: 37,500) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

On 10 October 2016, the group issued 3,163,540 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to the acquisition of C24 Technologies Limited. The shares were issued at a placing price of £1.05 pence raising £3,163,000, after expenses of £101,000.

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.

23. Reserves continued

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.

Foreign 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

All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

24. Capital commitments

At 31 December 2016, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2015: £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

Key management compensation (including directors)

	31 December 2016 £'000	31 December 2015 £'000
Directors' emoluments		
Remuneration	524	457
Social security costs	68	59
Pension	18	16
Share based payments	75	36
	685	568

Details of Directors' compensation are included in the Directors' Remuneration Report.

There is no single party known that the Directors consider to be a controlling shareholder or ultimate parent undertaking. Refer to page 42 for details of all significant shareholders that the Company has been notified of.

The services of Mr 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 2016, the Company was charged £25,000 by Kestrel Partners LLP (2015: £30,000), none of which (2015: £nil) remained unpaid at the year end. The total value of transactions with Kestrel Partners LLP in respect of the provision of Mr M Royde's services is shown in the Directors' Remuneration Report.

27. Business combinations

Acquisition of C24 Technologies Limited

On 3 October 2016, the Company acquired 100% of the voting shares of C24 Technologies Limited, a niche financial markets software product business founded in 2000, specialising in standards-based financial messaging and integration solutions. C24 is focussed on writing adapters to help move data from common back office systems into a SWIFT format which is a standardised message language used by financial institutions to make bank transfers. C24 updates all adapters and interfaces if and when swift messages change.

Notes to the financial statements continued

27. Business combinations continued**Acquisition of C24 Technologies Limited** continued

The amounts recognised in respect of identifiable assets acquired and liabilities assumed are set out in the table below:

	Notes	Book value £'000	Adjustment £'000	Fair value £'000
Intangible assets				
Software	13	—	3,067	3,067
Customer relationships	13	—	866	866
Property, plant and equipment		—	—	—
Current assets		630	—	630
Assumed liabilities		(914)	—	(914)
Deferred tax		200	—	200
Total identifiable assets		(84)	—	4,024
Deferred tax on differences between fair values and tax bases		—	(680)	(680)
Goodwill	13	—	1,376	1,376
Total net assets/consideration		(84)	4,629	4,545
Satisfied as follows:				
Cash				3,409
Contingent consideration				1,136
Total purchase consideration				4,545
Analysis of cashflows on acquisitions:				
Net cash acquired with subsidiary				395
Cash paid				(3,409)
Net cash outflow				(3,014)
Fair value of consideration paid				
Cash				3,409
Contingent consideration due < 1 year				758
Contingent consideration due >1 year				378
Total consideration				4,545

The goodwill recognised above is attributable to intangible assets that cannot be individually separated and reliably measured from C24 Technologies Limited due to their nature. These items include the expected value of synergies and assembled workforce.

From the date of acquisition, C24 Technologies Limited has contributed £270,000 of revenue to the Group and operating profits £205,000. If the combination had taken place at the beginning of the year, the Group revenue would have been £855,000 and operating losses would have been £220,000.

Contingent consideration-C24 Technologies Limited

As part of the share sale and purchase agreement, contingent consideration of £1,136,000 has been agreed. This payment is subject to certain transition related objectives and forecasted customer contract renewals being achieved. The contingent consideration is payable in two tranches, one on the anniversary of the completion £758,000 and the second payable 18 months after completion £378,000.

28. Post balance sheet events

There were no post balance sheet events.

Company balance sheet

	Notes	31 December 2016 £'000	31 December 2015 £'000
Fixed assets			
Property, plant and equipment	5	12	22
Deferred tax asset	9	250	—
Investments	6	14,625	9,963
		14,887	9,985
Current assets			
Debtors	7	18,996	14,122
Cash at bank and in hand		2,241	2,431
		21,237	16,553
Creditors: amounts falling due within one year	8	11,167	6,908
Contingent consideration		758	—
Net current assets		9,312	9,645
Total assets less current liabilities		24,199	19,630
Contingent consideration due more than one year		378	—
Total assets less liabilities		23,821	19,630
Capital and reserves			
Called up share capital	10	3,340	3,164
Share premium account	11	3,242	9
Special reserve	11	313	313
Merger reserve	11	1,360	1,360
Profit and loss account	11	15,566	14,784
Shareholders' funds – equity interests	11	23,821	19,630

The company made a retained profit in the year of £782,000 (after a share based payment credit of £117,000).

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2017.

On behalf of the Board

Ian Manocha
13 March 2017

Rob Grubb
13 March 2017

Company statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2015		3,162	16,522	313	1,360	(1,636)	19,721
Exercise of share options	21	2	9	—	—	—	11
Share premium cancellation		—	(16,522)	—	—	16,522	—
Share-based payments expense	22	—	—	—	—	110	110
Retained loss for the year		—	—	—	—	(212)	(212)
At 31 December 2015		3,164	9	313	1,360	14,784	19,630
Exercise of share options	21	18	171	—	—	—	189
Share-based payments expense	22	—	—	—	—	117	117
Share issue proceeds	21	158	3,163	—	—	—	3,321
Share transaction costs		—	(101)	—	—	—	(101)
Retained profit for the year		—	—	—	—	665	665
At 31 December 2016		3,340	3,242	313	1,360	15,566	23,821

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

The Parent Company financial statements of Gresham Technologies plc (the "Company") have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework and as required by the Companies Act 2006.

The financial statements are prepared under the historical cost convention as modified for financial instruments that are measured at fair value and were approved for issue on 13 March 2017.

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 2016, the Company recorded a retained profit of £665,000 (2015: loss of £212,000).

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU-endorsed IFRSs;
- certain disclosures regarding the Company's capital;
- a statement of cashflows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the Gresham Technologies plc Group.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements. These financial statements do not include certain disclosures in respect of:

- share-based payments;
- business combinations;
- assets held for sale and discontinued operations;
- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value); and
- impairment of assets.

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 cashflows (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.

Notes to the Company financial statements continued

1. Accounting policies continued

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

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.

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 101 from disclosing related party transactions with entities that are wholly owned subsidiary undertakings of the Gresham Technologies 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 lease term and the period to the next rent review.

1. Accounting policies *continued*

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. Auditor's remuneration

The figures within the auditors' remuneration note in the Gresham consolidated financial statements include fees charged by the Company's auditors to Gresham Technologies plc in respect of audit and non-audit services. As such, no separate disclosure has been given above.

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 33 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 will be proposed for approval at the AGM (2015: none).

Notes to the Company financial statements continued

5. Property, plant and equipment

	31 December 2016 Total £'000	31 December 2015 Total £'000
Cost		
At 1 January	31	—
Additions	—	31
Disposals	—	—
Exchange adjustment	—	—
At 31 December	31	31
Depreciation and impairment		
At 1 January	(9)	—
Charge for year	(10)	(9)
Disposals	—	—
Exchange adjustment	—	—
At 31 December	(19)	(9)
Net carrying amount		
At 31 December	12	22
At 1 January	22	—

All fixed assets relate to fixtures and fittings.

6. Investments

	Subsidiaries 2016 £'000	Subsidiaries 2015 £'000
Cost		
At 1 January	23,555	23,006
Disposal of subsidiary	—	—
Acquisitions	4,545	—
Capital contribution - additional investment	—	25
Capital contribution - capitalisation of inter-company debt	—	414
Capital contribution - share-based payments	117	110
At 31 December	28,217	23,555
Impairment provisions		
At 1 January	13,592	13,592
Disposal of subsidiary	—	—
Impairment charge	—	—
At 31 December	13,592	13,592
Net book value		
At 31 December	14,625	9,963

6. Investments continued

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	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Financial Systems Limited	Aldermay House, London, England	Ordinary	100%	Software solutions
C24 Technologies Limited ⁽⁵⁾	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Computing Pty Limited ⁽³⁾	Level 6, Pacific highway, North Sydney, Australia	Ordinary	100%	Software solutions
Gresham Computing Sdn Bhd ⁽¹⁾	Level 7, Menara Milenium, Jalan Damanlela, Malaysia	Ordinary	100%	Software solutions
Gresham Computing Pte. Limited	138 Cecil Street, Cecil Court, Singapore	Ordinary	100%	Software solutions
Gresham Computing Inc ^(1,3)	40 Wall Street, New York, USA	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc ⁽³⁾	40 Wall Street, New York, USA	Ordinary	100%	Software solutions
GMS Loan Technologies Limited ⁽⁶⁾	Aldermay House, London, England	Ordinary	50%	Software solutions
Gresham Consultancy Services Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Tech Limited ^(2,4)	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Telecomputing Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Circa Business Systems Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Cheerkeep Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant

(1) held by a subsidiary undertaking

(2) subsidiary exempt from UK audit under section 480a of the Companies Act 2006

(3) subsidiary has no requirement for a local statutory audit

(4) name changed from Gresham Technologies Limited on 16 November 2016

(5) acquired October 2016

(6) incorporated December 2016, dormant until 1 January 2017

In December 2016 Gresham established a newly formed Company GMS Loan Technologies Limited in partnership with an existing customer partner to exploit the Group's Clareti Loan Control technology developed in 2016 in conjunction with this partner. The arrangement is a joint venture, with both parties holding an equal legal interest and exercising joint control. GMS Loan Technologies Limited did not trade in the year ended 31 December 2016 (2015: no trade) and is expected to begin its commercial activities in January 2017.

The following wholly owned subsidiaries were dissolved during the year ended 31 December 2015 following an application by the Company to strike off voluntarily:

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

7. Debtors

	2016 £'000	2015 £'000
Amounts owed by subsidiary undertakings	18,931	14,078
VAT receivable	54	36
Prepayments and accrued income	11	8
	18,996	14,122

Notes to the Company financial statements continued

8. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Amounts owed to subsidiary undertakings	10,715	6,732
Trade creditors	171	175
Other creditors and accruals	210	1
Financial liability	71	—
	11,167	6,908

Other creditors represent one loan of £180,000 and its associated interest of £29,000 which is outstanding consideration on the acquisition of C24 Technologies Limited.

Contingent consideration in relation to C24 Technologies Limited Acquisition

	2016 £'000	2015 £'000
Amounts due within one year	758	—
Amounts due greater than one year	378	—
	1,136	—

9. Deferred tax

The Company has a recognised deferred tax asset as follows:

Recognised deferred tax asset is as follows:

	2016 £'000	2015 £'000
As at 1 January 2016	—	—
Movement in the period within the profit and loss account	250	—
As at 31 December	250	—
Comprising:		
Temporary timing differences	206	—
Tax losses	44	—
	250	—
Unrecognised deferred tax asset:	2016 £'000	2015 £'000
Share-based payments	—	171
Tax losses	—	110
	—	281

10. Issued share capital

Ordinary shares allotted, called up and fully paid	Number	Nominal value £'000
At 1 January 2015	63,233,478	3,162
Exercise of share options (see note 22)	37,500	2
At 31 December 2015	63,270,978	3,164
Exercise of share options (see note 22)	350,000	18
Share issue	3,163,540	158
At 31 December 2016	66,784,518	3,340

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

During the year ended 31 December 2016, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 350,000 (2015: 37,500) 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 2016 and 2015 there were outstanding options granted to acquire ordinary shares in the Company. See note 22 for further details.

On 10 October 2016, the group issued 3,163,540 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to the acquisition of C24 Technologies Limited (note 27). The shares were issued at a placing price of £1.05 pence raising £3,163,000, after expenses of £101,000.

There are no preference shares in issue (2015: none).

11. Reserves

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 2016, share options granted under the 2010 Share Option Schemes were exercised and the Group issued 350,000 (2015: 37,500) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

On 10 October 2016, the group issued 3,163,540 new ordinary shares (ranking pari passu with existing shares in issue) via a placing to institutional shareholders to contribute to the acquisition of C24 Technologies Limited (note 27). The shares were issued at a placing price of £1.05 pence raising £3,163,000, after expenses of £101,000.

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.

Merger Reserve

The merger reserve arose on issue of shares in respect of acquisitions and mergers in the period 1992 to 1999.

Retained earnings

All other net gains and losses and transactions with owners (e.g dividends) not recognised elsewhere.

Notes to the Company financial statements continued

12. Obligations under leases**Operating lease agreements where the Company is lessee**

The Company has entered into commercial leases on certain properties that have an average minimum duration of between one and five 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 2016 £'000	Other 2016 £'000	Total 2016 £'000	Land and buildings 2015 £'000	Other 2015 £'000	Total 2015 £'000
Not later than one year	232	—	232	222	—	222
After one but not more than five years	110	—	110	172	—	172
	342	—	342	394	—	394

Operating lease agreements where the Company is lessor

The Company has no lease arrangements where it is lessor.

13. Capital commitments

At 31 December 2016, Company amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2015: £nil).

14. Contingent liabilities

In the normal course of business, the Company has issued general guarantees in respect of the contractual obligations of certain subsidiary undertakings. The Company has assessed the risk of defaults by subsidiary undertakings and should Gresham Technologies plc have to assume the debt and make settlement, the appropriate provisioning would be provided for within the Company.

15. 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.

16. Related party transactions

The Company is exempt from disclosing transactions within the wholly owned subsidiaries in the group. Other related party transactions are included within those given in note 26 of the consolidated financial statements.

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