Gresham Technologies plc

Annual Financial Report 2018

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

Strategic Report

Corporate Governance

Financial Statements

Highlights

Group revenues

£20.0m -8%

Clareti revenues

£11.8m +6%

Clareti annualised recurring revenues

£7.4m +30%

Adjusted EBITDA

£1.1m -78%

Adjusted diluted EPS

(0.5)p -108%

Net cash and financial assets

£5.6m –34%

Financial

- Group revenues down 8% to £20.0m (2017: £21.7m) including discontinued operations (statutory: down 7% to £19.3m).
- Clareti revenues up 6% to £11.8m (2017: £11.1m), including £0.7m from B2 Group.
- Clareti software revenues down 3% to £7.9m (2017: £8.2m).
- Clareti Annualised Recurring Revenues ("ARR") as at 31 December 2018 up 30% to £7.4m (2017: £5.7m).
- Other revenues as planned and consistent year on year.
- Adjusted EBITDA[1] down 78% to £1.1m (2017: £5.1m).
- Statutory (loss)/profit before tax as reported down 137% to (£1.4)m (2017: £3.8m).
- Adjusted diluted earnings per share[2] down 108% to (0.5) pence (2017: 6.5 pence) including discontinued operations (statutory: down 138% to (2.1) pence).
- Cash (including deposits and restricted cash) at 31 December 2018 of £5.6m and no debt (2017: £8.5m and no debt).
- Final dividend proposed at 0.5 pence per share (2017: 0.5 pence).

Operational

- Continued investment in 2018 to increase sales and distribution capacity.
- 15 new Clareti clients added in 2018, including a further Tier 1 global bank.
- B2 Group acquired in July 2018, adding cloud-based cash management technology and 15 clients to the Group.
- Queen's Award for Enterprise: International Trade awarded in recognition of outstanding overseas growth and sales.
- Strategic fintech partnership announced with Australia and New Zealand Banking Group.
- Management confident about the prospects for the Group.

1 Earnings before interest, tax, depreciation and amortisation, adjusted to add back share-based payment charges and exceptional items (see note 10 of the Group Financial Statements).

2 Diluted earnings per share, adjusted to add back share-based payment charges, exceptional items and amortisation from acquired intangible assets.

Strategy
page 12

Key performance indicators
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At a glance

What we offer

We are a market-leading provider of real-time data integrity and control solutions. Our innovative software solutions are used by financial institutions globally to address their most complex data problems.

Built from the ground up with flexibility and scalability in mind, our award-winning Clareti platform provides a robust control framework to manage enterprise data integrity problems such as accuracy, completeness and timeliness, as well as enabling rapid deployment of enterprise controls.

THE QUEEN'S AWARDS FOR ENTERPRISE 2018

The Queen's Award for Enterprise: International Trade 2018

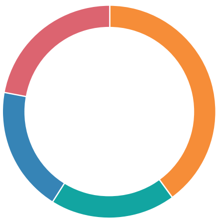
Our successful international expansion over the last three years has earned us Britain's most coveted business accolade for overseas growth.

Where we operate

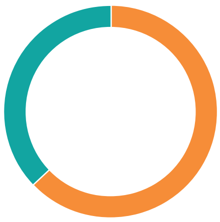
We have a global client base, served locally from offices in the UK, Europe, North America and Asia Pacific.

9	130+	100+
Offices	**Employees**	**Clareti customers**

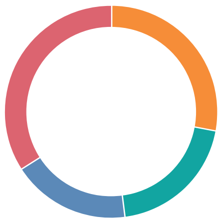
Group revenue by segment



Clareti revenue by market



Clareti revenue by geography



Business model page 8

Markets page 10

Continued progress towards strategic objectives

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2018 is made up of a great many team and individual successes. I would like to thank all staff for their continued support and resolve to achieve success in our pursuit of market leadership.

Dear shareholder

I am pleased to present this Annual Financial Report 2018, which records continued progress in pursuit of the Group's strategic goal to build a high-margin, recurring revenue base through the sale and deployment of enterprise data integrity solutions utilising the Clareti platform.

Overview

In the year, Gresham continued to build upon the previously stated strategic objectives (see Strategy, page 12). Market conditions continue to be challenged by geopolitical factors which are well documented.

However, despite these factors weighing heavily on our clients' investment decisions, the demand for better management and transparency over data is ever increasing. The volume and complexity of data flows and the demand for accurate control and reporting over these flows is a matter of concern for company boards and regulators alike. The effective use of technology provides the only viable means to address this need. Clareti Transaction Control ("CTC"), our flagship product built on the Clareti platform, is directly focused on this demand and is being increasingly selected as a strategic solution for data integrity and control, displacing both in-house and third party vendor solutions.

Group financial performance for the year fell below expectations due principally to two significant contract awards slipping from Q4 2018, one of which is now concluded with the other expected to close shortly. Whilst this was clearly disappointing and resulted in the Group recording an operating loss in the year, the Board remains confident in the strength of the underlying business and the Group's prospects. Indeed, key Clareti metrics in the year were still positive. Financial details can be found in the CFO report on page 18.

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, with appropriate prudence, is essential. We continue to invest in the Clareti platform, commensurate with client demand, but also to embark upon co-development activities with a small number of strategic clients. Where appropriate, we will invest further in sales, marketing and implementation resources based on market demand and focused on high-growth markets, specifically the US and Europe.

The acquisition of the B2 Group in July 2018 was a major investment in the year and has now been successfully integrated into the Group. This acquisition adds significant capabilities and expertise to our cash management and payments business, contributes to our Clareti recurring revenue base and grows our footprint in continental Europe. The Board will continue to consider appropriate acquisition opportunities as they arise.

Shareholder value

Our share price has continued to experience a degree of volatility in the year. The two delayed contracts reported in our December trading update predicated a sharp downturn in the share price, which has since experienced some improvement following recent announcement of awards. It is the Board's belief that its determination to increase recurring revenue as a percentage of total revenue – having a smoothing effect on revenue flow – will help to mitigate against this volatility.

In light of the Company's continued good underlying performance, I am pleased to confirm that the Company will maintain the payment of a progressive dividend. In respect of financial year 2018, the Board is proposing a final dividend of 0.5 pence per share for shareholder approval at the forthcoming Annual General Meeting.

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

In summary

The demand for technology solutions to manage and report on complex data flows and other data control issues continues to increase. The Clareti platform is a leader in the market to satisfy this increasing demand. The role that Clareti solutions are playing in addressing operations in our client base is increasing in scope and criticality. Our technology is strategically important to a number of major institutions, operating globally. We are well positioned to expand our presence within these accounts and for these successes to broaden our capability to fuel future growth.

With our continued investment in the Clareti portfolio and sales and marketing, I anticipate further improvement in our market position. In addition, we will increase our focus on growing our recurring revenue base, thereby delivering a more predictable financial performance – one which is less dependent on the timing of individual transactions.

2018 has been a challenging yet 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 enterprise data integrity and control.

Ken Archer
Non-Executive Chairman
11 March 2019

Our culture

We seek excellence in everything we do and we create a culture to foster and support this.

- Customers and colleagues must feel that working with Gresham is awesome.
- We deliver a high quality customer centric experience that delights.
- We seek to hire and develop brilliant people.
- Our products, processes and services will be the best in the industry.
- Our office environment is flexible, open plan, collaborative and fun.
- Our organisation is flat which empowers people to be agile and flexible.
- We work on a range of cutting edge technologies and methodologies.
- We share a passion for new technology and are inspired to explore new ideas.

Sustainability page 22

CEO's statement

Over 100 Clareti customers globally

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We are focusing our sales efforts into two market categories: **data integrity and control** solutions, in banking, investment management, insurance, energy and commodities sector; and **cash management and payments** solutions, for corporate banking, insurers, wealth managers and complex multi-nationals.

Dear shareholder

Strategic overview

Over the last five years or so, Gresham has transformed into an innovative provider of enterprise financial technology to many of the world's largest financial institutions and corporates. The Clareti software business is rapidly overtaking a mixed portfolio of legacy IT businesses which have been in structural decline for a number of years. The recent disposal of our declining VME business, which provided a revenue stream to Gresham for nearly four decades, reaffirms our confidence in and commitment to our Clareti-led growth strategy.

From the first Clareti Transaction Control customer going live in 2012, the Clareti business now accounts for more than 50% of Group revenues and more than 75% of Group annualised recurring revenues. Since 2016, Clareti organic growth has been enhanced by carefully selected acquisitions, which have added recurring revenue, high quality customers, and complementary technology with incremental growth potential. The Group now has over 100 Clareti customers in selected markets around the world.

We will continue to invest, in a sustainable manner, through the current scale-up phase to capitalise on the global opportunity to replace ageing installations of competitor products with our modern disruptive solutions. Given the significant addressable market and the inherent stickiness of core banking and trading systems, Clareti has the potential to evolve into a substantial financial technology business. Our ongoing investment in Clareti is building the foundations for sustained, profitable, growth for the Group and long-term value for shareholders.

Clareti business

During 2018, we won a total of 15 new Clareti clients in the USA, the UK, continental Europe and Singapore. In addition, it was pleasing to see a number of clients investing further in the technology following the success of earlier projects. With new wins, growth from existing accounts during the year, high levels of customer retention and the addition of annuities acquired with the acquisition of the B2 Group, we exited the year with a much stronger base of recurring revenues (up 30%).

Our Clareti platform is inherently flexible and can be used to solve a variety of data problems. We are focusing our sales efforts into two market categories: data integrity and control solutions, in banking, investment management, insurance, energy and commodities sector; and cash management and payments solutions, for corporate banking, insurers, wealth managers and complex multi-nationals. Specific licence or service products for these markets draw upon the underlying technical capabilities of the Clareti platform, which continues to expand in functionality.

Data integrity and control

In data integrity and control, we already have strong traction in modernising the post-trade operations of capital markets participants. In line with my statements in last year's report that Gresham is regarded as the emerging champion in enterprise-scale reconciliation software for capital markets, we are now routinely included in vendor selections for replacements as well as new requirements. After competitive evaluations, we signed one of the largest private investment managers in the USA with $1Trillion in assets under management ("AUM") as well as a top 10 hedge fund in Europe with around $20bn AUM. During the year, two of the world's largest investment banks independently conducted robust tender processes to replace their legacy global cash and stock reconciliation systems and in December we were delighted to be selected for both projects. Our expectation had been to recognise term licence revenue before year end, but this was not possible. One of the contracts was signed in January 2019 and the other, which was conditionally signed on 31 December 2018, is expected to become non-contingent shortly. Together, the contracts will generate in excess of £7 million in software fees over their respective terms. These wins are regarded as landmark decisions for an industry that has lived with a vendor duopoly for nearly two decades and we believe there is opportunity for others to follow suit over the next few years.

In 2018, we also made progress in extending the use of the Clareti platform into the "RegTech" arena with the signing of a global investment bank for G20 reporting data controls. In addition, we worked with one of North America's largest investment banks on regulatory product enhancements, which has resulted in new functionality to improve the quality of transaction data used for regulatory purposes. This offering is now in production with the bank and the software is now available for sale to other institutions alongside, or separate to, our core reconciliation offering. The regulatory opportunity in financial markets is compelling and we believe our platform offers unique capabilities for market participants and solution providers, as evidenced by our recent announcement of a strategic partnership with RegTek.Solutions.

Cash management and payments

In the cash management and payments space, we believe there is a growing market for corporate cash management and payment control solutions that take advantage of real-time processing, open banking and API's, at a time where global liquidity is a key focus for large organisations. We made excellent progress in this area this year.

We were delighted to announce the acquisition of the B2 Group on 4 July 2018, which added cloud-based bank integration technology and a further 15 customers into the Group. This includes customers such as Easyjet, who benefit from a one-stop-shop cash management portal accessed over the web or mobile providing integration, automation and payment control across multiple banks. B2 was rapidly integrated into the Group and now operates as Gresham's Cash Management Solutions division. The business added four customers in the second half of 2018, including a high-profile German challenger bank and a Luxembourg-based bitcoin exchange.

More widely, we signed one of the world's leading physical cash security providers to control their current business and support expansion into digital services. We also announced a major fintech partnership with ANZ to bring to market the next generation of cash solutions for their institutional and business customers. These projects are building new capabilities and, combined with capabilities within CTC, C24, Clareti Accounts Receivable Management and Clareti Multi Bank, we are able to present a compelling future vision for corporates and banking providers.

Non-Clareti business

Our non-Clareti software businesses (including Cashfac VBT, Wall Street Systems, VME and EDT) remain in structural decline and were down 32%, in line with our plans. Revenues are expected to remain stable in 2019, with exception of the VME business which was divested to Fujitsu effective 31 January 2019 for a consideration of £2 million (representing approximately 2.8 times 2018 revenues). We still expect the remaining businesses to run off in the medium term and are subject to ongoing review.

The Group's Australian IT services contracting business with ANZ finished the year 14% lower than the prior year as a result of reduced customer requirements for contractors. Nevertheless, we exited the year with a strong order book and expect to see modest growth in 2019. Whilst we intend to retain this business in order to continue to service this important customer, the margins remain low and we have no plans to pro-actively grow it.

Outlook and Brexit

The uncertainty relating to the UK withdrawal from the EU continues to be a significant concern to our financial markets customers and, during 2018, many have been distracted as they prepare for alternative operating models. On a positive note, structural change in financial markets often generates new regulatory and data management challenges that our flexible software is well placed to address. Whilst we expect continuity in our software sales activities, it is also important for us to be able to move our professional services consultants freely across borders to support software implementation work for customers. Despite the current lack of clarity on trading arrangements post Brexit, our pro-active step to acquire B2, with its main operations and cloud data centre in Luxembourg, gives us a range of options for the future.

Despite these challenges, we benefit from strong tailwinds in terms of the market dynamics, including: a drive by institutions to replace costly legacy systems; increasing regulatory data challenges; the importance of managing cash in uncertain times; the promise of intelligent process automation. Our energies are fully focused on helping our customers through these challenges.

We are confident our strategy is on track 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
11 March 2019

Innovative software solutions

Our business model is to earn high-margin, recurring revenues by providing innovative software solutions to financial institutions for cash management and data integrity and control.

Our strengths

MARKET

Financial institutions are subject to increasingly rigorous and complex data control and processing requirements. This has created a global addressable market of well-funded participants for technology that can be used to address such problems.

Markets
page 10

INNOVATIVE TECHNOLOGY

Our software is built on modern architecture using agile methodologies and latest technologies, allowing us to rapidly address existing and emerging market requirements. Our commitment to ongoing innovation provides competitive differentiation.

Technology
page 11

TALENT

Our exceptional pool of talent within the business incorporates a vital blend of early career talent and seasoned industry practitioners. We are committed to a culture of excellence and challenge ourselves to be an awesome place to work.

Sustainability
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Our business

DISTRIBUTION CHANNELS

Our global team of sales professionals sells directly to customers in our chosen markets of cash management and data integrity and control, principally in the UK, Europe and North America. In addition, our bank and technology partners provide indirect sales channels. We are developing a global alliances network with like-minded firms to build distribution capacity. Our sales activities are supported by a global marketing team based primarily in London, UK.

CHARGING MODEL

Our preferred charging model is to license Clareti applications on a subscription basis, combining licensing with 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 limited by scope of use and volume limitations, providing opportunity for additional fees for higher usage or new use cases.

DEPLOYMENT

Customer deployments are conducted and supported by our customer success team, which is made up of experienced professional services consultants and specialist support technicians. Professional services are typically charged on a time and materials basis or at a fixed fee for a fixed scope of works. We support on-premise deployment and also offer a fully hosted Clareti service. Bank-grade 24/7 support is provided from our global hubs in the UK and Australia, with current plans to build a hub in North America.

OPERATIONS

We manage our business functions on a global basis from our London headquarters. This includes sales, marketing, professional services, customer support, cyber and information security, IT systems, finance, HR and legal. Our business processes are implemented through centralised systems, which are designed to support fast-paced, entrepreneurial decision making within an appropriate control framework.

Creating value

FOR INVESTORS

The model is designed to create long-term shareholder value based on high levels of recurring revenues and sustained growth. A progressive dividend policy was initiated in 2018 providing further shareholder returns.

94%

Total shareholder return achieved in the five years to 31 December 2018

FOR CUSTOMERS

Our solutions give customers control and certainty over their data in an increasingly complex and regulated environment. Our model enables us to maintain the value proposition and competitiveness of our solutions.

100+

Total Clareti customers

FOR EMPLOYEES

Our employees have the opportunity to be part of a fast-paced, entrepreneurial business, where individuals are valued, career aspirations can be fulfilled, and corporate success is shared through an all-staff share scheme.

130+

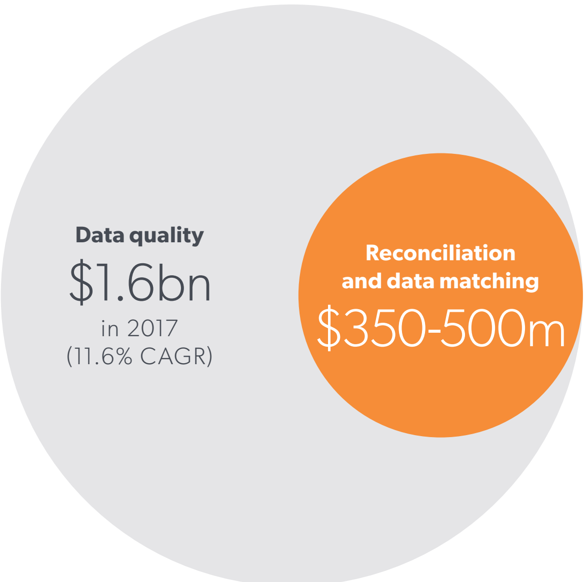
Total employees

Significant market opportunity

We are focusing our sales efforts into two market categories: data integrity and control and cash management and payments.

Data integrity and control

We estimate the external spend on core reconciliation and data control software in financial markets to be valued at between $350m and $500m per annum. The market for reconciliation and data matching is dominated by two vendors with ageing technology, which makes them costly, difficult to use and inflexible. Our strategy to attack this core market is to win new use cases, prove the value of our solutions, expand in the account and ultimately replace those legacy systems. Our focus is on the larger financial institutions in capital markets, as well as on insurance broking, energy and commodities trading operators in the larger regional markets of North America, UK and Europe. The size of this core market is expanding steadily as institutions, driven by financial, risk and compliance reasons, implement ever more granular operational checks and controls across their businesses.



Sources:
Gartner, Data Quality Tools, 2017
Adox, Reconciliations Survey 2018
Technavio, EDM market, 2018
Gresham Management Estimates, 2016–2018

Beyond core reconciliation and matching is a broader opportunity in transaction data integrity and control, which in turn sits within the wider $1Bn+ data quality tools market. Our plan is to secure a leadership market share of greater than 30% within the core market, and, in parallel, to expand our addressable market by addressing systemic data quality problems in trading data and regulatory reporting flows, as well as providing capabilities to tackle the endemic 'dirty data' issues that are significantly hindering the ability of financial institutions to manage their vast data lakes.

Cash management and payments

Over the last few years, we have successfully deployed our CTC matching technology to problems such as account receivables, and our C24 financial messaging technology to integration and control problems in banks and corporates. Our dialogue with customers, supported by external data such as the 2018 Ovum Corporate Treasurer Survey, confirms that organisations are investing to better manage their global liquidity in an increasingly uncertain economic environment. Corporates and many financial market participants have difficulty obtaining up to date cash positions and need to control payments in real-time, accurately forecast requirements, manage FX and credit, whilst managing multiple bank relationships.

This is a highly fragmented market addressed by many accounting, trading, payments and treasury system vendors, as well as by in-house or bank provided applications. We see an opportunity to provide packaged connectivity and integration solutions along with value added applications in areas such as dashboards, for cash visibility and forecasting, and the ability to manage and control payables and receivables across multiple accounts. The addition of cloud based multi-bank integration technology from the acquisition of B2 Group brings core capability and furthers our ambitions in this area. Our focus for 2019 will be to go direct to market in Europe and the US, leading with Clareti Multi-Bank. In Australia, we will pilot new solutions working with ANZ as our bank channel partner.

Market-leading solutions

Clareti solutions are designed and developed at our Innovation Labs in Bristol, UK. We exploit the latest advances in technology to build innovative and scalable solutions.

Clareti

Clareti is a purpose-built, highly flexible and fully scalable platform for enterprise data integrity and control. Using Clareti, we have built a number of individual applications designed to address specific industry problems, providing enhanced value and greater marketability. The flexibility and scalability of Clareti enable 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.

Clareti processes billions of transactions annually and is used by thousands of end customers on a daily basis. Processing data in that volume and velocity whilst dealing with its veracity and variety requires a truly exceptional set of capabilities that Clareti is unique in delivering.

Development philosophy

We adopt an agile development strategy and we operate a continuous programme of enhancements to delight our customers and maintain competitive differentiation, delivered from our Innovation Labs in Bristol.

Whilst Java remains the dominant development language for the platform and solutions, we seek to take advantage of new languages and capabilities in the wider technology industry. In 2018, we adopted the Clojure language for some elements of the portfolio and we expect to see wider use of Clojure in 2019. This adoption should deliver both productivity and quality improvements. At a higher level, in 2018 we commenced usage of Kubernetes, originally from Google, to deliver high availability and scalability, Kafka, originally from LinkedIn, for high-performance data streaming and a set of technologies from Netflix for micro-services. We make effective use of open-source software for commodity components, preserving our own development bandwidth for our own innovations.

Co-innovation

Our focus on co-innovation with customers continued throughout 2018 with customers and partners intimately involved throughout the entire product development lifecycle, from initial problem statement through to a working solution. Our most exciting releases were those jointly developed with forward-thinking customers and we see this trend continuing in 2019.

Machine learning and robotics

We continue to invest in our own industry research. Notable research projects this year were in:

- natural language augmentation to the CTC User Interface; for example: "Alexa, how many equities exceptions do I have today?";
- research into machine learning of CTC configuration; and
- investigation into data streaming technologies.

Some of this research will be turned into product capabilities in 2019 and all of it serves to inform our technical decision-making processes.

Investment priorities

We are strengthening our core reconciliation capabilities for "Nostro and Depot" reconciliations, to help us capitalise on the market opportunity to replace inefficient and expensive legacy solutions. We also expect to deliver further data quality management capabilities, with both new functionality and adoption of big data technologies for Clareti platform components.

Investment in the core Clareti platform continues, with a growing set of platform services available to all Clareti products. For example, the platform now provides rich inbound and outbound integration capabilities that are used by both Clareti Transaction Control and Clareti Multi-Bank. This trend of Clareti solutions sharing underlying technology provided by the Clareti platform will continue in 2019.

Route to long-term success

Our vision is to give financial institutions confidence in their data and certainty in their transaction processing. Our strategic plan is designed to drive profitable growth and create long-term shareholder value.

1

Build a high-margin, recurring revenue stream based on Clareti software and cloud services.

KEY ACHIEVEMENTS IN 2018

Our sales and marketing efforts remained fully focused on Clareti solutions. Whilst Clareti revenue growth was lower than planned, Clareti recurring revenues and closing Clareti annualised recurring revenues both increased. See KPIs on page 14 for details.

KEY PRIORITIES FOR 2019

Further to our transition away from perpetual licences to term licences in 2016, we are now accelerating our transition from term licence sales to subscription in order to prioritise recurring revenue growth and strengthen our visibility of revenues, which in turn will enable us to manage investments and deliver growth more effectively over the long term.

2

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

KEY ACHIEVEMENTS IN 2018

We acquired B2 Group, which contributes £1.1m of recurring revenues and increases our addressable market in cash management and payments integration. The acquisition adds 15 new clients to our portfolio, which extends our footprint in continental Europe, as well as a dedicated EU-based office in Luxembourg.

KEY PRIORITIES FOR 2019

Whilst we will continue to pursue appropriate acquisition opportunities, our priority is to deliver significant organic Clareti growth in all of our core regions and ensure that we grow our global footprint and successfully deliver valuable solutions to our customers.

3

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

KEY ACHIEVEMENTS IN 2018

We have refined our brand image and made significant investments in digital assets such as product videos and white papers.

Our ranking in the Chartis Global RiskTech100 has improved for the fourth consecutive year to position 35. We have also been placed for the first time in the RegTech100 list.

KEY PRIORITIES FOR 2019

We will continue to develop our messaging, brand strategy and execution to increase our profile in data integrity and control and cash management markets.

Our successful Executive Series will be expanded to nurture customer and prospect engagement and help build a leadership position of unique research and market insight content.

4

Focus our product investment on Clareti Solutions to promote Clareti sales.

KEY ACHIEVEMENTS IN 2018

In line with our development philosophy, our Innovation Labs delivered multiple new Clareti releases, including both incremental capabilities and new features, all designed to enhance the value proposition of our Clareti solutions in our chosen markets.

KEY PRIORITIES FOR 2019

We will release new product features that enhance our ability to win and deliver major new opportunities, including legacy replacement deals. We are developing new product marketing strategies to maximise our return on investment whilst delivering optimal value to customers.

5

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

KEY ACHIEVEMENTS IN 2018

Our declining non-Clareti revenues from legacy and/or partner software products have been managed effectively and with limited overheads. The revenues from our contracting business in Australia were down 13% but, despite being low margin, the advance payment terms ensure a useful contribution to Gresham's working capital.

KEY PRIORITIES FOR 2019

The performance of the non-Clareti business remains largely outside of our control and we continually review the viability of the various components and the associated business risks, including accelerated run-off. In early 2019, we disposed of our VME business to Fujitsu for £2m, which will be used to support the Clareti business.

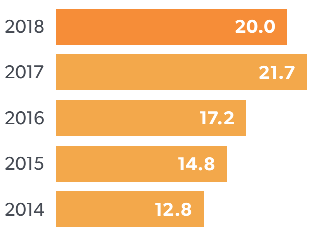
Measuring our progress

The following key performance indicators ("KPIs") have been selected as the most appropriate measures of strategy execution for the Group. Performance of these KPIs has been discussed within the Chairman's Statement, CEO's Statement and Financial Review.

FINANCIAL

Group revenues[1]

£20.0m -8%



Link to strategy

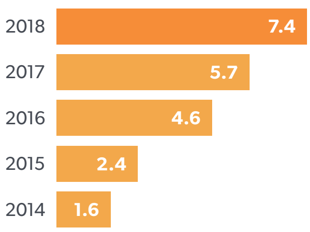
1 2 3 4 5

Description Total revenue generated and recognised in the year from all operations, including Clareti solutions and Other Solutions and any exceptional revenues. This includes £0.7m from B2.

Why is it a KPI? Measures the Group's overall performance at revenue level, which is an indicator of the Group's overall size and complexity.

Clareti annualised recurring revenues

£7.4m +30%



Link to strategy

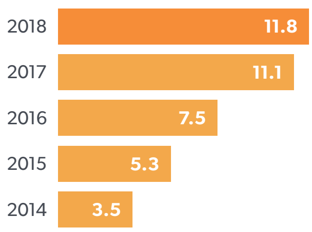
1 2 3 4 5

Description Aggregate value of all recurring revenues from Clareti solutions that are either fully or partially contracted for the next twelve months and/or are highly expected to renew in the next twelve months. The value stated is given as at 31 December 2018. Includes £1.1m from B2.

Why is it a KPI? Provides a forward-looking view of the minimum expected Clareti revenues in the next twelve months, which gives confidence to business planning and investment decisions.

Clareti revenues

£11.8m +6%



Link to strategy

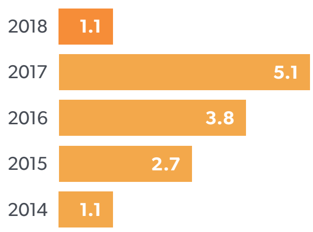
1 2 3 4 5

Description Total revenue generated and recognised in the year from Clareti solutions. This includes £0.7m from B2.

Why is it a KPI? Measures the Group's success in winning and retaining Clareti revenues, which is an indicator of the Group's progress in its Clareti-led strategy.

Adjusted EBITDA[1][2]

£1.1m -78%



Link to strategy

1 2 3 4 5

Description Group earnings before interest, tax, depreciation and amortisation and further adjusted for share-based payment charges and exceptional items.

Why is it a KPI? Key measure of the Group's effectiveness in converting revenue to earnings, excluding the effects of certain non-operational and/or exceptional transactions.

(1) All KPI data are inclusive of discontinued operations.

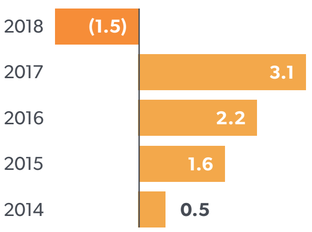
(2) The adjustments to earnings per share and EBITDA have been provided in order to present the underlying performance of the business on a comparable basis (see note 10).

STRATEGY

1. Build a high-margin, recurring revenue stream based on Clareti software and cloud services.
2. Create a valuable, global, enterprise financial technology business through Clareti-led growth and carefully selected acquisitions.
3. Establish Clareti as the enterprise data integrity platform "category leader".

(Loss)/profit before tax

£(1.5)m **-150%**



Link to strategy

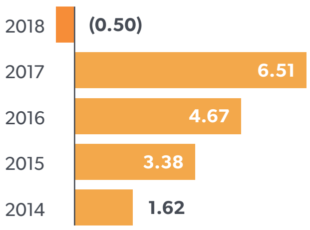
1 2 3 4 5

Description Group earnings before tax as mandated by statutory reporting requirements.

Why is it a KPI? Provides a measure of Group profitability, taking everything except tax into account. This measure aligns closely with free cash flow generation.

Adjusted diluted earnings per share(1)(2)

(0.50)p **-108%**



Link to strategy

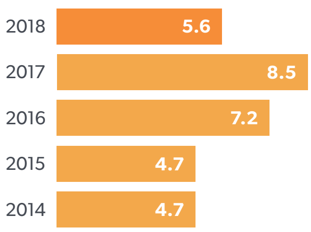
1 2 3 4 5

Description Earnings per individual share, taking into account changes in capital structure and issued equity on a fully diluted basis, adjusted for share-based payment charges, exceptional items and amortisation from acquired intangible assets.

Why is it a KPI? Measure of Group profitability that identifies performance on a per share metric and enables comparisons against other companies.

Net cash and financial assets

£5.6m **-34%**



Link to strategy

1 2 3 4 5

Description Aggregate net cash balance (including financial assets) as at 31 December 2018 including bank deposits after operational, investing and financing activities during the financial year. This includes the following payments: €3.35m for B2 initial consideration; £0.4m for C24 final consideration; and maiden dividend of £0.3m.

Why is it a KPI? Provides a measure of the Group's financial strength and self-sufficiency to support operations, make investments and withstand unexpected headwinds.

NON-FINANCIAL

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 billing days, consultant utilisation, net promoter scores and staff satisfaction survey results. 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.

4 Focus our product investment on Clareti solutions to promote Clareti sales.

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

Principal risks and uncertainties

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 page 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
Winning new Clareti business is central to our strategic growth plan. 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: Stable
Although we did not see the expected Clareti growth in the year, we continue to see strong market demand for Clareti Solutions and therefore consider this to be a timing issue. Sales cycles remain long and unpredictable, which presents risks to timing, type, mix and quantum of revenues. In addition, customer investment decisions are at risk of being affected by the uncertain global economic outlook.

Mitigation
We are focused on winning recurring revenue deals that give greater visibility into the future. Sales forecasts and major opportunities are scrutinised by executive management. Our marketing priority is to build pipeline and identify opportunities where we have best chance of success.

MISDIRECTED PRODUCT, OPERATIONAL OR STRATEGIC INVESTMENTS

Description
Our model is to invest in product development and other areas to support Clareti-led organic 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: Stable
The acquisition of B2 Group was a major strategic investment and brought a new product into the business. Integration has been successful and no major risks have materialised. Our product roadmap is strongly influenced by customer requirements, which is a good indicator of wider market demand.

Mitigation
Major investments, whether product, operational or strategic, are discussed and challenged as appropriate with executive management. Strong cross-functional communication lines are in place to ensure that product, services and sales activities are closely aligned. The Board reviews and challenges all major 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: Increasing
The risks of servicing financial institutions remain substantial. We are undertaking increasingly complex and challenging projects, occasionally in new areas as we extend our market reach, with greater risks of issues or failure. Formal RFP processes remain the norm, which provide clarity as to requirements and expectations.

Mitigation
Gresham mitigates inherent product and service risks through robust quality assurance and project governance processes. Project risks are mitigated by implementing strong project management processes (including regular meetings, change control and reporting), to ensure timelines, costs and requirements are agreed and managed throughout.

ACCELERATED DECLINE IN NON-CLARETI REVENUES

Description
Non-Clareti revenues provide a strong contribution to revenues, earnings, and cash flow and are key to short-term financial success and ongoing investments in Clareti. An unexpected or accelerated decline could have an immediate and significant impact on financial KPIs.

Change in risk: Reducing
We have achieved greater visibility of revenues on our sub-contracting business through longer-term commitments. In January 2019, we divested the VME portfolio, which was in long-term decline, thus removing one portfolio risk. Other non-Clareti revenues remain in decline and uncertain.

Mitigation
Natural mitigation against short-term impact is provided through the inherent mix and spread of non-Clareti components and revenues. Where we have little or no insights into customer plans, our forecasts prudently allow for revenue attrition.

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: Increasing
There is prevailing uncertainty in the global economy. In addition, financial institutions are focusing their IT resources and investments on time-critical Brexit projects. There are signs that these factors may be delaying or affecting customers' purchasing decisions. Gresham may need to make certain Brexit related operational changes in the short to medium term.
See CEO report for further commentary.

Mitigation
Gresham monitors these risk factors and will take any material developments into account in making investment or operational decisions. Gresham's business operations, geographical spread and office locations provide a degree of inherent protection against Brexit related risks.

PEOPLE RISKS

Description
A loss or material issue with key members of staff could cause material disruption and a 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: Stable
People risks are currently considered to be stable. Rapid growth presents opportunities for personal development for key staff and engages the workforce generally. A new share bonus plan has been introduced to encourage loyalty and productivity.

Mitigation
Processes are in place to identify, retain and incentivise key members of staff. Staff on-boarding, training and regular communications are used to ensure people risks are managed and developed effectively. Our policies and procedures are designed to mitigate risks further.

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: Stable
Gresham is exposed to cyber attacks and IP challenges. GDPR introduces greater risks for data breaches. IT systems and policies have been strengthened. There have been no material incidents to date.

Mitigation
IP and cyber risks are addressed through a combination of IT solutions, codes of conduct and a staff education programme. IT systems include data loss prevention and intrusion detection capabilities. Cyber security updates are provided to the Board.

Financial review

Tom Mullan

Delivering consistent Clareti growth

"Our closing Clareti Annualised Recurring Revenues totalled £7.4m (up 30%) due to the addition of annuity revenues from the acquisition of the B2 Group (£1.1m), customer wins in the year and existing customers' increased usage.

Revenues

Our income is analysed between revenues from Clareti Solutions and from Other Solutions, as shown in the table below. See note 4 of the financial statements for further segmentation details.

Clareti Solutions

The Clareti business recorded 6% revenue growth to £11.8m, with the growth being largely driven by revenues from the acquired B2 Group. The reduction in the Clareti revenue growth rate is as a result of the reductions in non-recurring software fees, which typically consist of higher value contracts with lower predictability of the timing of closure, and of the delay in the two high value contracts that were expected to be recognised in 2018, which are discussed in full in the CEO report.

The Group is increasing its drive towards an annuity-based model in order to deliver growth with an increased level of predictability. We made progress against this aim, with recognised Clareti recurring revenues increasing 25% to £6m including £0.7m from B2 Group.

Our closing Clareti Annualised Recurring Revenues totalled £7.4m (up 30%) due to the addition of annuity revenues from the acquisition of the B2 Group (£1.1m), customer wins in the year and existing customers' increased usage.

Non-recurring Clareti software revenues (initial licence fees) were down 56% to £1.3m as we signed fewer deals under this contracting structure. The Group has continued with the policy adopted in 2016 of granting fixed-term licence grants (typically three to five years) for customers for whom subscription licensing is not appropriate. Consequently, periods of use for these customers beyond the fixed licence term of the contract will attract additional fees, with the first of these additional chargeable periods falling in 2020. As at 31 December 2018, we have achieved initial licence fees under term agreements totalling £4.7m that we anticipate will repeat from 2020 onwards either as repeat upfront fees or additional annuity revenues of an equivalent £1.1m per annum; this is in addition to our stated annualised recurring revenue as at 31 December 2018, which incorporates annually recurring revenues only.

Clareti services revenues were up 34% to £3.9m, continuing the high levels of realisation and utilisation seen in the prior year as our services resources provided new and existing customers with consulting services to enable and increase Clareti use within their organisations.

Other Solutions

Revenues from Other Solutions declined 23% to £7.5m, in line with expectations.

Non-Clareti software revenues from partners are down 31% to £2.1m as a result of one of our legacy partner relationships ceasing as planned in the course of FY2017, with the full year impact in FY2018. This arrangement had a net contribution of 50%. Non-Clareti software revenues from our other legacy products continued to decrease as planned as customers moved off from ageing platforms to newer technologies. This level of attrition is expected to persist as these technology shifts continue, although the longevity of these very old legacy products continues to surpass our expectations. Our VME line of business, which was sold subsequent to the year end, is included within this revenue stream.

Financials quoted in Financial Review include discontinued operations.

Non-Clareti services are predominantly in respect of tactical contracting services provided to ANZ, a strategically important Australian banking customer, which generate a direct net contribution to the Group of approximately 13%. We have increased the ease of forecasting for these contracting services through increasing the committed term of each engagement and we anticipate these low-margin revenues with this customer will continue for the foreseeable future.

Revenue from our discontinuing operation, which was sold subsequent to the balance sheet date, were aligned with our expectations.

IFRS 15 – Revenue from contracts with customers

IFRS 15 was adopted from the 1 January 2018, full disclosure of which can be found in note 29. As anticipated, this has not had a significant impact on our current year or historic revenues or associated costs. The key changes have occurred in relation to: our Clareti subscription licences where accompanying hosting or managed services are not provided to customers; and to the capitalisation of pre-contract costs.

Historically, we recognised all subscription revenues over the term of the subscription. However, upon adoption of IFRS 15, we consider that, for Clareti subscription licences where accompanying hosting or managed services are not provided to the customer, we are providing two distinct deliverables: the software itself; and the maintenance and support service.

We therefore assign an estimated stand-alone selling price to each of these deliverables and recognise the value of each upon delivery of our obligations thereunder. The outcome of this is typically that estimated stand-alone selling price of the software licence is recognised at a point in time upon delivery of the software and accompanying annual software licence key, whilst the estimated stand-alone selling price of the maintenance and support service is recognised over the period the service is delivered. The impact of this change has resulted in a cumulative acceleration of recurring revenue prior to the current fiscal year of £0.1m, taken as an adjustment to retained earnings as at 1 January 2018, along with an increase to the current year revenue of £0.1m.

Under previous accounting standards, we also capitalised qualifying pre-contract costs incurred during the sales process, expensing these over the term of the customer contract. Under IFRS 15, we no longer consider this appropriate treatment, therefore we have written off £0.1m to retained earnings as at the 1 January 2018.

				2018	2017	Variance	%
Clareti Solutions	Recurring		£m	**6.6**	5.3	1.3	25%
	Non-recurring		£m	**1.3**	2.9	(1.6)	(56%)
	Software		£m	**7.9**	8.2	(0.3)	(3%)
	Services		£m	**3.9**	2.9	1.0	34%
	Total	**KPI**	**£m**	**11.8**	11.1	0.7	6%
Other Solutions	Software – Partners		£m	**2.1**	3.1	(1.0)	(31%)
	Software – Own solutions		£m	**0.9**	1.1	(0.2)	(24%)
	Services		£m	**4.5**	5.5	(1.0)	(19%)
	Total		£m	**7.5**	9.7	(2.2)	(23%)
Total from continuing operations – note 3		**KPI**	**£m**	**19.3**	20.8	(1.5)	(7%)
Discontinued	Software – Own solutions		£m	**0.7**	0.9	(0.2)	(18%)
Total revenue		**KPI**	**£m**	**20.0**	21.7	(1.7)	(8%)
Annualised recurring revenue as at 31 December 2018	**Clareti**	**KPI**	**£m**	**7.4**	5.7	1.7	30%
	Other		£m	**2.8**	3.7	(0.9)	(24%)
	Total	**KPI**	**£m**	**10.2**	9.4	0.3	3%

Financials quoted in Financial Review include discontinued operations.

Financial review continued

Earnings (from continuing operations)

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

The Group's gross margin fell by 1% to 84%. This fall in gross margin is largely as a result of an ongoing reduction of high margin legacy 'own-solution' software revenues, coupled with an increase in the number of Clareti customers choosing our hosted Clareti-as-a-Service ("CaaS") solution, which attracts third party fees classified as a cost of sale.

Our gross margin continues to be affected by the split of contracting service revenues that are provided by third party contractors (which is recorded in cost of sales) and individuals we bring on our payroll as fixed-term employees (which is recorded in administration costs). Excluding the impact of the differences of these splits in contractor and staff costs year on year, our gross margin reduced from 74% in FY2017 to 73% in FY2018.

The Group experienced a significant decline in earnings, with adjusted EBITDA including discontinuing operations falling by 78% to £1.1m, as a result of: the fall in Clareti non-recurring revenues; continued investment in the Clareti business; lower rate of Clareti development spend qualifying for capitalisation; the acquisition of the B2 Group; and decline across all lines of the Other Solutions portfolio.

The vast majority (over 95%) of Group spend on staff, buildings and overheads continues to be in respect of Clareti Solutions.

The combined impact of items discussed in the previous paragraphs led to a loss after tax of £1.4m, a reduction of £5.2m on the prior year.

			2018	2017	Variance	%
Gross margin		£m	**16.8**	18.4	(1.6)	(9%)
Gross margin		%	**84%**	85%	(1%)	(1%)
Adjusted EBITDA	**KPI**	**£m**	**1.1**	5.1	(4.0)	(78%)
Adjusted EBITDA	**KPI**	**%**	**5%**	24%	(19%)	(77%)
Statutory profit after tax		£m	**(1.4)**	3.8	(5.2)	(137%)
Adjusted diluted EPS	**KPI**	**pence**	**(0.50)**	6.51	(7.01)	(108%)

Exceptional items

During the year, the Group incurred exceptional costs completing the acquisition and integration of the B2 Group; exceptional legal and advisory costs associated with the establishment of our all-staff incentive share scheme; and exceptional recruitment costs associated with the recruitment of a new CFO. These costs totalled £333,000 and are offset by exceptional income arising from the fair value adjustment of the C24 contingent consideration of £30,000, resulting in a net exceptional charge of £303,000 (2017: £90,000).

Taxation

For the year ended 31 December 2018, the Group has recorded a net tax credit of £0.1m (2017: £0.7m) which, as in prior years, is primarily as a result of research and development enhanced relief available for our UK development activities, offset by taxation payable both in the UK and overseas in respect of our reselling and servicing operations.

Cash flow

The Group's financial position remained strong at 31 December 2018 with cash and financial assets of £5.6m and no debt (2017: £8.5m and no debt).

The net operating and capital expenditure cash inflow is offset by a £3.0m initial cash payment, including a £1.2m settlement of debt, in respect of the acquisition of the B2 Group in July 2018 and the final £0.4m instalment payable in respect of the acquisition of C24 Technologies in October 2016.

Operating cash flow excluding working capital has decreased by £4.6m to £0.9m in the year for the same reasons as the fall in adjusted EBITDA as detailed above.

The Group also declared and paid its maiden dividend during the year of £0.3m.

With increasing Clareti sales from the growing annuity base and new customer wins, coupled with tight cost control on planned investments, we expect the cash generation capacity of the business to continue and are looking at opportunities to best utilise the excess cash generated, either through bank deposits or to support our M&A ambitions.

Financials quoted in Financial Review include discontinued operations.

		2018	2017	Variance	%
Operating cash flow excluding working capital	£m	**0.9**	5.5	(4.6)	(84%)
Movement in working capital	£m	**1.1**	(0.3)	1.4	467%
Capital expenditure – development costs	£m	**(2.6)**	(3.2)	0.6	19%
Capital expenditure – other	£m	**(0.2)**	(0.3)	0.1	33%
Shares issued as consideration and acquisition	£m	**(2.0)**	(0.7)	(1.3)	(182%)
Dividend	£m	**(0.3)**	—	(0.3)	—
Other	£m	**0.5**	0.1	0.4	400%
Net (decrease)/increase in cash and financial assets	£m	**(2.6)**	1.1	(3.7)	(337%)
Cash KPI	£m	**5.6**	8.5	(2.9)	(34%)
Cash and cash equivalents	£m	**5.3**	8.3	(3.0)	(36%)
Financial assets	£m	**0.3**	0.2	0.1	50%

> To drive more predictability into the business, the Group intends to increase its focus on generating higher levels of Clareti recurring revenues rather than initial licence fees.

Consolidated statement of financial position

Intangible fixed assets have increased since the prior year end from £20.5m to £25.3m. The significant portion of this increase comes from the £4.2m gross value of intangible assets acquired with the acquisition of B2 Group, along with a net increase of £1.3m to capitalised development costs. Trade and other receivables have decreased from £5.5m to £4.6m, which is largely as a result of the timing of new contracts being won compared to the prior year. Trade and other payables have increased from £9.8m to £11.7m as a result of a £0.9m increase in other payables, largely due to an increase in VAT payable and a £1.0m increase in contract liabilities, which is largely as a result of deferred revenue acquired with the B2 Group acquisition as well as the general increase in Clareti recurring revenue base during the year.

Financial outlook

Whilst FY2018 experienced a reduction of the Clareti growth rate as a result of delays to a small number of high value contracts, the Group continues to deliver consistent Clareti growth. However, to drive more predictability into the business, the Group intends to increase its focus on generating higher levels of Clareti recurring revenues rather than initial licence fees.

The contribution from our non-Clareti business, which provides good quality, stable cash flow to support Clareti investments, will reduce in 2019 as a result of the sale of our VME software business to Fujitsu for more than 2.5 times FY2018 revenue, as announced in January 2019. We are planning for further declines in the residual portfolio as customers migrate to newer or alternative platforms.

Tom Mullan
Chief Financial Officer
11 March 2019

Financials quoted in Financial Review include discontinued operations.

Valued, engaging, responsible employer

Being a responsible business is not a 'bolt on activity', it is at the heart of what we believe in.

PEOPLE

Our aim is to be a highly valued, engaging and responsible employer, where people are encouraged to excel.

COMMUNITY

We are committed to supporting, developing and helping to educate the future workforce about this sector.

CHARITY

We encourage our staff to get involved in a variety of charitable initiatives, both individually and as a group.

ENVIRONMENT

We seek to minimise our impact on the environment and manage our operations in a sustainable manner.

PEOPLE

Our aim is to be a highly valued, engaging and responsible employer across the Group, where people are encouraged to excel. We benchmark ourselves against the best companies in our sector and we challenge ourselves to be an awesome place to work.

We know that people are key to our collective expertise and growth plans. Our business model is to attract, retain and develop talented individuals to help us deliver our long-term objective of becoming one of the world's leading providers of enterprise financial technology solutions. We seek to foster a culture of innovation and empowerment where talent, enterprise and collaboration are recognised and rewarded.

Engaging with our people

Listening to our people is of high importance to us. We have introduced an "always on" approach to employee engagement and communications including regular meetings within individual segments throughout the Group, regular Group-wide communications and confidential feedback surveys. Performance appraisals happen formally at mid and full year, but we encourage ongoing dialogue throughout the year to ensure that employees are getting sufficient support from the Group (including training needs) in order to be successful in their roles.

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.

Graduate and apprenticeship programme

Our early career entry programmes are one of the ways that we attract promising new colleagues to the business. Our graduate programmes within our professional services and development teams have been running for several years with minimal attrition. Within our IT support function, we have been successfully supporting IT apprentices. We are also looking to continue our industrial placement programme, which was first initiated in 2017.

"

In 2018, we launched our own bespoke leadership programme, "The Gresham Way". This programme is designed to equip all of our people leaders with the fundamental tools, techniques and resources to coach and mentor their teams to deliver a winning performance.

Attracting, retaining and developing our talent

We implement Group-wide strategies designed to attract, retain and develop our people that reflect the local geographic and industry economic climate. These strategies include competitive terms and conditions, a defined contribution pension scheme, consideration of family and personal needs, training and career development coaching, and a wide range of other flexible benefits designed to reflect the Group's culture and values. Our performance-related pay structures include an annual bonus scheme, which is linked to personal objectives and wider team and Group objectives. The annual bonus scheme is complemented by our all-staff share scheme, established in 2017 and set to be utilised for the first time to satisfy FY18 employee bonuses, which is designed to align employee incentives with shareholder interests through the award of shares.

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 technology talent on the market.

We also "hire for attitude", placing great importance on our values, effective team working and customer success.

In 2018, we launched our own bespoke leadership programme, "The Gresham Way". This programme is designed to equip all of our people leaders with the fundamental tools, techniques and resources to coach and mentor their teams to deliver a winning performance.

Sustainability continued

COMMUNITY

As a company that uses the power of technology to improve the way organisations operate, we are committed to supporting, developing and helping to educate the future workforce about this sector.

We are proud to be Business Class members of The Prince's Responsible Business Network, through our partnership with Business in the Community ("BITC"). Initiatives and activities include:

- working with computer science teachers to help their development and understanding of real-work application of IT through 1-2-1 coaching and workplace visits;
- teacher workshops supported by our employees to help to embed sector employability skills into the curriculum;
- developing young people's employability skills through Dragons' Den type activities;
- raising awareness of career pathways in our sector through delivering "get into the sector" programmes in school and raising awareness of the career pathways; and
- mentoring programmes for girls undertaking their Computer Science GCSE.

CHARITY

We work with charities to responsibly recycle our old, used IT equipment. One of these charities is Jamie's Computers, which refurbishes the equipment and uses it to provide work experience and hands-on training to hard-to-reach groups. Its aim is to help improve skills and increase employability. Anything that cannot be reused is data cleansed and recycled responsibly.

Each quarter we donate £1 to three local charities for each support call made to our customer support centres. These three charities are chosen by ballot by our global teams and often have a personal connection with employees. We are pleased to have been able to support charities such as BeyondBlue, an Australian charity offering support and raising awareness of mental health, and SMART, a North American charity started by a doctor whose son suffers from spinal muscular atrophy, known personally by one of our team.

"

As a company that uses the power of technology to improve the way organisations operate, we are committed to supporting, developing and helping to educate the future workforce about this sector.

ENVIRONMENT

Policy statement

Whilst the nature of our activities is such that the Group does not have a significant impact on the environment relative to other industries, we recognise that we have a duty to manage our business affairs and operations in a sustainable and responsible manner. This includes minimising the impact of our activities on the environment and supporting environmental initiatives relevant to our industry. To achieve this, Gresham's environmental strategy consists of the following:

- minimising waste;
- minimising toxic emissions;
- actively promoting recycling in all of its locations;
- meeting or exceeding all applicable environmental legislation that relates to Gresham;
- supporting, adopting and/or promoting industry initiatives designed to address environmental issues specific to Gresham's sector;
- where practical, seeking to purchase products that uphold industry leading environmental standards rather than ones that do not; and
- encouraging the adoption of similar principles by its suppliers.

Carbon 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 (the "Regulations").

Gresham's reporting year is the same as its fiscal year, being the year ended 31 December 2018. This greenhouse gas reporting year has been established to align with our financial reporting year.

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.

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.

For the purposes of global greenhouse gas emissions data for the year ended 31 December 2018, the following disclosure is made:

Emissions from	**31 December 2018**	31 December 2017
Electricity, heat, steam and cooling purchased for own use – tonnes of CO_2e	**65**	85
Group's chosen intensity measurement		
Emissions reported above normalised to tonnes of CO_2e per total £1m revenue	**3.2**	4.0

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.

ETHICAL BUSINESS PRACTICES

We are committed to corporate sustainability and to an ethical and principled approach of doing business.

Human rights

This includes recognising and supporting the protection of human rights around the world. Gresham is guided by internationally proclaimed fundamental principles such as those set out in the United Nations Universal Declaration of Human Rights. Gresham's key principles in relation to human rights are guided by the Ten Principles of the UN Global Compact.

Modern slavery

Modern slavery is a crime and a violation of fundamental human rights. We have a zero-tolerance approach to modern slavery and we are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains.

We are also committed to ensuring there is transparency in our own business and in our approach to tackling modern slavery throughout our supply chains, consistent with our disclosure obligations under the Modern Slavery Act 2015. We expect the same high standards from all of our contractors, suppliers and other business partners and wherever possible as part of our contracting processes, we include specific prohibitions against the use of forced, compulsory or trafficked labour, or anyone held in slavery or servitude, whether adults or children, and we expect that our suppliers will hold their own suppliers to the same high standards.

Anti-corruption and bribery

The Company is committed to applying the highest standards of ethical conduct and integrity to its business activities in the UK and overseas. The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its employees, officers, agents or consultants or any persons or companies acting for it or on its behalf. The Directors and senior management are committed to implementing and enforcing effective systems throughout the Company to prevent, monitor and eliminate bribery, in accordance with its obligations under the Bribery Act 2010 and equivalent legislation overseas.

Equal opportunity

The Company is an equal opportunity employer. We are committed to ensuring that our workplaces are free from unlawful or unfair discrimination in accordance with applicable legislation. This includes upholding the following principles:

- recruitment and employment decisions are made on the basis of fair and objective criteria;
- person and job specifications are limited to those requirements which are necessary for the effective performance of the job. Specifically, 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;
- interviews are conducted on an objective basis; personal or home commitments will not form the basis of employment decisions except where necessary and relevant; and
- all employees have a right to equality of opportunity. 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 analysis

At 31 December 2018, the Group had the following split of gender of staff:

	Female	Male	Total
Executive Directors	—	2	2
Senior managers	1	9	10
Staff	27	99	126
	28	110	138
Non-Executive Directors	1	2	3

The Strategic Report was approved by the Board of Directors on 11 March 2019.

On behalf of the Board

Ian Manocha
11 March 2019

Tom Mullan
11 March 2019

Board of Directors

Ken Archer
A N R

Non-Executive Chairman

Appointed Ken was appointed to the Board as a Non-Executive Director in June 2010 and became Non-Executive Chairman in November 2010. He is chairman of the nomination committee and a member of the remuneration and audit committees.

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.

Imogen Joss
A N R

Senior Independent Non-Executive Director

Appointed Imogen was appointed to the Board in September 2016. She is chair of the remuneration committee and a member of the audit and nomination committees.

Experience Imogen has worked within the financial sector for over 30 years and has extensive experience of financial sales and marketing. During her executive career, she held senior leadership roles at Financial Times Information, FTSE Group and the London Stock Exchange Group. Latterly, she was president of S&P Capital IQ as well as president of S&P Global Platts.

Andy Balchin
A N R

Independent Non-Executive Director

Appointed Andy was appointed to the Board in May 2017. He is chair of the audit committee and a member of the remuneration and nomination committees.

Experience Andy has over 30 years of financial experience in high-growth software companies, including Smartstream, SeeBeyond, Documentum and Clearswift. Until December 2018, he was chief financial officer of the cyber division of RUAG Holding AG, a major Swiss organisation, which acquired Clearswift, a provider of cyber security solutions, in January 2017. Andy is a Chartered Accountant and has experience working in a private equity environment, in M&A and IPO transactions, as well as in external audit during his early career.

Ian Manocha
Chief Executive Officer

Appointed Ian was appointed to the Board in June 2015.

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 of the EMEA and AP business units. 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.

Tom Mullan
Chief Financial Officer

Appointed Tom joined Gresham on 1 March 2018 and was appointed to the Board on 13 March 2018.

Experience Tom is a Chartered Accountant having trained and qualified at Ernst & Young. Prior to joining Gresham, Tom was most recently chief financial officer at Fadata, a PE backed software business, and before that was divisional finance director for Guidewire in EMEA.

Key to committees

- A Audit committee
- N Nomination committee
- R Remuneration committee
- Committee chair

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 (see page 16), 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 the year, Mr T Mullan replaced Mr R Grubb as Chief Financial Officer. Changes to the Board are overseen and recommended by the nomination committee and, whilst I am pleased with the current balance of skills, experience and independence on the Board, we will continue to keep this under review as the Group and its needs evolve.

The Board is mindful that my tenure will reach nine years in 2019, but has nevertheless determined that I should continue in my current role for the time being. Please see the Nomination Committee Report on page 34 for further information in this regard.

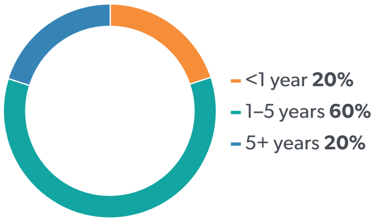
As regards remuneration, the all-staff Deferred Share Bonus Plan adopted in 2017 is now in operation and first staff awards will be made in early 2019. This is a significant milestone in our bid to attract, retain and engage talented staff in our sector, which is highly competitive. For executives, new remuneration arrangements are proposed for approval by shareholders at the Annual General Meeting. Please see the Remuneration Committee Report on page 35 for details.

Finally, the Board continues to engage with shareholders and welcomes ongoing dialogue throughout the year, as well as through the formal shareholder events, which include the capital markets day and the Annual General Meeting. The Board has reviewed its communications policy for 2019, as it does at least annually, and has taken account of shareholder feedback throughout the year and the changing regulatory requirements.

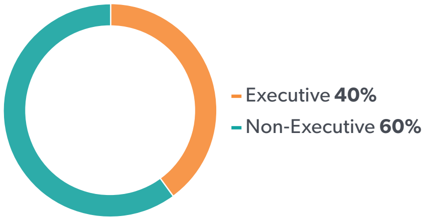
As always, I welcome shareholder attendance and participation at the forthcoming Annual General Meeting.

Ken Archer
Non-Executive Chairman
11 March 2019

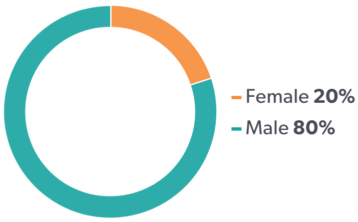
Board tenure



Board composition



Board gender diversity



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 April 2016 by the Financial Reporting Council and available at www.frc.org.uk. 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 set out in the UK Corporate Governance Code 2016 (the "Code") throughout the year with the exception of the matter referred to below:

Provision	Exception and explanation
D1.3: remuneration for non-executive directors should not include share options.	Mr K Archer holds share options under the Group's share option scheme 2010. Details of Directors' interests in options are set out in the Directors' Remuneration Report. The grant to Mr K Archer was made in December 2010 and 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 Mr J Cathie, who was appointed to the role on 21 March 2014. Mr 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 47 and a viability statement and a statement on going concern are given on page 44.

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 certain committees, namely an audit committee, a remuneration committee and a nomination committee, to deal with the specific aspects of the Group's affairs. Each of the committees is governed by terms of reference available on the Company's website. Details of the committees' constituent members and the roles, responsibilities and activities of each of the committees are described in more detail in the individual committee reports commencing page 31.

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	11/11	1/3	2/3	1/1
I Joss	11/11	2/3	3/3	1/1
A Balchin	11/11	3/3	2/3	1/1
I Manocha	11/11	—	—	—
T Mullan[(1)]	9/9	—	—	—
R Grubb[(2)]	2/2	—	—	—

(1) Appointed 13 March 2018.

(2) Resigned 13 March 2018.

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.

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

Evaluation of the Board's performance

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

The Chairman has formally reviewed the performance of Ms I Joss and Mr A Balchin 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. Thereafter, in accordance with the Corporate Governance Code 2018, directors are subject to annual re-election. All Non-Executive Directors are appointed for fixed terms in line with corporate governance requirements, subject to re-election.

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 other than Mr K Archer, who was unable to attend for personal reasons. In his absence, the meeting was chaired by Ms I Joss, Senior Independent Non-Executive Director. 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 Annual Financial Report 2018.

Statement of corporate governance continued

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 47.

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 44.

Viability statement pursuant to Provision C2.2 of the Code

The Directors confirm that they have assessed the prospects of the Group over a three-year period commencing 1 January 2019 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 following factors: the Group operates rolling financial projections which extend for the current financial year and up to 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 on page 16 above on the Group's business model (including, without limitation, the potential impact of Brexit, which is also discussed on page 7), future performance, solvency or liquidity, taking account of severe but reasonable scenarios and the effectiveness of any mitigating actions, and have performed stress test analyses based on likely outcomes.

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 organisational 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 a review of operational activities and entries arising on consolidation;
- reporting and monitoring performance against budgets and rolling forecasts;
- the security of physical property and computer information; and
- detailed due diligence on all acquisitions.

Audit committee report


Andy Balchin

Audit committee membership

- Andy Balchin (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 2018.

Our committee comprises three members, two of whom are independent Non-Executive Directors, namely myself (as Chairman) and Ms I Joss. Mr K Archer also continues to serve as a committee member. This is my second year as a Non-Executive Director and chair of the audit committee, having been appointed in May 2017.

The Board considers that the committee has recent and relevant financial experience, including competence in accounting, relevant to the sector in which we operate, as well as operational skills. I am satisfied that the committee has appropriately discharged its duties in the year in accordance with its terms of reference, which are reviewed annually and are available at www.greshamtech.com/investors.

In the performance of its duties the committee held three meetings in the year. In order for the committee to properly discharge its role, it is critical that we have the opportunity to openly discuss with management any matter which falls within our remit and probe and challenge where necessary. The Chief Executive and the Chief Financial Officer attend our meetings by invitation, and other senior managers are invited to attend to provide technical or business information as necessary. In addition, our meetings relevant to audit are attended by the lead audit partner from the external auditor and other representatives. Their attendance is important as it gives us the opportunity to seek their independent and objective views on matters which they encounter during their audit. At least once a year, we meet separately with the external auditor to discuss matters without executive management being present. On a more frequent basis, I meet with the Chief Financial Officer and other senior management. This ensures any issues or concerns can be raised at an early stage and allows sufficient time to be devoted to them at subsequent meetings. There is an open and constructive communication between the committee, management and external auditor.

We will continue to play a key role in monitoring the integrity of the Group's published financial information, assessing the effectiveness of its internal controls and risk management processes, and in ensuring that our external auditor, BDO LLP, delivers a high-quality effective audit.

During the year, a new lead audit partner, Mr M Thixton, was appointed as a result of the retirement of the previous lead audit partner. Mr M Thixton is the lead partner of BDO's Southampton office and head of audit.

Towards the end of the coming year the committee will begin the planning process for putting the audit out to tender. 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 2018.

Responsibilities

Our principal role is to assist the Board in performing its responsibilities in relation to financial reporting, internal controls and risk management and in maintaining an appropriate relationship with our external auditor. The work of the committee in discharging its responsibilities includes:

- monitoring the integrity of the reported financial statements of the Group, and any formal announcements relating to the Group's financial performance, and reviewing significant financial issues and judgements contained in them;
- reviewing and assessing the process which management has put in place to support the Board when giving its assurance that the Annual Financial Report 2018, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- reviewing the Group's internal financial controls and reviewing the Group's internal control and risk management systems;
- reviewing the Group's speak-up (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;
- ensuring an appropriate relationship with the external auditor to include the reviewing and monitoring of its independence and objectivity, and the effectiveness of the audit process, based on a sound plan to ensure it delivers a high-quality effective audit;
- 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
- reporting 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

Set out below are what the committee considers to be the most significant accounting areas which required the exercise of judgement or a high degree of estimation during the year, together with details of how these were addressed. These are all considered to be recurring issues.

Significant issue and explanation	Work undertaken by the committee in forming an opinion
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 by management based on past experience and reviews of competitor products available in the market.	The committee has reviewed reports from management identifying the development costs capitalised, the technical and commercial feasibility of the product being produced and whether further costs continue to fulfil the required IAS 38 criteria. 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 treatment of development costs is an area of focus for the external auditor, which reported its findings to us. We concluded that management's key assumptions, judgements, estimates and disclosures were reasonable and appropriate.
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 agreed with the customer, in some cases the revenue streams are combined 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 management's descriptions and status reports on material new deals and on project 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. Revenue recognition is an area of focus for the external auditor, which reported its findings to us. We considered whether the accounting treatment for revenue and profit recognition was in accordance with agreed methodology and concurred with management's opinion that it was. We received a report prepared by management covering the implications of IFRS 15 Revenue from Contracts with Customers, which the committee concurred with the conclusions of.
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. Impairment reviews were also an area of focus for the external auditor, which reported its findings to us. We concluded that management's key assumptions were reasonable.

Significant issue and explanation	Work undertaken by the committee in forming an opinion
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 managing risk, 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 and committee have 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 Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss. The Board continues to discuss with management further enhancements in financial and other controls commensurate with the growth of the Group. 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 is regularly reviewed by the Board. It remains in place up to the date of the approval of the financial statements.

Speak up (whistle-blowing) arrangements

The committee has reviewed arrangements by which staff of the Group 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.

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 approach to the external audit, its assessment of the significant risks in the Group's financial statements and materiality levels, 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 21% of the total fees paid to the external auditor, compared to 25% 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.

Andy Balchin
Chairman of the audit committee
11 March 2019

Nomination committee report

Nomination committee membership

- Ken Archer (committee chairman)
- Imogen Joss
- Andy Balchin

Dear shareholder

I am pleased to present the report of the nomination committee for the year ended 31 December 2018.

As Chairman of the Board, I also chair the nomination committee. Ms I Joss and Mr A Balchin are members of the committee. In the performance of its duties, the committee held one meeting in the year.

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. The committee keeps any changes to these commitments under review.

In accordance with the Corporate Governance Code 2018, all directors will now be subject to annual re-election. Having reviewed the contribution of each director, it is clear that each director brings individual and specific expertise to the Board and makes a valuable contribution to the Company's long-term success. I have no hesitation in recommending their re-election.

Regarding my personal position, I have notified the members of the nomination committee that my tenure as a Non-Executive Director and Chairman will reach nine years in 2019. In accordance with corporate governance guidelines, it is appropriate for me and the Board to consider whether I should continue to serve on the Board. Ms I Joss, Senior Independent Non-Executive Director, consulted independently with the other members of the Board on this matter and a determination has been made that I should remain in post, which I am willing to do. A statement from Ms I Joss is included below.

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
11 March 2019

Statement from Ms I Joss, Senior Independent Non-Executive Director:

I have consulted with Mr K Archer regarding his tenure on the Board, which is shortly to reach nine years. I have also independently consulted with all the other members of the Board, who are satisfied that Mr K Archer provides effective and independent oversight of the Board's duties and valued support to the executive team in the execution of Company strategy. Accordingly, the Board has unanimously determined that, notwithstanding his tenure, it is in the best interests of the Company and shareholders as a whole that Mr K Archer continues in the role of Non-Executive Chairman. This determination will be reviewed on an annual basis and will include succession planning activities for the Chairman role at a time deemed necessary to ensure an orderly transfer of responsibility.

Remuneration committee membership

- Imogen Joss (committee chair)
- Ken Archer
- Andy Balchin

Dear shareholder

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2018.

The committee consists of me as chair and Mr K Archer and Mr A Balchin as members. The committee met three times in the year. Each of these meetings was attended, at the committee's invitation, by the Executive Directors, except that they were not present in any discussions affecting their own remuneration.

For 2018, the committee has continued to operate a simple remuneration structure made up of basic salary, performance-related bonuses, share options, benefits and pensions. As previously, a significant proportion of executive remuneration is based on performance, designed to align executive pay with shareholder interests. In this respect, the committee has assessed the performance of Executive Directors for the year reported, set performance targets for the following financial period and made recommendations to the Board on the overall package for Executive Directors.

Details of Executive Director performance-related pay awards in respect of 2018 and how they were calculated are set out in the following pages. As regards increases for 2019, the committee has assessed that Chief Executive and Chief Financial Officer basic pay should remain unchanged.

We remain committed to ensuring that executive pay is appropriate for a company of our size and market position, provides adequate incentives, strikes the right balance between affordability and retention of key employees and that is in line with market practice and governance guidelines. As reported in last year's report, the committee committed to seek independent advice to design and implement a new long-term incentive plan for executives. This work was carried out during 2018 and new executive pay arrangements are being implemented for 2019, subject to shareholder approval at the forthcoming AGM. Importantly, the committee recognises that changes to remuneration must remain affordable and take into account all relevant circumstances. To this end, we will be phasing the implementation of the new arrangements such that bonus awards in respect of the first year (being financial year 2019) will be reduced by 50% before full implementation in subsequent years.

These new remuneration arrangements are based on the Deferred Share Bonus Plan ("DSBP"), which was adopted for all-staff (excluding Executive Directors) in December 2017. For Executive Directors, the DSBP will be operated within a new remuneration policy framework, which is proposed for approval by shareholders at the forthcoming AGM. The new remuneration policy is designed such that executives are appropriately incentivised and rewarded for achieving both annual targets (under an annual bonus scheme) and sustained multi-year growth and returns (under long-term share incentive arrangements).

We believe that the proposed new arrangements are in line with good market practice and are fit for purpose when considering the need to attract and retain strong talent to drive our business forward to achieve its strategic goals. Accordingly, the participation of the directors in the DSBP and an updated remuneration policy are being recommended for approval by shareholders at this year's Annual General Meeting.

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.

I encourage you to read the Directors' Remuneration Report on the following pages.

Imogen Joss
Chair of the remuneration committee
11 March 2019

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 (April 2016) and the Listing Rules.

The report is in two sections:

- the Directors' remuneration policy:

  The remuneration policy was last approved at the AGM held in May 2017 and it applies unmodified to financial year 2018. The committee is proposing certain updates to the Directors' remuneration policy, to be effective for the current financial year (ending 31 December 2019) onwards. These changes are identified within the remuneration policy. The updated remuneration policy will be put to a shareholder vote at the forthcoming AGM. If approved, the updated remuneration policy will be effective for the year commencing 1 January 2019; and

- the Directors' Remuneration Report:

  This section sets out details of how the remuneration policy was implemented for the year ended 31 December 2018 and how the Company intends for the updated policy (if approved at AGM) to apply for the year ended 31 December 2019. The Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming AGM.

Directors' remuneration policy

General principles (new for 2019)

The policy for the Directors is based on the following principles, and takes into account prevailing best practice, shareholder expectations, and the remuneration of the wider employee population:

- ensure remuneration arrangements support the Group's business strategy;
- align interests of Directors and senior executives with those of the shareholders;
- determine remuneration by reference to individual performance, experience and prevailing market conditions, with a view to providing a package appropriate to the responsibilities involved;
- encourage behaviours which will enhance the performance of the Group and reward achievement of the Group's strategic and financial goals; and
- ensure that an appropriate proportion of the overall remuneration package is incentive pay, which is earned for the delivery of stretching performance conditions.

Remuneration policy table (updated for 2019)

The table below sets out the Directors' remuneration policy as applicable to the year ended 31 December 2018 and certain proposed changes which, if approved by shareholders at the 2019 AGM, will be effective from 1 January 2019.

Link to 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.

Remuneration policy table (updated for 2019) continued

Link to strategy	Operation	Framework
Annual bonus (Applicable in respect of financial year 2018, then superseded by Annual Bonus Scheme below) 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.	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. 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. The maximum bonus payable in respect of a year is 100% of basic salary.
Annual Bonus Scheme (New for 2019, subject to shareholder approval at AGM) Rewards and incentivises the Executive Directors for achievement of strategic objectives as measured by short-term KPIs.	The annual bonus is calculated after the end of the financial year based on pre-determined targets. The annual bonus consists of a mix of cash and shares. The cash element of the bonus is paid at or around the time of release of the final results. The shares are deferred for two years and then released. This scheme is operated pursuant to the rules of the Deferred Share Bonus 2017.	The committee determines the relevant performance targets at the start of each financial year. The committee also determines the annual bonus split between cash and shares, which by default is 50:50. Targets are set predominantly (at least 75%) in relation to financial measures, with the balance based on non-financial objectives. The annual bonus for performance significantly ahead of target is up to 100% of base salary. On-target performance will result in an annual bonus of 50% of base salary. Performance below a threshold set by the committee will result in no bonus being paid. The committee has final discretion in determining the value of the bonus payment (and, where the committee deems it appropriate in the circumstances, to adjust the mix between cash and deferred shares), based on its assessment of performance against the set targets and as a whole. Payments and awards are subject to malus and clawback. The maximum annual bonus payable in respect of a year is 100% of base salary.
Long-Term Share Incentive Plan (New for 2019, subject to shareholder approval at AGM) Rewards and incentivises the Executive Directors for achievement of sustained long-term financial growth and returns.	Matching shares are earned on the deferred shares awarded under the Annual Bonus Scheme, depending on long-term financial performance against pre-determined targets over the three years following the end of the relevant financial year. This plan is operated pursuant to the rules of the Deferred Share Bonus Plan 2017.	The committee determines the threshold, on-target and stretch targets on growth and return measures over the three subsequent financial years. The matching award is a multiple of the deferred shares awarded under the Annual Bonus Scheme. The multiple applied is determined by reference to a reference matrix of multiples based on actual performance against growth and return measures over that three-year period. The matrix of matching rates is determined in advance by the committee. The committee has final discretion in determining the matching rates and the final award based on its assessment of performance against the set targets and as a whole after the end of the three-year period. Matching awards are subject to continuous employment and to malus and clawback. The maximum matching award multiple is four times the number of deferred shares.

Remuneration report continued

Directors' remuneration policy continued

Remuneration policy table (updated for 2019) continued

Link to strategy	Operation	Framework
Share option plan 2010 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 policy considerations

Selection of performance measures (new for 2019)

The performance measures under the Annual Bonus Scheme and Long-Term Share Incentive Plan are selected to reflect the main KPIs and strategic priorities for the Group. The committee's policy is to set performance targets which are both stretching and achievable and that the maximum outcomes are only available for outstanding performance.

Performance conditions applying to subsisting awards may be amended or substituted by the committee if an event occurs (such as a change in strategy, a material acquisition or divestment of a Group business or a change in prevailing market conditions) which causes the committee to determine that the measures are no longer appropriate, and that amendment is required in order that they achieve their original purpose.

Operation of share plans (new for 2019)

The committee has discretion to operate the Company's share plans in accordance with their terms, including the ability to settle awards in cash and to adjust the terms of awards in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other relevant event.

Policy on Director shareholdings (updated for 2019)

Prior to the year commencing 1 January 2019, the Company had no policy on Director shareholdings.

For the year commencing 1 January 2019, the Company expects Directors, when acquiring shares under the Annual Bonus Scheme or Long-Term Share Incentive Plan, not to dispose of more than 50% of the shares acquired until the day on which his or her holding has a market value equal to that of his or her basic salary. Any shares that are sold to discharge the option holder's fiscal obligations are not treated as having been acquired.

Post-employment, the Company expects Directors not to dispose of more than 50% of any shares held as a result of being acquired under the Annual Bonus Scheme or Long-Term Share Incentive Plan for a period of six months following termination of employment. Any shares disposed of during this period shall be done in coordination with the Company and its brokers in order to ensure an orderly market is maintained.

Malus and clawback (new for 2019)

No malus or clawback provisions apply for payments or awards made in respect of financial year 2018 or earlier.

For up to two years following the payment of a bonus under the Annual Bonus Scheme, the Committee may require repayment of some or all of any bonus payment (including by way of reduction in the number of deferred shares released) in circumstances which the Committee considers appropriate, including a material misstatement of accounts, an error in assessing performance conditions, or misconduct on the part of the participant.

For up to two years after the vesting of an award under the Long-Term Share Incentive Plan, the Committee may cancel an award or require the participant to make a payment to the Company in respect of an award in the event of gross misconduct, fraud, malpractice, a material misstatement of results, a material breach of risk management or other circumstances that, in the opinion of the committee, have a sufficiently significant impact on the reputation of any Group business.

Legacy arrangements

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 remuneration policy, 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.

Recruitment

The Company's nomination committee is responsible for leading the process for Board appointments and making recommendations to the Board. Refer to the report of the nomination committee for details.

Directors' remuneration policy continued

Remuneration policy considerations continued

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.

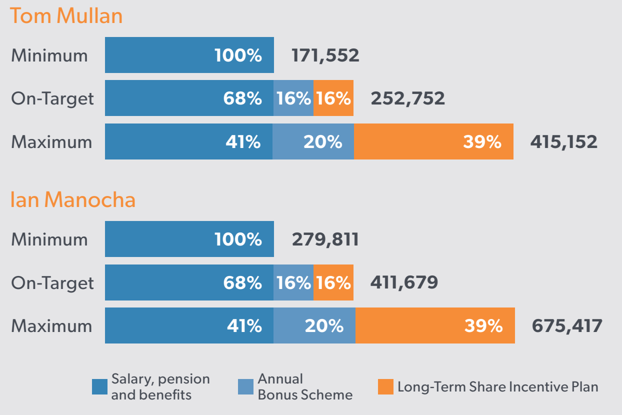
Remuneration scenarios (updated for 2019)

The following graphs set out an illustration of Executive Director pay for 2019. The potential reward opportunities for 2019 are based on the updated remuneration policy described herein, on the assumption that this is approved by shareholders at the forthcoming AGM. Projected values exclude the impact of share price movement and the payment of dividends and actual outcomes may differ from those shown.

Three different remuneration scenarios for 2019 are provided, as follows:

- the "minimum" scenario includes base salary, pension and benefits (i.e. "fixed remuneration") which are the elements of Executive Director pay that are not at risk;
- the "on-target" scenario includes fixed remuneration as defined above, plus an on-target pay-out of 25% of base salary under the Annual Bonus Scheme (50% cash and 50% shares) and an assumption that the Executive Directors will be awarded matching shares 3 years later under the Long-Term Share Incentive Plan based on a two times multiple of the shares awarded under the Annual Bonus Scheme; and
- the "maximum" scenario includes fixed remuneration as defined above, plus an on-target pay-out of 50% of base salary under the Annual Bonus Scheme (50% cash and 50% shares) and an assumption that the Executive Directors will be awarded matching shares 3 years later under the Long-Term Share Incentive Plan based on a four times multiple of the shares awarded under the Annual Bonus Scheme.

Illustration of potential 2019 remuneration outcomes



Directors' remuneration report

Role of the remuneration committee

The remuneration committee's key role is to operate a remuneration policy that supports the Company's strategy and promotes long-term sustainable success and aligns the interests of Directors and senior executives with those of shareholders. The policy is designed to attract, retain and motivate executive management of the quality required to run the Company successfully.

The committee's primary responsibilities include:

- determining the Company's remuneration policy;
- approving the total individual remuneration package of each Executive Director;
- setting performance targets for incentive plans including annual bonus and long-term share plans; and
- determining remuneration outcomes in relation to performance-related pay.

Details of the committee's operation, roles and responsibilities are set out in terms of reference, which are available on the Company's website.

Salary increases in 2018

In April 2018, Mr I Manocha's base salary was increased by 2.4% to £261,120 in line with average annual increases across Group employees. Mr T Mullan joined the Company in the year and did not receive a salary increase in the year.

Variable pay in 2018

In 2018, the variable element of Director pay is comprised of share options under the Share Option Plan 2010 and bonus opportunity under the performance-based annual bonus.

Equity awards

Mr I Manocha holds 1.5m share options under the Share Option Plan 2010, awarded in June 2015. These options have now fully vested. Mr T Mullan was awarded 200,000 share options under the Share Option Plan 2010 in March 2018 upon his commencement, with a further 100,000 to be granted during 2019, in accordance with Mr T Mullan's contract terms. Mr T Mullan's share options are (or will be, upon grant) subject to three-year vesting period and a performance condition relating to a specified minimum level of in Clareti annualised recurring revenues (excluding acquisitions) as at the date of exercise. There were no other Director equity awards in the year. Details of options held by Directors are set out further below.

Remuneration report continued

Directors' remuneration report continued

Variable pay in 2018 continued

Performance-based annual bonus

Executive Director annual bonus awards for 2018 were assessed by the committee based on predetermined annual performance targets linked to Group objectives and individual performance objectives, as follows:

Measure	Weighting	Attainment (CEO)	Attainment (CFO)
Clareti recurring revenues	35%	87%	87%
Group revenue	17.5%	81%	81%
Cash	17.5%	79%	79%
Costs	15%	99%	99%
Personal objectives	15%	On target	On target
Adjusted EBITDA		19%	19%
Bonus payable (% of base)		**0%**	**0%**

Adjusted EBITDA is a primary determinant of final annual bonus award and is subject to a minimum threshold level of 80% of target. As actual adjusted EBITDA in 2018 fell below the threshold level, no bonus is payable in respect of 2018.

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 2018 and 2017:

31 December 2018	Base salary/fees £	Benefits in kind £	Loss of office £	Performance-related bonus £	Pension £	IFRS 2 share-based payment charge £	Total 2018 £
Executive Directors							
I Manocha	**259,840**	**2,882**	—	—	**12,980**	**73,744**	**349,445**
T Mullan(1)	**133,521**	**827**	—	—	**6,003**	**23,591**	**163,942**
R Grubb(2)	**42,063**	**429**	—	—	**2,100**	—	**44,561**
Non-Executive Directors							
K Archer	**80,000**	—	—	—	—	—	**80,000**
I Joss	**40,000**	—	—	—	—	—	**40,000**
A Balchin	**40,000**	—	—	—	—	—	**40,000**
	595,424	**4,138**	—	—	**21,083**	**97,335**	**717,979**

(1) Appointed as Director 13 March 2018.

(2) Resigned as Director 13 March 2018.

31 December 2017	Base salary/fees £	Benefits in kind £	Loss of office £	Performance-related bonus £	Pension £	IFRS 2 share-based payment charge £	Total 2017 £
Executive Directors							
I Manocha	254,000	1,491	—	20,400	12,765	220,233	508,889
R Grubb	136,792	1,103	—	11,200	6,818	—	155,913
Non-Executive Directors							
K Archer	80,000	—	—	—	—	—	80,000
I Joss	40,000	—	—	—	—	—	40,000
A Balchin(1)	25,333	—	—	—	—	—	25,333
C Errington(2)	12,500	—	—	—	—	—	12,500
	548,625	2,594	—	31,600	19,583	220,233	822,635

(1) Appointed 15 May 2017.

(2) Resigned 31 May 2017.

IFRS 2 share-based payment charges referred to in the table above are accounting charges that are calculated in accordance with applicable accounting rules as set out in note 23 of the Group financial statements. These charges do not represent cash payments.

Benefits in kind include provision of private healthcare and death in service insurance.

Interests in options (audited information)

The Group operated the Share Option Plan 2010 (as shown in the remuneration policy) during the year, under which Directors are able to subscribe for ordinary shares in the Company. The interests of the Directors under the Share Option Plan 2010 at the start and end of the year are as set out in the table below. The interests of the Directors to subscribe for or acquire ordinary shares have not changed since the year end. Further details concerning the Option Schemes 2010, including vesting conditions, can be found in note 23 to the Group financial statements.

There were no other share option schemes in operation applicable to Directors in 2018. In 2019, the Company is proposing to introduce new pay arrangements which align with short-term and long-term targets, which includes the grant of nil cost options pursuant to the Long-Term Share Incentive Plan, details of which are set out in the remuneration policy.

	Options at 1 January 2018	Granted	Cancelled	Exercised	**Options at 31 December 2018**	Date of grant	Exercise price	Date first exercisable	Expiry date
Executive Directors									
I Manocha(1)(2)	1,500,000	—	—	—	**1,500,000**	01.06.15	111p	01.06.18	01.06.25
T Mullan(3)	—	200,000	—	—	**200,000**	14.03.18	227p	14.03.21	14.03.28
R Grubb	—	—	—	—	**—**	—	—	—	—
Non-Executive Directors									
K Archer(1)(2)	700,000	—	—	—	**700,000**	31.12.10	28p	31.12.13	31.12.20
I Joss	—	—	—	—	**—**	—	—	—	—
A Balchin	—	—	—	—	**—**	—	—	—	—
	2,200,000	200,000	—	—	**2,400,000**				

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

(2) Vested.

(3) Yet to vest.

Payments for loss of office (audited information)

No payments for loss of office were made during the year ended 31 December 2018 (2017: £nil).

Percentage change in CEO remuneration

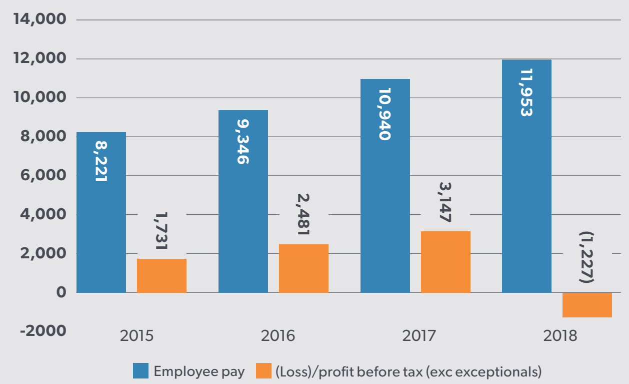
The table below sets out the increase in the total remuneration of the CEO and our staff (excluding promotions where relevant) in 2018. The comparative is all staff (around 150 people) because this group is considered to be the most relevant, due to the structure of total remuneration.

	Change in base salary (effective April 2018)	2018 bonus payment (% of base salary)
CEO (I Manocha)	2.4%	—
All staff	2.4%	1.5%

Relative importance of spend on pay

The chart below shows the total employee pay cost compared to profit before tax (for continuing operations and before exceptional items but including distributions) for the years ended 31 December 2018 and 2017. There were no share buy backs in the year.

Total employee pay compared to profit before tax (£)

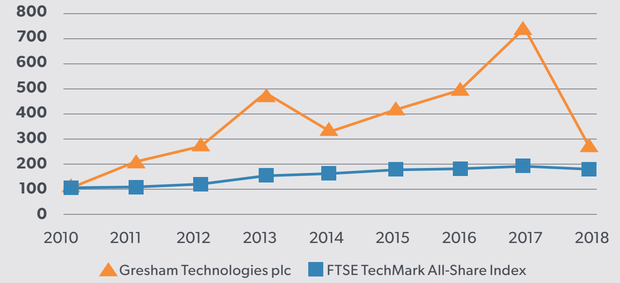


Directors' remuneration report continued

Comparison of Company performance

The graph below shows the Company's performance, as measured by 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.

Total shareholder return (£)

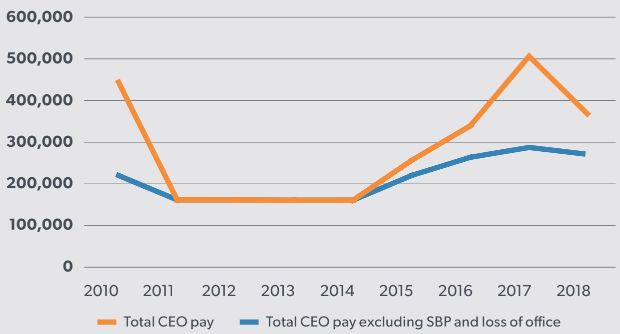


This graph shows the value, by the end of 2018 of £100 invested in Gresham Technologies plc on 31 December 2010 compared with the value of £100 invested in the FTSE TechMark All-Share Index. The other points are values at intervening financial year ends.

Change in CEO pay

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

Total Chief Executive Officer pay (£)



The graph above is derived from the data in the following table:

	2013	2014	2015	2016	2017	**2018**
I Manocha (CEO from 1 June 2015)						
Base salary	—	—	145,833(1)	250,000	254,000	**259,840**
Benefits in kind	—	—	544(1)	1,983	1,491	**2,882**
Bonus	—	—	—	—	20,400	**—**
Pension	—	—	7,292(1)	12,500	12,765	**12,980**
IFRS 2 share-based payment charges	—	—	35,889(1)	75,441	220,233	**97,335**
	—	—	189,558(1)	339,924	508,889	**373,036**
C Errington (CEO until 1 June 2015)						
Base salary	150,000	150,000	62,500(2)	—	—	**—**
Benefits in kind	1,165	1,334	545(2)	—	—	**—**
Bonus	—	—	—	—	—	**—**
Pension	7,500	7,500	3,125(2)	—	—	**—**
IFRS 2 share-based payment charges	—	—	—	—	—	**—**
	158,665	158,834	66,170(2)	—	—	**—**
Total	158,665	158,834	255,728	339,924	508,889	**508,889**

(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.

Service contracts

Mr I Manocha has a service agreement dated 15 February 2015, which is terminable by twelve months' rolling notice from either side. Mr T Mullan's service agreement is dated 5 February 2018 and 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.

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

Remuneration resolutions at the last AGM

At the last AGM, held on 10 May 2018, the following resolution was moved:

Resolution	For[1]	Against	Withheld
Remuneration report	99.98%	0.00%	0.02%

(1) Includes votes giving the Chairman discretion.

Implementation of remuneration policy in 2019

As noted in this report and in last year's report, the Company is now proposing certain updates to the remuneration policy for the year commencing 1 January 2019. This follows an independent review of pay arrangements for Executive Directors and the proposed changes include new annual bonus and long-term share incentive arrangements. The committee is recommending these changes and considers them to be appropriate and necessary to attract and retain strong talent to achieve the Group's strategic goals. If the changes to the remuneration policy are not approved at the AGM, the current remuneration policy will apply in 2019 as it applied in 2018 unless and until a revised remuneration policy is approved.

External advisers

The committee seeks professional advice where it considers it appropriate to do so. In the year, the Group appointed Pearl Meyer & Partners LLC, independent advisers on executive remuneration, to advise the committee in relation to the design and implementation of the new pay arrangements for Executive Directors referred to above. The total fees paid to Pearl Meyer in the year were £27,000. The committee is satisfied that advice provided by Pearl Meyer is independent. The services of Pearl Meyer remain available to the committee in 2019 on an ad hoc basis.

Imogen Joss
Chair of the remuneration committee
11 March 2019

Directors' report

Registered number 1072032

The Directors present their report and the Group financial statements for the year ended 31 December 2018.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out within the 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 section 414(c) of the Companies Act 2006. In addition, note 21 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, if any, hedging activities, and its exposures to credit risk and liquidity risk. The statement of corporate governance beginning on page 28 forms part of the Directors' Report.

Directors and officers

The Directors who served on the Board during the year are set out on page 26 (aside from Mr R Grubb, who resigned with effect from 13 March 2018), all of whom served throughout the year with the exception of Mr T Mullan, whose appointment is effective 13 March 2018. Mr J Cathie served as Company Secretary throughout the year.

Results and dividends

The Group profit for the year, after taxation, attributable to equity shareholders amounted to a loss of £1,416,000 (2017: profit of £3,801,000). A final dividend of 0.5 pence per ordinary share (2017: 0.5 pence) has been recommended by the Directors. There has been no interim dividend (2017: none).

If approved by the passing of a resolution at the forthcoming Annual General Meeting, it is intended to pay the final dividend on 16 May 2019 to all shareholders on the register at close of business on 5 April 2019. The ex-dividend date will be 4 April 2019.

The loss for the year has been transferred to reserves.

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 cash flow 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 Financial Report 2018.

Refer to page 30 for the viability statement required pursuant to Provision C2.2 of the Code.

Post balance sheet events

On 11 January 2019, the Group entered into a definitive agreement with Fujitsu Services Limited for the sale of its VME mainframe software business for £2m cash consideration. The disposal was completed on 31 January 2019. Please refer to note 30 of the Group Financial Statements for details.

Significant relationships

In 2018, the Group had one customer relationship considered to be individually significant to the Group. This relates to APAC operations and generates a mix of revenues from Clareti Solutions and Other Solutions, including strategic non-recurring revenues. Revenues from this customer relationship individually exceeded 10% of the Group's revenue in 2018. 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 2018 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 2018	1 January 2018
K Archer	**150,000**	150,000
I Joss	—	—
A Balchin	—	—
I Manocha	**75,000**	75,000
T Mullan[(1)]	—	—

(1) Appointed 15 March 2018.

There have been no further changes in the Directors' interests disclosed above from 31 December 2018 to 28 February 2019.

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.

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 2019:

	Ordinary shares of £0.05 each	Percentage held
Schroder Investment Management	10,156,136	14.92%
Kestrel Investment Partners	9,603,943	14.10%
JO Hambro Capital Management	7,865,000	11.55%
Canaccord Genuity Wealth Management	5,337,859	7.84%
Herald Investment Management	3,158,774	4.64%
Mrs M A Green	3,073,290	4.51%
Majedie Asset Management	2,787,248	4.09%
Jupiter Asset Management	2,600,000	3.82%
Rimmer Worldwide Limited	2,178,091	3.20%
Hargreaves Lansdown Asset Management	2,043,180	3.00%

Political donations

No donations were made in 2018 or 2017.

Social and community

No social or community review has been performed for 2018 or 2017.

Special business at the Annual General Meeting

The special business to be conducted at the AGM includes:

- 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 £1,134,824 representing one-third of the issued ordinary share capital as at 28 February 2019 and to allot and grant rights over shares for cash up to a maximum nominal amount of £170,224, representing 5% of the issued ordinary share capital as at 28 February 2019, without first making a pro rata offer to all existing shareholders;
- the renewal of the authority of the Company to make market purchases of its own ordinary shares. The Company's authority will be limited to 6,808,944 ordinary shares which represents 10% of the issued ordinary share capital of the Company as at 28 February 2019;
- the authority to call meetings (other than Annual General Meetings) on not less than 14 clear days' notice; and
- resolutions to approve and authorise the proposed remuneration policy and the participation of Executive Directors in the Deferred Share Bonus Plan and certain corresponding amendments to the rules.

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 2018, the Company's issued share capital comprised:

	Number	Nominal value £	% of total share capital
Ordinary shares of £0.05 each	68,089,437	3,404,472	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 2018, certain share options granted under the Option Scheme 2010 were exercised and as a result the Group issued 596,940 ordinary shares (2017: 707,979), such shares ranking pari passu with ordinary shares then in issue. See note 23 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; 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 44. Major interests (being those greater than 3%) of which the Company has been notified are shown on this page.

Directors' report continued

Registered number 1072032

Change of control

In the event of a change of control of the Company, employee share options granted under the Option Scheme 2010 and the Deferred Share Bonus Plan 2017 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 23 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 Financial Report 2018

As part of our requirements under the FCA Listing Rules ("LR"), the information required to be disclosed by LR 9.8.4 R can be found in the following locations in this Annual Financial Report 2018:

LR 9.8.4 R	Topic	Location
(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 86
(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 44
(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 page 26. 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 its 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
11 March 2019

Statement of Directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the Annual Financial Report 2018 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 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 International Accounting Standards ("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 are responsible for ensuring that the Annual Financial Report 2018, 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 Financial Report 2018 is 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 Financial Report 2018 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
11 March 2019

Independent auditor's report

Opinion

We have audited the financial statements of Gresham Technologies plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which compromise 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 Flow, the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group Financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on page 14 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 14 in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 44 in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group and the Parent Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 30 in the Annual Report as to how they have assessed the prospects of the Group, 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 Group 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters continued

Development costs

Description

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 Consolidated Income Statement over a period ranging from five to 20 years, depending on the product to which they pertain. There are a number of judgements involved in accounting for development expenditure, including whether the activities are appropriate for capitalisation in accordance with the criteria of the standard, the allocation of the development costs to a particular Clareti product and the estimated useful economic life of each product. The risk also encompasses the possibility that the development activities may be maintenance by nature or supersede costs previously capitalised. Due to the level of judgement, there is considered to be an inherent risk of management override.

How we addressed the key audit matter in the audit

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, including time records to corroborate the allocation of cost between products, and checked that the five criteria for capitalisation, as required by the standard, had been met. This included gaining an understanding of the projects from the development team, as well as obtaining evidence of future economic benefits such as customer contracts and pipeline opportunities and critically assessing assumptions such as the level of non-productive time inherent in the development of each product based on factors including the product's stage of maturity. Furthermore, we specifically reviewed the nature of 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.

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. Additionally, for enhancements to established software, we reviewed the nature of the new releases, and resultant sales opportunities, to assess whether there was evidence of superseding previous development effort. We performed our own calculation of amortisation charges based on these dates and compared this with management's own calculations. We also challenged the amortisation rates used by management with reference to the term of sales contracts associated with each product and external benchmarking reports of companies operating in the sector, together with internal benchmarking based on legacy software. Sensitivity analysis was then performed on the amortisation rates.

Goodwill and intangible asset impairment risk

Description

As detailed in the accounting policies, goodwill and capitalised development costs during development are tested for impairment at least annually through comparing the recoverable amount of the cash-generating unit, based on a value-in-use calculation, to the carrying value. 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, nor indicators of impairment in relation to development costs. This risk is considered significant due to the level of judgement involved and the opportunity for management bias within the impairment model assumptions.

How we addressed the key audit matter in the audit

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, being forecast growth rates, operating cash flows and the discount rate. Our audit procedures for the review of operating cash flows and forecast growth rates included, amongst others, comparing the forecast to recent financial performance and budgets approved by the Board; we used market data to independently calculate a discount rate for comparison. Cash flows forecast in respect of development projects were assessed for reasonableness against known sales pipeline opportunities. We also performed our own sensitivity analysis upon the key valuation inputs.

Independent auditor's report continued

Key audit matters continued

Revenue and profit recognition

Description

As detailed in the accounting policies, the Group earns revenue from the sale of software licenses, rendering of services, subscriptions and maintenance and solution sales. Management exercises judgement in their assessment of the stage of completion of service contracts and the unbundling of multi-element solution sales, with reference to the estimated standalone selling prices of the deemed performance obligations, both of which determine the recognition of revenue and profit and so present a revenue recognition risk.

As this is the first year that International Financial Reporting Standard 15 is applicable for the annual financial statements, Management has exercised judgement in determining whether performance obligations, such as software licences and support and maintenance contracts, are considered distinct; the level of consideration to be allocated to the performance obligations based on standalone selling prices; and whether the revenue in respect of the performance obligations is recognised at a point in time or overtime.

How we addressed the key audit matter in the audit

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 the accounting standards and the accounting policy.

In particular, we checked a sample of solution sales and assessed the appropriateness of unbundling contract revenue into separate performance obligations along with any judgements in the allocation of the consideration across the performance obligations based on estimated standalone selling prices. We assessed this judgement through benchmarking with reference to historic contracts executed by the Group and external sources in relation to the sector.

For the licence element of new contracts, particularly those in close proximity to the year end, we obtained evidence that the software had been delivered to the customer prior to the end of the financial year. We agreed a sample of sales and, where relevant, underlying time costs to supporting contracts and other documentation, including user acceptance evidence, statements of works and time records.

Acquisition of B2 S.a.R.L

Description

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 the consideration, which contained a contingent element, and the assets and liabilities acquired.

Management have 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 valuations.

The provision for contingent consideration is based upon estimates, at the date of acquisition, of future performance of the acquired entity.

How we addressed the key audit matter in the audit

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 initial cash and share consideration to documentation such as the share and purchase agreement and completion statement.

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 model and, with the assistance of our valuations specialists, reviewed 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 of the transaction.

Our application of materiality

Group materiality: £120,000 (2017: £210,000)

Parent Company materiality: £90,000 (2017: £150,000)

Our Group planning materiality for the financial statements, for the current year is based on 5% of the average result before tax over the last three years (2017: 1% of consolidated revenue), which we consider to be a key performance measure for the Group and its members in assessing financial performance.

On the basis of our risk assessment, together with our assessment of the Company's control environment, our judgement is that performance materiality for the financial statements should be 65% of planning materiality, namely £78,000 (2017: 65% and £136,000). Our objective in adopting this approach is to ensure that total detected and undetected audit differences do not exceed our planning materiality of £120,000 for the financial statements as a whole.

Materiality levels used for each key component ranged from £60,000 to £90,000 (2017: £81,000 to £160,000). We agreed with the audit committee that we would report to the committee all audit differences in excess of £2,400 (2017: £8,400), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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 based on 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.

An overview of the scope of our audit

The Group audit team, based in the UK, performed full scope audits of the key reporting components in the UK and North America, comprising 56% of revenues and 146% of the loss before tax. The audits of the Asia Pacific region were performed by component auditors, BDO Australia, with the Group's Australian subsidiary being the significant component in this region. The audit approach was designed such that the Group audit was considered capable of detecting irregularities, including fraud, through an assessment of the significant laws and regulations across all significant components.

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.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable (set out on page 47)** – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting (set out on page 31)** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code (set out on page 28)** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Independent auditor's report continued

Opinions 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 47 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 28 October 2010 to audit the financial statements for the year ending 31 December 2010 and subsequent financial periods. In respect of the current period we were reappointed as auditor by the members of the company at the annual general meeting held on 10 May 2018. The period of total uninterrupted engagement is nine years, covering the years ending 2010 to 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent company's members as a body, for our audit work, for this report, or for the opinions, we have formed.

Malcolm Thixton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom
11 March 2019

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

Consolidated income statement

	Notes	31 December 2018 £'000	31 December 2017 £'000
Revenue	3,4	**19,266**	20,792
Cost of sales		**(3,260)**	(3,283)
Gross profit		**16,006**	17,509
Adjusted administrative expenses		**(17,222)**	(14,514)
Adjusted operating (loss)/profit		**(1,216)**	2,995
Adjusting administrative items:			
Exceptional items	4	**(303)**	(90)
Amortisation on acquired intangibles	13	**(605)**	(410)
Share-based payments	23	**(161)**	(239)
		(1,069)	(739)
Total administrative expenses		**(18,291)**	(15,253)
Statutory operating (loss)/profit from continuing operations	4,5	**(2,285)**	2,256
Share of post tax profits/(losses) of joint venture	15	**75**	(18)
Finance revenue	3,8	**19**	33
Finance costs	8	**(6)**	(2)
(Loss)/profit before taxation from continuing operations		**(2,197)**	2,269
Taxation	9	**114**	744
(Loss)/profit after taxation from continuing operations		**(2,083)**	3,013
Profit after taxation from discontinuing operations	30	**667**	788
Attributable to owners of the Parent	2	**(1,416)**	3,801
Earnings per share			
Statutory			
Basic earnings per share – pence	10	**(2.09)**	5.65
Diluted earnings per share – pence	10	**(2.09)**	5.45
Adjusted			
Basic earnings per share – pence	10	**(0.50)**	6.75
Diluted earnings per share – pence	10	**(0.50)**	6.51
Earnings per share – continuing			
Statutory			
Basic earnings per share – pence	10	**(3.07)**	4.48
Diluted earnings per share – pence	10	**(3.07)**	4.32
Adjusted			
Basic earnings per share – pence	10	**(1.50)**	5.58
Diluted earnings per share – pence	10	**(1.50)**	5.38

Year ended 31 December 2017 has been restated for discontinuing operations during the period.

Consolidated statement of comprehensive income

	31 December 2018 £'000	31 December 2017 £'000
Attributable to the owners of the Parent	**(1,416)**	3,801
Other comprehensive expenses		
Items that will or may be re-classified into profit or loss – exchange differences	**(68)**	(31)
Total other comprehensive expenses	**(68)**	(31)
Total comprehensive (expenses)/income for the year	**(1,484)**	3,770

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a credit of £13,000 (2017: credit of £6,000).

Consolidated statement of financial position

	Notes	31 December 2018 £'000	31 December 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**480**	590
Intangible assets	13	**25,340**	20,479
Interest in joint venture	15	**57**	(18)
Deferred tax assets	9	**1,166**	1,894
		27,043	22,945
Current assets			
Asset held for sale	30	**74**	—
Trade and other receivables	17	**4,639**	5,477
Income tax receivable	17	**821**	109
Other financial assets – bank deposits/restricted cash	18	**278**	200
Cash and cash equivalents	18	**5,323**	8,280
		11,135	14,066
Total assets		**38,178**	37,011
Equity and liabilities			
Equity attributable to owners of the Parent			
Called up equity share capital	22	**3,404**	3,375
Share premium account	24	**3,830**	3,562
Other reserves	24	**536**	313
Foreign currency translation reserve	24	**(78)**	(10)
Retained earnings	24	**16,660**	18,275
Total equity attributable to owners of the Parent	24	**24,352**	25,515
Non-current liabilities			
Contract liabilities	19	**486**	592
Provisions	19	**59**	18
Deferred tax liability	9	**1,083**	596
Contingent consideration	19, 28	**67**	—
		1,695	1,206
Current liabilities			
Liabilities held for sale	30	**384**	—
Trade and other payables	19	**11,716**	9,820
Income tax payable	19	**5**	47
Provisions	19	**26**	67
Contingent consideration	19, 28	**—**	356
		12,131	10,290
Total liabilities		**13,826**	11,496
Total equity and liabilities		**38,178**	37,011

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2019.

On behalf of the Board

Ian Manocha
11 March 2019

Tom Mullan
11 March 2019

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 2017		3,340	3,242	313	21	14,235	21,151
Attributable profit for the period		—	—	—	—	3,801	3,801
Other comprehensive expense		—	—	—	(31)	—	(31)
Total comprehensive income		—	—	—	(31)	3,801	3,770
Share transaction costs	22	—	(7)	—	—	—	(7)
Exercise of share options	22	35	327	—	—	—	362
Share-based payment expense	23	—	—	—	—	239	239
At 31 December 2017 (as reported)		3,375	3,562	313	(10)	18,275	25,515
Adjustment arising from change in accounting standard IFRS 15:							
– Prepaid contract costs	29	—	—	—	—	(142)	(142)
– Revenue adjustment	29	—	—	—	—	139	139
– Commission expense	29	—	—	—	—	(19)	(19)
		3,375	3,562	313	(10)	18,253	25,493
Attributable profit for the period		—	—	—	—	(1,416)	(1,416)
Other comprehensive expense		—	—	—	(68)	—	(68)
Total comprehensive income		—	—	—	(68)	(1,416)	(1,484)
Exercise of share options	22	23	278	—	—	—	301
Share issue proceeds	22	6	—	223	—	—	229
Share transaction costs	22	—	(10)	—	—	—	(10)
Share-based payment expense	23	—	—	—	—	161	161
Dividend paid	11	—	—	—	—	(338)	(338)
At 31 December 2018		**3,404**	**3,830**	**536**	**(78)**	**16,660**	**24,352**

Consolidated statement of cash flow

	Notes	31 December 2018 £'000	31 December 2017 £'000
Cash flows from operating activities			
Profit after taxation		**(1,416)**	3,801
Depreciation, amortisation and impairment	5	**2,237**	1,855
Share-based payment expense	23	**161**	239
Share of post tax loss from joint venture	15	**(75)**	18
Increase in trade and other receivables		**(1,529)**	(781)
Increase in trade and other payables		**2,045**	495
Movement in deferred tax provisions		**610**	—
Movement in provisions		**2**	20
Fair value adjustment on deferred contingent consideration	28	**(30)**	(69)
Net finance income	8	**(14)**	(31)
Cash inflow from operations		**1,991**	5,547
Income taxes received		**96**	—
Income taxes paid		**(118)**	(291)
Net cash inflow from operating activities		**1,969**	5,256
Cash flows from investing activities			
Interest received	8	**19**	31
Increase in financial assets – bank deposits/restricted cash		**(78)**	(200)
Purchase of property, plant and equipment	12	**(188)**	(280)
Net payments to acquire subsidiary undertaking	28	**(1,947)**	(711)
Payments to acquire intangible fixed assets	13	**(2,603)**	(3,199)
Net cash (used in)/generated from investing activities		**(4,797)**	(4,359)
Cash flows from financing activities			
Interest paid		**(6)**	—
Dividend paid	11	**(338)**	—
Share issue proceeds	23	**292**	239
Share issue transaction costs	22	**—**	(7)
Net cash (used in)/generated from financing activities		**(52)**	232
Net (decrease)/increase in cash and cash equivalents		**(2,880)**	1,129
Cash and cash equivalents at beginning of year		**8,280**	7,206
Exchange adjustments		**(77)**	(55)
Cash and cash equivalents at end of year	18	**5,323**	8,280

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.

The financial statements of Gresham Technologies plc and its subsidiaries (the Group) for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 11 March 2019 and the Consolidated Statement of Financial Position was signed on the Board's behalf by Mr I Manocha and Mr T Mullan.

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 2018.

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 2018 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 2018.

The Group's financial statements have been prepared on a historical cost basis.

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 2018, the Company recorded a retained loss of £504,000 (2017: profit of £683,000).

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. We review our estimates and underlying assumptions on an ongoing basis, and recognise revisions to accounting estimates in the period in which we revise the estimate and in any future periods affected. It is considered that all judgements have an element of estimation.

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 is 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. Should a sensitivity be applied of 5% +/- to the separately identifiable intangibles acquired on acquisition of B2 Group the identifiable intangibles would alter by £0.2m +/- with the equal and opposite impacting goodwill. See note 13 and note 28.

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 profit and loss account.

The intangible asset impairment reviews are disclosed in note 14.

Sensitivity analysis has been performed on a number of key assumptions Discount rate, growth rate and revenue growth rates to determine when impairment would occur.

Revenue and profit recognition

IFRS 15 was adopted on 1 January 2018, which is discussed in detail in note 29.

Revenue and the associated profit are recognised from sale of software licences, rendering of services, subscriptions and maintenance and solution sales. When software licences are sold, we must exercise judgement as to when the appropriate point in time has passed at which all performance obligations for that software licence have been performed, at which point revenue in relation to the stand-alone sales price of the software licence is recognised. 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 combined circumstances require 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.

2. Accounting policies continued

Judgements and key sources of estimation uncertainty continued

Revenue and profit recognition continued

The estimation of the stage of completion, along with the distinct performance obligations of multi-element solution sales, represents a risk of incorrect revenue recognition.

Where licences are delivered to customers on commencement of the contract, the licence fee is recognised upon completion of performance obligations and the remaining revenue for support and maintenance is subsequently recognised over the contract term.

In considering the distinct performance obligations 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 estimated stand-alone selling price of the constituent elements and recognise revenue accordingly. In such instances we must first determine whether:

1. The satisfaction of a performance obligation with a stand-alone selling price is operationally, technically, functionally separate, and deliverable separately, from other deliverables to the customer; or
2. The satisfaction of a performance obligation with a stand-alone selling price is not operationally, technically, functionally and deliverable separate from other deliverables to the customer.

If the agreement is determined to be under category 1 above, then stand-alone sales price of each element of a typical software, support and maintenance is determined, unbundled and recognised in appropriately for each element. If the agreement is determined to be under category 2 above then the bundled fee is recognised as the bundled services are delivered over the term of the contract.

We must also exercise judgement in setting the stand-alone selling prices of each element of our bundled contracts. We have concluded that the annual stand-alone sales price of our standard support and maintenance offering will always be equal to 20% of the five year software licence fee, or of the total combined five year licence, support and maintenance fees, the stand-alone sales price of the licence will be 50% and the support and maintenance 50%. This ratio is also well aligned to the proportion of development costs capitalised in proportion to our annual support and maintenance costs.

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. Further details can be found within note 28 of the financial statements.

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 profit and loss account; 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 to the statement of other comprehensive income and recognised 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 profit and loss account.

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 which report in a different functional currency are retranslated using the closing rate.

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 profit and loss account. 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.

Notes to the financial statements continued

2. Accounting policies continued

Goodwill continued

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 profit and loss account.

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

Acquired intangible

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 are 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 profit and loss account in the expense category consistent with the function of the intangible asset. The useful economic lives of separately acquired software is deemed to be 10 years and the useful economic live of customer relations is between 8 and 6 years, the charge in the income statement is made within the amortisation for acquired intangibles.

Internally generated Intangibles

The Group has capitalised development costs in respect of the Clareti platform which has been assessed against the required capitalisation criteria and a remaining useful economic life of 14 years reflecting the maturity and availability of comparable solutions in our markets. The Group has capitalised development costs in respect of individual Clareti applications which have been individually assessed against the required capitalisation criteria and been individually assigned useful economic lives reflecting the maturity and availability of comparable applications in our markets. These useful economic lives are assessed to be between four and 14 years and is recognised in the Income statement within amortisation of development costs.

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 profit and loss account 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 range between two and ten years depending on their nature. Amortisation charges in respect of intangible assets are included in administrative expenses.

Joint ventures

Joint ventures are entities over which activities we have joint control, under a contractual agreement. The Group financial statements include the Group's share of profit or loss arising from joint ventures which is accounted for under the equity accounting method. Related party transactions with Group joint ventures primarily comprise support and maintenance services. The arrangement is a separate legal entity and legal ownership and control are equal with all other parties; there are no significant judgements required to be made.

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 five to 15 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, 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 profit and loss account in the period of derecognition.

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 profit and loss account 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 profit and loss account 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 non financial assets

The Group assesses at each reporting date whether there is an indication that any non financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used incorporating industry standard valuation multiples or other available fair value indicators. Impairment losses on continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

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

Provisions

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the profit and loss account 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

Assets/liabilities held for sale

Assets/liabilities held for sale and discontinued operations are classified as held for sale when the carrying amount will be recovered through a sale transaction rather than through continuing use. The classification is only made if it is highly probable that the assets/liabilities or operations are available for immediate sale in their present condition. The sale is expected to be completed within one year. Assets/liabilities held for sale are measured at the lower of the carrying amount preceding classification as held for sale and fair value less costs to sell.

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.

Financial assets

The Group's financial assets are all classified within the amortised cost category. The Group's accounting policy for this category is as follows:

Assets carried at amortised cost

These assets arise principally from the provision of sales and services of software and support and maintenance to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes to the financial statements continued

2. Accounting policies continued

Financial assets continued

Financial assets continued

Assets carried at amortised cost continued

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.

Impairment provisions for from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

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 Cash flow, 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 profit and loss account.

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 profit and loss account.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired.

The Group's accounting policy for other financial liabilities (which include Trade payables and other short-term monetary liabilities), are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Other financial liabilities include the following items:

Bank borrowings and the Group's redeemable preference shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

2. Accounting policies continued

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.

Pensions

Contributions to defined contribution schemes are recognised in the profit and loss account in the period in which they become payable.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the AGM.

Revenue recognition

IFRS 15 Revenue from Contracts with Customers was adopted from the 1st of January 2018 replacing IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Full disclosure of this change and the consideration of such can be found in note 29. The remainder of this accounting policy only takes into account the policy under the new standard.

Revenue, comprising sales of products and services to third parties, is recognised to the extent that satisfaction of contractual performance obligations has occurred and it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the stand-alone selling price of the performance obligation delivered, excluding discounts, rebates, VAT and other sales taxes. The following criteria must also be met before revenue is recognised:

To note there is no material impact of variable consideration or financing components across all revenue streams.

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;
- satisfaction of the contracted performance obligations has been met, which in the case of software licences typically means, delivery has occurred and no future elements to be delivered are essential to the functionality of the delivered element;
- a stand-alone selling price of the performance obligation can be measured; and
- collectability is probable.

Provision of services

Revenue and profits from the provision of professional services, such as implementation, development, training and consultancy, are delivered under a time and materials type contract and are therefore recognised over time and based upon number of hours worked. On occasion fixed price services contracts are entered into, upon which revenue is recognised on a percentage-of-completion basis, as costs incurred relate to total costs for the contract, when the outcome of a contract can be estimated reliably. Determining whether a contract's outcome can be estimated reliably requires management to exercise judgement, whilst calculation of the contract's profit requires estimates of the total contract costs to completion. Cost estimates and judgements are continually reviewed and updated as determined by events or circumstances.

Revenue from this revenue stream creates contract assets through yet to be billed time input and expenses at the reporting date.

Support and maintenance

Revenue from support and maintenance services is recognised rateably over the period of the contract. Revenue is recognised when the provision of support and maintenance and completion of the performance obligations are carried out which is deemed to be evenly throughout the term of the contract.

Revenue from this revenue stream creates contract liabilities through the invoicing of services prior to performance obligations being performed.

Solution sales

Contracts for the delivery of solutions with multiple elements, typically involving software licences, rendering of services, support, maintenance and infrastructure, are unbundled where possible and revenue is recognised based on the accounting policy applicable to each constituent part, for example the stand-alone selling price of the software licence is recognised at a point in time, upon satisfaction of the performance obligations associated to that licence, and the stand-alone selling price of software maintenance and support is recognised over the period over which the service is provided. A typical example of such a scenario is where we sell a subscription licence but are not contracted to provide the hosted infrastructure to deploy the software upon – the customer deploys the software on-premise or on a cloud environment for which we are not responsible.

We have many instances where unbundling is not possible, this is where a bundled element cannot technically or operationally provided without another. The typical example of this is when the customer contracts for our hosted software offering, Clareti as a Service ("CaaS"), under which the customer cannot gain benefit from the software without the Group also providing, and continuing to provide, the hosted infrastructure upon which software is deployed. Where objective unbundling of a solution is not possible, revenue is recognised over the period of the contractual service provision.

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.

Notes to the financial statements continued

2. 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 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 profit and loss account, 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 profit and loss account 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 profit and loss account.

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

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 with the addition of IFRS 15 and IFRS 9 being the only standards to have had an impact.

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

Standard or interpretation	Title	Effective from
IFRS 15	Revenue recognition – Original issue and clarifications from contracts with customers	1 January 2018
IFRS 2	Amendments to the classification and measurement of share-based payment transactions	1 January 2018
IFRIC 22	Original issue – Foreign currency translations and advance consideration	1 January 2018
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	1 January 2018
IFRS 1 and IAS 28	Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying certain fair value measurements)	1 January 2018

Refer to note 29 for full disclosure of the considerations and impact of the adoption of IFRS 15 Revenue from Contracts with Customers (effective for the Group's first IFRS financial statements for the period beginning on 1 January 2018) which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

With the exception of IFRS 15 as detailed above 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.

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 3	Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest)	1 January 2019
IFRS 9	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
IFRS 11	Amendments resulting from Annual Improvements 2015–2017 Cycle (remeasurement of previously held interest)	1 January 2019
IFRS 16	Leases – Original issue	1 January 2019
IAS 12	Amendments resulting from Annual Improvements 2015–2017 Cycle (income tax consequences of dividends)	1 January 2019
IAS 28	Amendments regarding long-term interests in associates and joint ventures	1 January 2019
IFRIC 23	Original issue – Uncertainty over income tax position	1 January 2019

The adoption of IFRS 16 will replace IAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

The main effect on the Group is that IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for almost all leases and will therefore result in an increase of total property, plant and equipment in respect of the right of use of the lease assets, and an increase in total financial liabilities. The operating lease charges currently reflected within operating expenses (and EBITDA) will be eliminated and instead depreciation and finance charges will be recognised in respect of the lease assets and liabilities.

Based on the operating leases in place and qualifying for recognition under IFRS 16 as at 31 December 2018 it is currently estimated that this would result in the recognition of additional lease assets within property, plant and equipment of approximately £1.7m and additional lease liabilities of approximately £1.6m in total for the Group. It is estimated that a reduction in operating expenses before depreciation of approximately £0.5m resulted in an increase in EBITDA. However overall on profit before tax it is estimated to have a nil impact as depreciation would increase by approximately £0.4m and finance charges of £0.1m.

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 IFRSs as adopted by the European Union, the application of new standards and interpretations will be subject to them 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.

The group plans to adopt the modified retrospective approach and has taken advantage of the following practical expedients:

- a single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- impairment losses on right-of-use assets as at 1 January 2018 have been measured by reference to the amount of any onerous lease provision recognised on 31 December 2017;
- leases with a remaining term of twelve months or less from the date of application have been accounted for as short-term leases (i.e. not recognised on balance sheet) even though the initial term of the leases from lease commencement date may have been more than twelve months;
- initial direct costs have not been included in the measurement of the right-of-use asset as at the date of initial application; and
- for the purposes of measuring the right-of-use asset hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as the term of leases) based on circumstances on or after the lease commencement date.

Notes to the financial statements continued

3. Revenue

Revenue disclosed in the profit and loss account is analysed as follows:

	2018 £'000	2017 £'000
Provision of software and services	**19,266**	20,792
Finance revenue	**19**	33
Revenue from continuing operations	**19,285**	20,285
Revenue from discontinued operations	**755**	876
Total revenue	**20,040**	21,701

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- enable users to understand the relationship with the revenue segment information provided note 4.

Year to 31 December 2018 Product Types	**Clareti Solutions £'000**	**Other Solutions £'000**	**Contracting £'000**	**Total £'000**
Non-recurring software revenue (software licences)	**1,221**	**70**	**—**	**1,291**
Recurring software revenue (annually recurring software licences and support and maintenance)	**6,699**	**2,927**	**—**	**9,626**
Rendering of services	**3,890**	**288**	**4,171**	**8,349**
	11,810	**3,285**	**4,171**	**19,266**

Timing of revenue recognition	**£'000**	**£'000**	**£'000**	**£'000**
Annually recurring – at a point in time	**573**	**—**	**—**	**573**
Rateably recognised – over contract period	**10,016**	**3,215**	**4,171**	**17,402**
Non-annually recurring – at a point in time	**1,221**	**70**	**—**	**1,291**
	11,810	**3,285**	**4,171**	**19,266**

Year to 31 December 2017 Product Types	Clareti Solutions £'000	Other Solutions £'000	Contracting £'000	Total £'000
Non-recurring software revenue (software licences)	2,877	771	—	3,648
Recurring software revenue (annually recurring software licences and support and maintenance)	5,317	3,480	—	8,797
Rendering of services	2,952	625	4,770	8,347
	11,146	4,876	4,770	20,792

Timing of revenue recognition	£'000	£'000	£'000	£'000
Annually recurring – at a point in time	424	—	—	424
Rateably recognised – over contract period	7,820	4,105	4,770	16,695
Non-annually recurring – at a point in time	2,902	771	—	3,673
	11,146	4,876	4,770	20,792

Ageing of expected, but not contracted renewals of non-recurring revenue

	1 Year £'000	2–5 Years £'000	> 5 Years £'000	Total £'000
Total	—	4,683	—	4,683

3. Revenue continued

Contract balances

	Contract assets 2018 £'000	Contract assets 2017 £'000	Contract liabilities 2018 £'000	Contract liabilities 2017 £'000
At 1 January	**4,467**	3,923	**(7,742)**	(6,645)
Cumulative catch-up adjustments	**(142)**	—	**139**	—
Transfers in the period from contract assets to trade receivables	**(4,325)**	(3,923)	**—**	—
Amounts included in contract liabilities that was recognised as revenue during the period	**—**	—	**7,150**	6,378
Acquired on acquisition of B2 Group – note 28	**—**	—	**(570)**	—
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**3,809**	4,467	**—**	—
Cash received in advance of performance and not recognised as revenue during the period	**—**	—	**(7,674)**	(7,475)
As at 31 December	**3,809**	4,467	**(8,697)**	(7,742)

Contract assets (services performed but not yet invoiced, and prepaid contract costs) and contract liabilities (support and maintenance contracts invoiced however performance obligations yet to be satisfied for revenue recognition) are included within "trade and other receivables" and "trade and other payables" respectively on the face of the statement of financial position. They arise from the group's support and professional services operations, which enter into contracts that can take in excess of 12 months, which results in cumulative payments received from customers at each balance sheet date which do not necessarily equal the amount of revenue recognised on the contracts and relate to performance obligations yet to be satisfied. Amounts due to be recognised in more than one year are £486,000 (2017: £592,000). Trade receivables included in the above as at 1 January 2017 were £2,499,000.

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, the 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.

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.
  - Clareti Multi-Bank: real-time visibility of cash and stock portfolios across multiple institutions giving treasurers absolute confidence of their exact positions at all times.
- 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.

Notes to the financial statements continued

4. Segment information continued

The following disclosures in respect of the Consolidated Income Statement items are presented in respect of continuing operations only, with comparatives restated where appropriate to exclude discontinuing operations from these disclosures. No adjustment has been made to financial position items as the discontinuing operations were not an asset held for sale as at 31 December 2017.

			Other			
Year ended 31 December 2018	Notes	Clareti Solutions £'000	Solutions £'000	Contracting Services £'000	Adjustments, central and eliminations £'000	Consolidated £'000
Revenue						
External customer		11,810	3,285	4,171	—	19,266
Inter-segment		—	—	—	—	—
Total revenue	3	11,810	3,285	4,171	—	19,266
Cost of sales		(860)	(844)	(1,589)	—	(3,293)
Cost of sales capitalised as intangible asset		33	—	—	—	33
Gross profit		10,983	2,441	2,582	—	16,006
		93%	74%	62%	—	83%
Contracted administrative expenses		—	—	(2,039)	—	(2,039)
Gross profit after contracting fully costed		10,983	2,441	543	—	13,967
		93%	74%	13%	—	72%
Adjusted administrative expenses		—	—	—	(15,183)	(15,183)
Adjusted operating (loss)/profit		10,983	2,441	543	(15,183)	(1,216)
Adjusting items:						
Exceptional costs		—	—	—	(303)	(303)
Amortisation of acquired intangibles	13	—	—	—	(605)	(605)
Share-based payments	23	—	—	—	(161)	(161)
Adjusting administrative expenses		—	—	—	(1,069)	(1,069)
Statutory operating (loss)/profit		10,983	2,441	543	(16,252)	(2,285)
Share of post tax profits from joint venture	15					75
Interest revenue	8					19
Interest expense	8					(6)
Loss before taxation from continuing operations						(2,197)
Taxation	9					114
Loss after taxation from continuing operations						(2,083)
Profit from discontinuing operations						667
Loss after taxation						(1,416)
Segment assets						38,178
Segment liabilities						(13,826)

4. Segment information continued

Year ended 31 December 2017	Notes	Clareti Solutions £'000	Other: Solutions £'000	Other: Contracting Services £'000	Adjustments, central and eliminations £'000	Consolidated £'000
Revenue						
External customer		11,146	4,876	4,770	—	20,792
Inter-segment		—	—	—	—	—
Total revenue	3	11,146	4,876	4,770	—	20,792
Cost of sales		(449)	(869)	(2,081)	—	(3,399)
Cost of sales capitalised as intangible asset		116	—	—	—	116
Gross profit		10,813	4,007	2,689	—	17,509
		97%	82%	56%	—	84%
Contracted administrative expenses		—	—	(2,038)	—	(2,038)
Gross profit after contracting fully costed		10,813	4,007	651	—	15,471
		97%	82%	14%	—	74%
Adjusted administrative expenses		—	—	—	(12,476)	(12,476)
Adjusted operating profit		10,813	4,007	651	(12,476)	2,995
Adjusting items:						
Exceptional costs		—	—	—	(90)	(90)
Amortisation of acquired intangibles	13	—	—	—	(410)	(410)
Share-based payments	23	—	—	—	(239)	(239)
Adjusting administrative expenses		—	—	—	(739)	(739)
Statutory operating profit		10,813	4,007	651	(13,215)	2,256
Share of post tax loss from joint venture	15					(18)
Interest revenue	8					33
Interest expense	8					(2)
Profit before taxation from continuing operations						2,269
Taxation	9					744
Profit after taxation from continuing operations						3,013
Profit after taxation from discontinuing operations						788
Profit after taxation						3,801
Segment assets						37,011
Segment liabilities						(11,496)

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

The Group has a customer relationship with one banking customer which is considered by the Directors to be individually significant; revenue from this relationship exceeded 10% of the Group's revenue, totalling £8.6m (2017: £7.8m). This revenue includes the low-margin contracting revenue of £4.2m (2017: £4.8m) noted above. The revenue from this customer falls predominantly within the Other Solutions segment.

Exceptional items

	2018 £'000	2017 £'000
Exceptionals		
Acquisition and associated integration costs	**213**	77
Fair value adjustment to acquisition contingent consideration and tax cost	**14**	(59)
Advisory fees for establishment of joint venture and all-staff incentive scheme	**61**	42
Staff costs (recruitment and termination costs)	**15**	30
	303	90

During the year the Group incurred exceptional costs completing the acquisition and integration of the B2 Group; exceptional legal & tax advisory costs associated with the new all-staff incentive scheme; fair value adjustment in respect of the C24 contingent consideration paid in May 2018; and exceptional recruitment costs associated with the recruitment of a new CFO. These costs totalled £303,000 (2017: £90,000).

Notes to the financial statements continued

4. Segment information continued

Geographic information

	2018 £'000	2017 £'000
Revenues from external customers (by destination)		
EMEA	2,733	1,847
North America	265	875
UK	4,286	6,186
United States	2,097	2,687
Australia	8,664	8,063
Asia Pacific	1,221	1,134
	19,266	20,792

	2018 £'000	2017 £'000
Non-current assets		
UK	21,103	20,277
North America	17	22
EMEA	4,041	—
Asia Pacific	716	752
	25,877	21,051

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

EMEA includes revenue from external customers located primarily in Germany, France, Luxembourg and Switzerland.

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

5. Group trading profit

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

	Notes	2018 £'000	2017 £'000
Research and development costs written off		1,186	685
Amortisation of deferred development costs recognised in administration expenses	13	1,259	974
Total research and development costs		2,445	1,659
Depreciation of property, plant and equipment	12	297	346
Amortisation of intangible assets (excluding development costs)	13	682	535
Total depreciation, impairment and amortisation expense		979	881
Net foreign currency differences – (losses)/gains		(26)	125
Operating lease payments			
Minimum lease payments		421	368
Sublease income		—	(15)
		421	353

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.

	2018 £'000	2017 £'000
Audit fees		
Audit of the Group financial statements and associated company	22	21
Other fees to the auditor – auditing the accounts of subsidiaries	57	47
– audit of acquisition	9	—
	88	68
Non-audit fees		
Corporate taxation compliance services	8	8
Accountancy fees	16	15
Other – acquisition advice	—	3
	24	26

7. Staff costs and Directors' emoluments

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

Staff and Director costs

31 December 2018	Income statement £'000	Development capitalised £'000	Total excluding contracting £'000	Contracting costs expensed £'000	Discontinued operations £'000	Total £'000
Wages and salaries	8,590	1,797	10,387	1,396	37	11,820
Social security costs	828	185	1,013	86	5	1,104
Other pension costs	436	75	511	132	—	643
	9,854	2,057	11,911	1,614	42	13,567

31 December 2017	Income statement £'000	Development capitalised £'000	Total excluding contracting £'000	Contracting costs expensed £'000	Discontinued operations £'000	Total £'000
Wages and salaries	6,937	2,313	9,250	1,658	32	10,940
Social security costs	505	241	746	166	5	917
Other pension costs	307	93	400	99	—	499
	7,749	2,647	10,396	1,923	37	12,356

Included in wages and salaries is a total expense of share-based payments of £161,000 (2017: £239,000) 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:

	2018	2017
Management	10	9
Sales and administration	29	27
Technical	99	90
Total Gresham	138	126
Contracting services	14	18

Notes to the financial statements continued

7. Staff costs and Directors' emoluments continued

Directors' emoluments

	2018 £'000	2017 £'000
Directors' emoluments		
Remuneration	595	551
Social security costs	77	68
Performance-related bonus	7	32
Pension	21	19
Share-based payments	97	220
Total	797	890
Number of Directors accruing benefits under defined contribution schemes	2	2

Share-based payments in respect of Directors include the cumulative effect of updates to the assumptions used within the Black Scholes model that calculates the share-based payment charge recorded.

8. Finance revenue and costs

	2018 £'000	2017 £'000
Finance revenue		
Bank interest receivable	19	33
Total finance revenue	19	33
Finance costs		
Other bank charges	6	2
Total finance costs	6	2

There was no finance revenue or costs from discontinued operations in either 2017 or 2018.

9. Taxation

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

There is a £nil tax charge in respect of discontinuing operations for the year ended 31 December 2018 (2017: £nil).

Tax on loss on ordinary activities

Tax credited in the income statement

	2018 £'000	2017 £'000
Current income tax		
Overseas tax charge – adjustment to previous years	22	53
Overseas tax charge – current year	43	50
UK corporation tax credit – adjustment to previous years	(789)	(20)
UK corporation tax credit – current year	—	—
Total current income tax	(724)	83
Deferred income tax		
Release/(recognition) of deferred tax asset	601	(827)
Tax rate change adjustments	9	—
Total deferred income tax	610	(827)
Total credit in the income statement	(114)	(744)

9. Taxation continued

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 19.00% (2017: 19.00%). The differences are reconciled below:

	2018 £'000	2017 £'000
(Loss)/profit before taxation	(1,530)	3,057
Accounting (loss)/profit multiplied by the UK standard rate of corporation tax of 19.00%/19.25%	(291)	588
Income/expenses not deductible for tax purposes	63	160
Differences in tax rates	3	84
Overseas tax credit – adjustment to previous years	22	53
R&D tax credit – previous year	(789)	—
R&D enhanced relief	(1,007)	(1,277)
Movement in unrecognised losses carried forward	893	(388)
Movement in unrecognised temporary differences	219	451
Movement in unrecognised fixed asset temporary differences	162	129
Temporary difference on share-based payments	720	(459)
Temporary movement on acquired intangibles	(118)	(85)
Tax rate change adjustments	9	—
Total tax credit reported in the income statement	(114)	(744)

Unrecognised tax losses

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

The tax effect of exchange differences recorded within the Consolidated Statement of Comprehensive Income is a credit of £13,000 (2017: credit of £6,000).

Temporary differences associated with Group investments

At 31 December 2018, there was no recognised deferred tax liability (2017: £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.

Deferred tax

Recognised deferred tax asset

	2018 £'000	2017 £'000
1 January	1,894	1,151
Movement in the period – Losses	232	640
– Share-based payment timing differences	(788)	421
– Qualifying R&D expenditure	(206)	(348)
– Fixed asset timing differences	48	30
Acquired on acquisition of subsidiary undertaking	—	—
Impact of change in tax rate	(14)	—
31 December	1,166	1,894
Comprising:		
Qualifying R&D expenditure	(2,409)	(2,204)
Accelerated capital allowances	200	152
Employee share award schemes	136	924
Tax losses	3,239	3,022
31 December	1,166	1,894

A deferred tax debit of £610,000 (2017: credit of £322,000) has been recognised in the year in respect of tax losses and capital allowances in excess of depreciation and other temporary differences.

Notes to the financial statements continued

9. Taxation continued
Deferred tax continued
Deferred tax liability

	2018 £'000	2017 £'000
Intangible asset acquired on acquisition	1,083	596
Comprising		
1 January	596	680
Recognised in the income statement	(118)	(84)
Acquisition of intangibles in subsidiaries	605	—
31 December	1,083	596

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

	2018 £'000	2017 £'000
Temporary differences	(8)	(87)
Tax losses	501	621
Unrecognised deferred tax asset	493	534
Gross temporary differences unrecognised	(47)	(289)
Gross tax losses unrecognised	2,342	2,588
Gross temporary timing differences unrecognised	2,295	2,299

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 further reduced to 19% from 1 April 2017 and will reduce 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 the 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.

	2018 %	2017 %
UK	17/19	17/19
Australia	30	30
US	40	40

10. Earnings
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 2018	31 December 2017
Basic weighted average number of shares	67,772,715	67,276,136
Dilutive potential ordinary shares	—	—
Employee share options – weighted (note 23)	2,649,668	2,488,515
Diluted weighted average number of shares	70,422,383	69,764,651

10. Earnings continued

Earnings per share continued

	Notes	31 December 2018 £'000	31 December 2017 £'000
Adjusted earnings attributable to owners of the Parent – including discontinuing operations		**(347)**	4,540
Adjusting items:			
Exceptional items	4	**(303)**	(90)
Amortisation of acquired intangibles	13	**(605)**	(410)
Share-based payments	23	**(161)**	(239)
Statutory earnings attributable to owners of the Parent		**(1,416)**	3,801
Earnings per share – including discontinued			
Statutory			
Basic earnings per share – pence		**(2.09)**	5.65
Diluted earnings per share – pence		**(2.09)**	5.45
Adjusted			
Basic earnings per share – pence		**(0.50)**	6.75
Diluted earnings per share – pence		**(0.50)**	6.51

Continuing operations

	Notes	31 December 2018 £'000	31 December 2017 £'000
Adjusted earnings attributable to owners of the Parent		**(1,014)**	3,752
Adjusting items:			
Exceptional items	4	**(303)**	(90)
Amortisation of acquired intangibles	13	**(605)**	(410)
Share-based payments	23	**(161)**	(239)
Statutory earnings attributable to owners of the Parent		**(2,083)**	3,013
Earnings per share – continuing			
Statutory			
Basic earnings per share – pence		**(3.07)**	4.48
Diluted earnings per share – pence		**(3.07)**	4.32
Adjusted			
Basic earnings per share – pence		**(1.50)**	5.58
Diluted earnings per share – pence		**(1.50)**	5.38

Adjusted EBITDA earnings – continuing operations

	Notes	31 December 2018 £'000	31 December 2017 £'000
Adjusted EBITDA			
(Loss)/profit before tax		**(2,197)**	2,269
Adjusting items:			
Exceptional items	4	**303**	90
Amortisation of intangibles	13	**1,941**	1,509
Depreciation of P,P&E	12	**297**	245
Profit on disposal		**(3)**	—
Share-based payments	23	**161**	239
Interest received	3,8	**(19)**	(31)
Adjusted EBITDA – continuing operations		**483**	4,321
Discontinued operations		**667**	788
Adjusted EBITDA – including discontinued operations		**1,150**	5,109

During the year ended 31 December 2018, share options granted under the 2010 Share Option Plans were exercised and the Group issued 462,500 (2017: 707,979) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details. On 4 July 2018 134,440 shares were issued as part consideration for the acquisition of B2 Group at a placing price of £1.71.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this Annual Financial Report 2018.

Notes to the financial statements continued

11. Dividends paid and proposed

The final dividend for the year ended 31 December 2017 was approved at the Company Annual General Meeting on 10 May 2018 and paid on 21 May 2018 of 0.5p per share, equating to a total of £338,000. The Company will be proposing a final dividend for approval at the AGM for the year ended 31 December 2018 of 0.5p per share.

12. Property, plant and equipment

31 December 2018	**Fixtures and fittings £'000**	**Plant and equipment £'000**	**Total £'000**
Cost			
At 1 January	**745**	**1,301**	**2,046**
Additions	**58**	**130**	**188**
Disposals	**(68)**	**(198)**	**(266)**
Additions acquired as part of a business combination	**23**	**14**	**37**
Exchange adjustment	**(6)**	**(4)**	**(10)**
At 31 December	**752**	**1,243**	**1,995**
Depreciation and impairment			
At 1 January	**(547)**	**(909)**	**(1,456)**
Charge for year	**(85)**	**(212)**	**(297)**
Disposals	**68**	**195**	**263**
Additions acquired as part of a business combination	**(22)**	**(14)**	**(36)**
Exchange adjustment	**6**	**5**	**11**
At 31 December	**(580)**	**(935)**	**(1,515)**
Net carrying amount			
At 31 December	**172**	**308**	**480**
At 1 January	**198**	**392**	**590**

31 December 2017	Fixtures and fittings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January	745	1,058	1,803
Additions	—	280	280
Disposals	—	(34)	(34)
Exchange adjustment	—	(3)	(3)
At 31 December	745	1,301	2,046
Depreciation and impairment			
At 1 January	(409)	(738)	(1,147)
Charge for year	(138)	(208)	(346)
Disposals	—	34	34
Exchange adjustment	—	3	3
At 31 December	(547)	(909)	(1,456)
Net carrying amount			
At 31 December	198	392	590
At 1 January	336	320	656

13. Intangible assets

31 December 2018	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition: Software £'000	Separately identified intangibles on acquisition: Customer relationships £'000	Goodwill £'000	Total £'000
Cost						
At 1 January	**17,503**	**923**	**3,067**	**866**	**2,323**	**24,682**
Additions	**2,583**	**20**	**—**	**—**	**—**	**2,603**
Additions acquired as part of business combination	**—**	**—**	**3,208**	**352**	**656**	**4,216**
Disposals	**—**	**(63)**	**—**	**—**	**—**	**(63)**
Exchange adjustment	**—**	**1**	**—**	**—**	**(17)**	**(16)**
At 31 December	**20,086**	**881**	**6,275**	**1,218**	**2,962**	**31,422**
Amortisation and impairment						
At 1 January	**(2,774)**	**(661)**	**(383)**	**(135)**	**(250)**	**(4,203)**
Charge for year	**(1,259)**	**(77)**	**(467)**	**(138)**	**—**	**(1,941)**
Eliminated on disposal	**—**	**63**	**—**	**—**	**—**	**63**
Exchange adjustment	**—**	**(1)**	**—**	**—**	**—**	**(1)**
At 31 December	**(4,033)**	**(676)**	**(850)**	**(273)**	**(250)**	**(6,082)**
Net carrying amount						
At 31 December	**16,053**	**205**	**5,425**	**945**	**2,712**	**25,340**
At 1 January	**14,729**	**262**	**2,684**	**731**	**2,073**	**20,479**

31 December 2017	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition: Software £'000	Separately identified intangibles on acquisition: Customer relationships £'000	Goodwill £'000	Total £'000
Cost						
At 1 January	18,843	1,745	3,067	866	2,329	26,850
Additions	3,148	51	—	—	—	3,199
Disposals	(4,482)	(870)	—	—	—	(5,352)
Exchange adjustment	(6)	(3)	—	—	(6)	(15)
At 31 December	17,503	923	3,067	866	2,323	24,682
Amortisation and impairment						
At 1 January	(6,288)	(1,410)	(79)	(29)	(250)	(8,056)
Charge for year	(974)	(125)	(304)	(106)	—	(1,509)
Eliminated on disposal	4,482	870	—	—	—	5,352
Exchange adjustment	6	4	—	—	—	10
At 31 December	(2,774)	(661)	(383)	(135)	(250)	(4,203)
Net carrying amount						
At 31 December	14,729	262	2,684	731	2,073	20,479
At 1 January	12,555	335	2,988	837	2,079	18,794

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 four to 14 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 remaining lives between four and 14 years.

For the year ended 31 December 2018 the Group has capitalised development costs in respect of individual Clareti applications which have been individually assessed against the required capitalisation criteria and been individually assigned useful economic lives reflecting the maturity and availability of comparable applications in our markets. These useful economic lives are assessed to be between five and 15 years.

No changes have been made to development costs capitalised in prior years in respect of the Clareti platform, which continue to be amortised on a systematic basis over the existing useful economic life of 14 years.

Notes to the financial statements continued

13. Intangible assets continued

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.

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 and B2 Group in July 2018.

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

Customer relationships acquired in the year are amortised over their useful economic life, which is deemed to be eight years for C24 Limited acquisition and six years for B2 Group.

Goodwill

Goodwill arose on the acquisition of our Asia Pacific real-time financial solutions business, C24 Technologies Ltd and B2 Group. It is assessed as having an indefinite life and is assessed for impairment at least annually.

14. Impairment of goodwill and intangibles

Goodwill

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

Carrying amount of goodwill

	2018 £'000	2017 £'000
Clareti Solutions CGU	**2,712**	2,073

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:

	2018 £'000	2017 £'000
Clareti Solutions CGU	**16,053**	14,729

Clareti Solutions cash-generating unit

The recoverable amount of this CGU has been determined based on a value-in-use calculation. To calculate this, cash flow projections are based on financial budgets approved by the Board for 2019, which are extrapolated for five years and extended beyond five years, which the Board considers appropriate given the long-term opportunities that exist in the Asia Pacific, EMEA and North American regions. The discount rate applied to cash flow projections is 15% (2017: 15%) and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2017: 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 cash flows, based on financial budgets for 2019 approved by the Board;
- growth rates, based on internally estimated growth rates for the market and business offerings; and
- the discount rate, based on the pre-tax weighted average cost of capital of the Group.

14. Impairment of goodwill and intangibles continued

Development costs (finite life) continued

Sensitivity to changes in assumptions

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

If any one of the following changes were made to the above key assumptions, the carrying amount and recoverable amount would be equal.

Discount rate	Increase from 15% to 28%
Growth rate beyond year 5	Reduction from 2% to (40%)
Revenue growth	Reduction from 30% average over five years to 17% average

We are confident the assumptions in respect to operating cash flows remain appropriate. Where the operating cash flows 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 cash flows 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. Equity accounted investees

The Group holds an interest in one joint venture and exercises joint control.

The Group's share of profit after tax in its equity accounted investees for the year was £75,000 (2017: loss of £18,000).

The carrying value of the investment is reconciled as follows:

	2018 £'000	2017 £'000
1 January	(18)	—
Share of post tax profit/(loss) of joint ventures retained	75	(18)
31 December	57	(18)

Related party transactions with joint ventures

	Transaction value		Balance outstanding	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Support and maintenance services provided to joint venture	165	270	52	—

All outstanding balances with joint venture are priced at arm's length basis and are settled in cash within three months.

Below is a summary of financial information for equity accounted investees, adjusted for the percentage ownership held by the Group:

31 December 2018	Ownership	Current assets £'000	Current liabilities £'000	Net assets £'000
Net assets GMS Loan Technologies Limited	50%	138	(85)	53

	Ownership	Revenue £'000	Expenses £'000	Operating profit £'000	Taxation £'000	Profit after tax £'000
Income Statement GMS Loan Technologies Limited	50%	170	(83)	87	(12)	75

31 December 2017	Ownership	Current assets £'000	Current liabilities £'000	Net assets £'000
Net assets GMS Loan Technologies Limited	50%	—	(18)	(18)

	Ownership	Revenue £'000	Expenses £'000	Operating loss £'000	Taxation £'000	Loss after tax £'000
Income Statement GMS Loan Technologies Limited	50%	113	(135)	(22)	4	(18)

Notes to the financial statements continued

16. 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 Technologies (UK) Limited[4]	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Solutions) Limited[5]	Aldermary House, London, England	Ordinary	100%	Software solutions
C24 Technologies Limited[7]	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Australia) Pty Limited[3, 6]	Level 6, 1 Pacific Highway, North Sydney, Australia	Ordinary	100%	Software solutions
Gresham Technologies (TDI) Limited[1,8]	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Malaysia) SDN BHD[1,11]	Level 7, Menara Milenium, Jalan Damanlela, Malaysia	Ordinary	100%	Software solutions
Gresham Technologies (Singapore) Pte. Limited[12]	138 Cecil Street, Cecil Court, Singapore	Ordinary	100%	Software solutions
Gresham Technologies (US) Inc[1,3,7]	11 Park Place, New York, USA	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc[3]	11 Park Place, New York, USA	Ordinary	100%	Software solutions
Gresham Technologies (Holdings) SARL[9]	6E route de Treves, L-2633, Luxembourg	Ordinary	100%	Holding Company
Gresham Technologies (Luxembourg) S.A[1,10]	6E route de Treves, L-2633, Luxembourg	Ordinary	100%	Software Solutions
GMS Loan Technologies Limited	Aldermary House, London, England	Ordinary	50%	Software solutions
Gresham Consultancy Services Limited[2]	Aldermary House, London, England	Ordinary	100%	Dormant
Gresham Tech Limited[2]	Aldermary House, London, England	Ordinary	100%	Dormant
Gresham Telecomputing Limited[2]	Aldermary House, London, England	Ordinary	100%	Dormant
Circa Business Systems Limited[2]	Aldermary House, London, England	Ordinary	100%	Dormant
Cheerkeep Limited[2]	Aldermary 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 Computer Services Limited on 17 January 2018.

(5) Name changed from Gresham Financial Services Limited on 4 January 2018.

(6) Name changed from Gresham Computing Pty Limited on 4 January 2018.

(7) Subsidiary exempt from UK audit under section 479a of the Companies Act 2006.

(8) Name changed from B2 TDI Limited on 1 September 2018.

(9) Name changed from B2 Group SARL on 21 November 2018.

(10) Name changed from B2 Hub SA on 21 November 2018.

(11) Name changed from Gresham Computing SDN BHD on 25 September 2018.

(12) Name changed from Gresham Computing Pte Ltd on 31 August 2018.

17. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	3,231	3,964
Provision for impairment	—	—
Trade receivables – net	3,231	3,964
Prepayments and accrued income	1,408	1,513
	4,639	5,477

	2018 £'000	2017 £'000
Income tax	821	109

17. Trade and other receivables continued

Trade receivables are denominated in the following currencies:

	2018 £'000	2017 £'000
Sterling	1,512	1,199
Euro	334	1,294
US Dollar	547	375
Singapore	26	2
Canadian Dollar	—	107
Australian Dollar	808	984
Malaysian Ringgit	4	3
Total trade receivables	3,231	3,964

Trade receivables are non-interest bearing and are generally on 30 – 60 day 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:

			Past due but not impaired				
	Total £'000	Due not impaired £'000	<30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	>120 days £'000
2018	3,231	2,101	801	184	5	140	—
2017	3,964	2,386	1,362	96	77	43	—

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.

Within trade receivables is a balance due from the Group's joint venture (GMS Loan Technologies Limited) which is in respect of support and maintenance services provided, amounts outstanding at the year end are £52,000 (2017: £nil).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward looking information on macroeconomic factors affecting the Group's customers, such factors include but are not limited to gross domestic product ("GDP"), unemployment rate and inflation rates. The Group does not anticipate any expected losses and therefore have not provided for any impairment.

18. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	5,323	8,280

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 2018, the Group had £nil (2017: £nil) of undrawn committed borrowing facilities and £nil of bank deposits (2017: £200,000). The bank deposits matured on 29 March 2018 and had an interest rate of 0.8% per annum. The Group had £278,000 of restricted cash held separately in respect of lease obligations.

For the purpose of the Consolidated Statement of Cash flow, cash and cash equivalents comprises cash at bank and in hand and short-term deposits.

Notes to the financial statements continued

19. Trade, other payables, provisions and financial liabilities

Trade and other payables

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

Current

	2018 £'000	2017 £'000
Trade payables	**684**	789
Other payables	**2,821**	1,881
Contract liabilities	**8,211**	7,150
	11,716	9,820

	2018 £'000	2017 £'000
Income tax payable	**5**	47

Non-current

	2018 £'000	2017 £'000
Contract liabilities	**486**	592

Provisions

	Property provisions	
	2018 £'000	2017 £'000
At 1 January		
– Current	**67**	20
– Non-current	**18**	44
	85	64
Amounts provided during the year	**17**	21
Amounts utilised in the year	**(17)**	—
Amounts released during the year	**—**	—
At 31 December		
– Current	**26**	67
– Non-current	**59**	18
	85	85

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.

Contingent consideration

	2018 £'000	2017 £'000
At 1 January		
– Current	**356**	758
– Non-current	**—**	378
	356	1,136
Arising on acquisitions (B2 Group)	**67**	—
Adjustment due to lower achievement of performance obligations (C24 Technologies Limited)	**(30)**	(69)
Amounts paid during the year (C24 Technologies Limited)	**(326)**	(711)
At 31 December		
– Current	**—**	356
– Non-current	**67**	—
	67	356

20. 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:

	2018			2017		
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000	Other £'000	Total £'000
Not later than one year	604	38	642	295	—	295
After one but not more than five years	1,257	88	1,345	751	—	751
More than five years	—	—	—	61	—	61
	1,861	126	1,987	1,107	—	1,107

Operating lease agreements where the Group is lessor

The Group has entered into commercial leases as lessor on Australian and US properties. 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:

	2018			2017		
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000	Other £'000	Total £'000
Not later than one year	—	—	—	—	—	—
After one but not more than five years	—	—	—	—	—	—
	—	—	—	—	—	—

21. Financial instruments

Objectives, policies and strategies

The Group's objective is to finance the business through management of existing liquidity, focusing on working capital acceleration to cash and converting illiquid assets to liquid assets and, ultimately, cash. Investments in non current assets 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 provisions for bad debts is not significant. Solutions and services may be sold on a cash-with-order basis to mitigate credit risk. Bad debt provision 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.

Notes to the financial statements continued

21. Financial instruments continued

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.

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 2018			
Contingent consideration	**—**	**67**	**—**
Provisions	**26**	**59**	**—**
	26	**126**	**—**
Year ended 31 December 2017			
Contingent consideration	356	—	—
Provisions	67	18	—
	423	18	—

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).
- Non current assets – 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 85.

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

- weekly cash and overdue trade receivables are 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.

21. Financial instruments continued

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):

Year ended 31 December 2018	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
Financial assets				
Trade receivables	3,231	—	—	3,231
Contract assets	—	—	578	578
Financial assets – restricted cash	278	—	—	278
Cash and cash equivalents	5,323	—	—	5,323
	8,832	—	578	9,410
Financial liabilities				
Trade payables	—	—	684	684
Other payables	—	—	2,033	2,033
Provisions	—	—	85	85
Contingent consideration	—	67	—	67
	—	67	2,802	2,869

Year ended 31 December 2017	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
Financial assets				
Trade receivables	3,964	—	—	3,964
Contract assets	—	—	645	645
Cash deposits	200	—	—	200
Cash and cash equivalents	8,280	—	—	8,280
	12,444	—	645	13,089
Financial liabilities				
Trade payables	—	—	789	789
Other payables	—	—	1,332	1,332
Provisions	—	—	85	85
Contingent consideration	—	356	—	356
	—	356	2,206	2,562

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

As at 31 December 2018 and 31 December 2017 the Group held no foreign exchange instruments.

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, Canadian Dollar 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 2018, the Group had no foreign currency forward contracts (2017: nil).

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.

Notes to the financial statements continued

21. 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 2018 and 2017 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.

2018	**Increase/decrease in exchange rates**	**Effect on profit before tax £'000**
Euro	**+20%**	**(141)**
	-20%	**212**
Australian Dollar	**+20%**	**(379)**
	-20%	**568**
US Dollar	**+20%**	**(225)**
	-20%	**338**
Canadian Dollar	**+20%**	**(8)**
	-20%	**12**
Malaysian Ringgit	**+20%**	**(27)**
	-20%	**40**
Singapore Dollar	**+20%**	**(29)**
	-20%	**43**

2017	Increase/decrease in exchange rates	Effect on profit before tax £'000
Euro	+20%	(270)
	-20%	405
Australian Dollar	+20%	(614)
	-20%	920
US Dollar	+20%	(455)
	-20%	683
Malaysian Ringgit	+20%	(63)
	-20%	95
Singapore Dollar	+20%	(27)
	-20%	41

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.

22. Issued share capital

Ordinary shares allotted, called up and fully paid	Number	Nominal value £'000
At 1 January 2017	66,784,518	3,340
Exercise of share options (see note 23)	707,979	35
At 31 December 2017	67,492,497	3,375
Exercise of share options (see note 23)	462,500	23
Share issue (see note 2 and note 27)	134,440	6
At 31 December 2018	**68,089,437**	**3,404**

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

During the year ended 31 December 2018, share options granted under the 2010 Share Option Plans were exercised and the Group issued 462,500 (2017: 707,979) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details. On 4 July 2018 134,440 shares were issued as part consideration for the acquisition of B2 Group at a placing price of £1.71, amounts taken to share capital £6,722 and taken to other reserves £223,170 total consideration of £229,892.

22. Issued share capital continued

At 31 December 2018 and 2017 there were outstanding options granted to acquire ordinary shares in the Company. See note 23 for further details.

There are no preference shares in issue (2017: none).

An explanation of the Group's capital management process and objectives is set out in the discussion of capital management on page 20 in the Strategic Report and capital risk disclosures in note 21.

23. 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 2018, 28 participants held awards under this scheme (2017: 26).

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2018, including those noted in the Directors' Remuneration Report, are as follows:

	2018 Number	WAEP (pence)	2017 Number	WAEP (pence)
Share Option Schemes 2010 (options)				
Outstanding at 1 January 2018	4,852,521	65	5,325,500	65
Granted during the year	350,000	1	235,000	1
Forfeited during the year	—	—	—	—
Exercised during the year	(462,500)	65	(707,979)	51
Outstanding at 31 December 2018	4,740,021	86	4,852,521	74
Exercisable at 31 December 2018	4,055,021	67	3,017,521	45
Weighted average remaining contractual life (years)	4.61		5.16	

During the year 462,500 options were exercised during the period when the Company share price was 161.5 pence and 186 pence.

No price is payable on award of share options.

Financial Statements

Notes to the financial statements continued

23. Share-based payments continued

Share Option Schemes 2010 continued

Outstanding options and awards to subscribe for ordinary shares of 5 pence at 31 December 2018, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates, are as follows:

	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
Share Option Schemes 2010	1,972,500	31 Dec 10	0.2805	31 Dec 13	31 Dec 20	553,286
	38,000	05 Aug 11	0.5803	05 Aug 14	05 Aug 21	22,051
	94,521	06 Apr 12	0.6424	06 Apr 15	06 Apr 22	60,720
	85,000	23 May 12	0.6105	23 May 15	23 May 22	51,893
	45,000	15 Aug 12	0.6850	15 Aug 15	15 Aug 22	30,825
	270,000	01 Aug 13	0.9630	01 Aug 16	01 Aug 23	260,010
	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
	140,000	20 Mar 17	1.7352	20 Mar 20	20 Mar 27	242,928
	50,000	19 Oct 17	2.2550	19 Oct 20	19 Oct 27	112,750
	45,000	28 Nov 17	2.1505	28 Nov 20	28 Nov 27	96,773
	350,000	14 Mar 18	2.2715	14 Mar 21	14 Mar 28	795,025
	4,740,021					**4,067,888**

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2017, including those noted in the Directors' Remuneration Report showing the range of exercise prices and dates, are as follows:

	Number of share options	Date of grant	Exercise price £	Date first exercisable	Expiry date	Cash receivable if exercised £
Share Option Schemes 2010	1,972,500	31 Dec 10	0.2805	31 Dec 13	31 Dec 20	553,286
	38,000	05 Aug 11	0.5803	05 Aug 14	05 Aug 21	22,051
	544,521	06 Apr 12	0.6424	06 Apr 15	06 Apr 22	349,800
	85,000	23 May 12	0.6105	23 May 15	23 May 22	51,893
	45,000	15 Aug 12	0.6850	15 Aug 15	15 Aug 22	30,825
	282,500	01 Aug 13	0.9630	01 Aug 16	01 Aug 23	272,048
	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
	140,000	20 Mar 17	1.7352	20 Mar 20	20 Mar 27	242,928
	50,000	19 Oct 17	2.2550	19 Oct 20	19 Oct 27	112,750
	45,000	28 Nov 17	2.1505	28 Nov 20	28 Nov 27	96,773
	4,852,521					3,573,981

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.

23. 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:

	2018 grants	2017 grants	2016 grants	2015 grants	2013 grants	2012 grants	2011 grants	2010 grants
Vesting date	**14 Mar 21**	20 Mar to 28 Nov 20	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	10	10
Exercise price	**£2.27**	£1.74–£2.26	£1.09–£1.24	£1.11	£0.96–£1.32	£0.61–£0.69	£0.58	£0.28
Share price at valuation	**£2.07**	£1.58–£2.05	£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	5.8 years	5.8 years	5.6 years	5.6 years	5.6 years	5.9 years
Volatility	**30%**(1)	30%(1)	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%	0%	0%
Risk free rate	**1.0%**(2)	1.0%(2)	1.0%(2)	1.0%(2)	1.0%(2)	1.0%(2)	2.7%(2)	3.5%(2)
Impact of continued employment conditions	**15%**(3)	15%(3)	30%(3)	30%(3)	30%(3)	30%(3)	30%(3)	30%(3)

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:

	2018 £'000	2017 £'000
Expense recognised in respect of share-based payments	**161**	239

Deferred Share Bonus Plan 2017

On 11 December 2017, shareholders approved the Group's plans for a new all-staff long-term incentive scheme. The Deferred Share Bonus Plan will operate in conjunction with the annual cash bonus scheme currently operated by the Gresham Group. A percentage of each participating employee's net annual bonus entitlement will continue to be paid in cash with the remaining amount of the bonus being paid to the trustee of a newly established employee benefit trust which will have been constituted to acquire existing issued ordinary shares and facilitate the Deferred Share Bonus Plan. These bonus-related shares will be beneficially owned by each participant but held by the trustee as its nominee.

At the same time, a corresponding matching award will be made by the Company, entitling the participant to receive, at nil cost, an entitlement to further ordinary shares. These awards will vest subject to the following conditions:

- the related bonus shares being retained for a specified period;
- any relevant performance targets being met; and
- the participant remaining in employment with the Gresham Group until the end of the specified retention period.

Due to the establishment of the employee benefit trust, which will acquire existing issued ordinary shares, the Deferred Share Bonus Plan will be non-dilutive to existing shareholders above the levels permitted by the Investment Association's remuneration guidelines. The initial trustee of the employee benefit trust, which will be appointed in due course, will be a professional trustee company engaged for this purpose and will be independent of the Company and the Directors.

The first awards under the new plan are anticipated in early 2019 in respect of the Group's performance for FY2018.

Notes to the financial statements continued

24. 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 2018, share options granted under the 2010 Share Option Plans were exercised and the Group issued 462,500 (2017: 707,979) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details. On 4 July 2018 134,440 shares were issued as part consideration for the acquisition of B2 Group at a placing price of £1.71, the excess over the nominal value of the shares issued has been credited to other reserves (merger) in compliance with s612 and s613 of the companies act 2006.

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. On 4 July 2018 134,440 shares were issued as part consideration for the acquisition of B2 Group at a placing price of £1.71, the excess over the nominal value of the shares issued has been credited to other reserves (merger reserve) in compliance with s612 and s613 of the Companies Act 2006.

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.

25. Capital commitments

At 31 December 2018, amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2017: £nil).

26. Contingent liabilities and contingent assets

Contingent liabilities

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

27. Related party transactions

Key management compensation (including Directors)

	31 December 2018 £'000	31 December 2017 £'000
Directors' emoluments		
Remuneration	**595**	551
Bonus	**77**	32
Social security costs	**7**	68
Pension	**21**	19
Share-based payments	**97**	220
	797	890

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 45 for details of all significant shareholders that the Company has been notified of.

The Gresham Group provided software support services to its joint venture interest during the year of £165,000 (2017: £270,000) and there is an outstanding balance at the end of the year of £52,000 (2017: £nil). Gresham also provided support services during 2017 to its joint venture partner: Mount Street Loans Limited of £204,000.

28. Business combinations – acquisition in the year ended 31 December 2018

Acquisition of B2 Group S.a.R.L

On 4 July 2018 Gresham Technologies plc acquired all of the issued shares in B2 Group S.a.R.L, a specialists in bank-to-corporate integration and cash management software with a focus on the growing multi-bank solutions market. B2 Group's core product is an innovative, proprietary, cloud-based software platform that connects corporates and asset managers with their bank partners. It provides organisations with real-time visibility of their cash position, improved control of outgoing payments and automated processing of incoming statements. The acquisition was made for initial consideration of €3.65m, comprising cash of €3.35m and newly issued shares in Gresham Technologies plc to the value of €0.3m. Contingent consideration dependent upon performance of up to €4.85m may be payable over the two-year period subsequent to the acquisition therefore the total potential consideration is up to €8.50m.

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	—	3,208	3,208
— Customer relationships	13	—	352	352
Property, plant and equipment		1	—	1
Trade receivables		322	—	322
Other receivables		53	—	53
Bank overdraft		(73)	—	(73)
Trade payables		(298)	—	(298)
Contract liabilities		(570)	—	(570)
Other liabilities		(561)	—	(561)
Bank and other loans payable		(641)	—	(641)
Deferred tax		—	—	—
Total identifiable assets		(1,767)	—	—
Deferred tax on differences between fair values and tax bases		—	(605)	(605)
Goodwill	13	—	656	656
Total net assets/consideration		(1,767)	3,611	**1,844**
Satisfied as follows:				
— Cash & Shares				1,777
— Contingent consideration				67
Total purchase consideration				**1,844**
Analysis of cash flows on acquisitions:				
— Net cash acquired with subsidiary				(74)
— Cash paid				(1,547)
— Net cash outflow				**(1,621)**
Fair value of consideration paid				
Cash				1,547
Shares issued				230
Contingent consideration due < 1 year				—
Contingent consideration due > 1 year				67
Total consideration				**1,844**

The goodwill recognised above is attributable to intangible assets that cannot be individually separated and reliably measured from B2 Group S.a.R.L due to their nature. These items include the expected value of synergies and assembled workforce.

Acquisition costs of £213k arose as a result of the acquisition and integration of B2 Group. These have been recognised within exceptional costs within the statement of comprehensive income.

From the date of acquisition, B2 Group S.a.R.L has contributed £696,000 of revenue to the Group and operating losses £470,000. If the acquisition had occurred on 1 January 2018, group revenue would have been £19,784,000 (£20,538,000 inclusive of discontinued operations) and group loss before tax would have been £2,799,000 (£2,132,000 including discontinued operations).

Notes to the financial statements continued

28. Business combinations – acquisition in the year ended 31 December 2018 continued

Contingent consideration – B2 Group S.a.R.L

As part of the share sale and purchase agreement, contingent consideration of €4,850,000 was agreed. This payment is subject to certain transition related objectives and forecasted customer contract renewals and wins being achieved. The contingent consideration is payable in two tranches, one 12 months on the anniversary of the completion of up to €2,425,000 and the second payable 24 months after completion, and relating to the second twelve months post acquisition, of up to a further €2,425,000. However due to the first six months of results not being achieved management have not provided for any of the potential contingent consideration in respect of the first anniversary earn out, in relation to the second anniversary earn out, relevant to the second year post acquisition, 25% of the amount expected to be payable to non employee shareholders has been recognised as part of the acquisition consideration.

Due to a condition of the contingent consideration being that two of the former shareholders retain employment with the Gresham Technologies Group at the anniversaries of the completion dates in line with IFRS 3 any earn out in relation these employees will be treated as compensation, rather than consideration, and will be expensed in the period to which it relates. Nothing has been accrued at the balance sheet date as the first anniversary earn out, relevant to performance during the financial year, is not expected to be achieved.

During the year ended 31 December 2018 the Group settled the second tranche of contingent consideration in relation to the C24 Technologies Limited acquisition in 2016; which resulted in a reduction in contingent consideration liability on the balance sheet. The reduction in the fair value paid was due to slightly lower achievement of performance targets this adjustment has been recognised as a gain within the Group exceptional line in the Group Income Statement.

	2018 £'000
Contingent consideration	
Brought forward	**356**
Adjustment due to lower achievement of performance obligations	**(30)**
Paid in the year	**(326)**
B2 Group year 2 Earn out	**67**
Carried forward	**67**

29. Effects of changes in accounting policies

IFRS 9 Financial Instruments (IFRS 9)

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), and has not had an impact on the Group to date and therefore no adjustments have been applied.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15 has replaced IAS 18 Revenue (IAS 18) and IAS 11 Construction Contracts as well as various interpretations previously issued by the IFRS Interpretations Committee.

IFRS 15 (effective for the Group's first IFRS financial statements for the period beginning on 1 January 2018) which replaced IAS 18, IAS 11 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, which have been made in note 3.

The Directors have specifically considered the adoption of IFRS 15 on the revenue recognition of the Group's entire revenue base and associated costs such as commissions and pre-customer acquisition costs. As a result of the IFRS 15 and the changes in revenue accounting policy, the Group has chosen not to restate the comparatives, applying the cumulative catch up method through opening equity as at 1 January 2018 and therefore not reflected in prior year financial statements.

It has been necessary for us to measure an appropriate stand-alone selling price for our software products and associated maintenance and support services. This is not dissimilar to the assessment of fair value under the preceding IAS 18 standard. We have used both external benchmarking data, industry norms and our own experience is creating and servicing our software assets to establish appropriate stand-alone sales prices. Ultimately, we have concluded that each software contract is unique with regards to exact volumes, scope of use and value it brings to customers, therefore the stand-alone sales price of each element of a typical software, support and maintenance contract must be considered as a whole and apportions then assigned to each performance obligation. The annual stand-alone sales price of our standard support and maintenance offering will always be equal to 20% of the five year software licence fee, or of the total combined five year licence, support and maintenance fees, the stand-alone sales price of the licence will be 50% and the support and maintenance 50%. This ratio is also well aligned to the proportion of development costs capitalised in proportion to our annual support and maintenance costs.

29. Effects of changes in accounting policies continued

IFRS 15 Revenue from Contracts with Customers (IFRS 15) continued

The IASB's basis of conclusion document, BC100, which does not form part of the IFRS 15 standard itself, but is the IASB's clarification of their intention upon writing the standard is critical in understanding the rationale behind the Directors conclusion that there would be changes required to revenue recognition as a result of the adoption of IFRS 15. BC100 reads as follows:

"The boards observed that the assessment of whether the "customer can benefit from the goods or services on its own" should be based on the characteristics of the goods or services themselves instead of the way in which the customer may use the goods or services. Consequently, an entity would disregard any contractual limitations that might preclude the customer from obtaining readily available resources from a source other than the entity."

Historically, under IAS 18, it was differences in contractual obligations between perpetual or term type licence arrangements and bundled subscription arrangements that was key to concluding upon whether software licences were recognised upfront, upon satisfaction of licence performance obligations, which was usually software delivery. Or, whether the contractual obligations of the software licence were not distinguishable from the contractual requirements to provide software support and maintenance over a contractual service period, and therefore the bundled subscription fee would be recognised as the combined service was delivered. Under IFRS 15, it is only differences in technical, delivery, functional or operational performance obligations that are appropriate to warrant differences in recognition methods. We have therefore needed to categorise our software licences into two categories, those where:

1. The satisfaction of a performance obligation with a stand-alone selling price is operationally, technically, functionally separate, and deliverable separately, from other deliverables to the customer; and
2. The satisfaction of a performance obligation with a stand-alone selling price is not operationally, technically, functionally and deliverable separate from other deliverables to the customer.

These categories are analysed further here below.

The satisfaction of a performance obligation with a stand-alone selling price is operationally, technically, functionally separate, and deliverable separately, from other deliverables to the customer.

This covers the majority of our Clareti software licences, regardless of contract type, where we deploy our software on the customers premises or in a cloud infrastructure for which we are not responsible. Under such deployments we are able to deliver our standard software, provide the customer with a licence key and thus recognise revenue based upon the stand-alone selling price for the given software at the point in time at which our performance obligation with regards to the software is met. If there is associated support and maintenance provided to the customer, then the stand-alone selling price of such a service is recognised over the service period. This scenario also covers the majority of our own and our partners legacy software products.

Scenarios where this has resulted in a change of revenue recognition are:

- Clareti subscription licences where we are not responsible for providing a hosted infrastructure to deploy the software upon:

  The adjustment in respect of this scenario on opening equity equated to an increase of £107,000 and additional revenue in 2018 of £18,000.

- Clareti licence arrangements which contain an initial upfront fee and an ongoing recurring fee that is greater than or less than the standalone selling price of maintenance and support:

  The adjustment in respect of these contracts on opening equity equated to an increase of £32,000 and additional revenue in 2018 of £22,000.

The satisfaction of a performance obligation with a stand-alone selling price is not operationally, technically, functionally separately, and deliverable separately, from other deliverables to the customer.

Under such a scenario, the "bundled" fee is recognised over the service obligation period. Examples of such a scenario include:

- Clareti subscription licences under our Clareti-as-a-Service ("CaaS") offering where we are also contracted by the customer to provide, and continue to provide, a hosted infrastructure to deploy our software upon. Without providing and continuing to provide the hosted infrastructure we cannot provide the customer with access to the software, therefore provision of the software is not separable from the ongoing hosting;
- our customer licences acquired (and sold since) the acquisition of the B2 Group, which are sold as a hosted solution; and
- our C24 customers, who cannot gain value from the software provided without our ongoing maintenance of data conversion libraries as they are updated by their third-party owners.

Notes to the financial statements continued

29. Effects of changes in accounting policies continued

IFRS 15 Revenue from Contracts with Customers (IFRS 15) continued

Revenue recognition of these licences falling under this scenario have not changed since the adoption of IFRS 15.

Prepaid customer acquisition costs which were previously capitalised when the Group became the preferred bidder and classified as prepayments and accrued income and subsequently expensed to the profit and loss in line with the profile of the revenue have all been derecognised as these costs no longer meet the definitions of prepaid contract costs under IFRS 15. The impact to opening equity is negative £142,000.

Under IFRS 15, commissions directly attributed to the acquisition or ongoing servicing of a customer remain appropriate to capitalise, with the associated release to the income statement occurring in proportion with the revenue recognised to which the commission relates. Commissions associated with each of these revenue stream have also been adjusted to reflect the revised revenue recognition, impact on opening equity being negative £19,000.

The net impact of adjustments in relation to IFRS 15 have a cumulative negative on the Group Financial assets of £22,000, reducing other receivables by £161,000 and deferred income by £139,000.

Earnings per share attributable to the ordinary equity holders of the parent-Statutory	31 December 2017 As originally presented £'000	IFRS 15 £'000	1 January 2018 As restated £'000
Profit or loss			
Basic – pence	5.65	(0.03)	5.62
Diluted – pence	5.45	(0.03)	5.42
Continuing operations			
Basic – pence	4.48	(0.03)	4.45
Diluted – pence	4.32	(0.03)	4.29

30. Post balance sheet events and discontinued operations

On 11 January 2019, Gresham Technologies (UK) Limited, a wholly owned subsidiary of the Company, entered into a definitive agreement with Fujitsu Services Limited for the sale of its VME mainframe software business for £2m cash consideration overall. The disposal was completed on 31 January 2019. The sale is making a positive contribution to the profit for 2019. As such the assets and liabilities relating to this business have been disclosed in line with IFRS 5 assets held for sale and relate to outstanding Trade Receivables and Deferred income as at the balance sheet date.

Profits from discontinued operations	**31 December 2018 £'000**	31 December 2017 £'000
Revenue	**755**	876
Staff costs	**(42)**	(37)
Other admin costs	**(46)**	(51)
Profit from discontinued operations	**667**	788
Net cash from discontinued operations	**667**	788

The post tax anticipated gain on disposal of discontinued operations in the financial year 31 December 2019

	£'000
Cash consideration	1,690
Net assets to be disposed of:	
Trade receivables	(74)
Deferred income	384
Anticipated pre-tax gain on disposal of discontinued operations	2,000

We do not anticipate a tax charge due to the utilisation of group relief.

Company balance sheet

	Notes	31 December 2018 £'000	31 December 2017 £'000
Non current assets			
Property, plant and equipment	5	—	2
Deferred tax asset	9	129	339
Investments	6	16,869	14,864
		16,998	15,205
Current assets			
Debtors	7	30,069	25,328
Other financial assets – bank deposits		—	200
Cash at bank and in hand		2,220	2,008
		32,289	27,536
Creditors: amounts falling due within one year	8	(24,283)	(17,287)
Contingent consideration		—	(356)
Net current assets		8,006	9,893
Total assets less current liabilities		25,004	25,098
Contingent consideration due more than one year		(67)	—
Total assets less liabilities		24,937	25,098
Capital and reserves			
Called up share capital	10	3,404	3,375
Share premium account	11	3,830	3,562
Special reserve	11	313	313
Merger reserve	11	1,583	1,360
Profit and loss account	11	15,807	16,488
Shareholders' funds – equity interests		24,937	25,098

The Company made a retained loss in the year of £504,000 (2017: profit of £683,000), (after a share-based payment credit of £161,000).

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2019.

On behalf of the Board

Ian Manocha
11 March 2019

Tom Mullan
11 March 2019

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 2017		3,340	3,242	313	1,360	15,566	23,821
Exercise of share options	22	35	327	—	—	—	362
Share-based payments expense	23	—	—	—	—	239	239
Share transaction costs		—	(7)	—	—	—	(7)
Retained profit for the year		—	—	—	—	683	683
At 31 December 2017		3,375	3,562	313	1,360	16,488	25,098
Exercise of share options	22	23	278	—	—	—	301
Share issue proceeds	22	6	—	—	223	—	229
Share-based payments expense	23	—	—	—	—	161	161
Share transaction costs		—	(10)	—	—	—	(10)
Dividend paid	11	—	—	—	—	(338)	(338)
Retained loss for the year		—	—	—	—	(504)	(504)
At 31 December 2018		**3,404**	**3,830**	**313**	**1,583**	**15,807**	**24,937**

Notes to the Company financial statements

1. Accounting policies

Basis of preparation

The 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 11 March 2019.

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 2018, the Company recorded a retained loss of £504,000 (2017: profit of £683,000).

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 cash flows;
- 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; and
- impairment of assets.

Investments

Investments are recorded at cost less provision for impairment.

Financial assets

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

These assets arise principally from the provision of services to the company's subsidiary, but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the receivables are assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables. For receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for receivables and contract assets. To measure expected credit losses on a collective basis, receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the receivables for similar types of contracts.

The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the receivables. The Company has identified the gross domestic product ("GDP"), unemployment rate and inflation rate as the key macroeconomic factors in the countries where the Group operates.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

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 Income Statement.

Notes to the Company financial statements continued

1. Accounting policies continued

Taxation continued

Income taxes continued

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.

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 auditor's remuneration note in the Gresham consolidated financial statements include fees charged by the Company's auditor 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 35 and in note 7 to the Group financial statements. There are no staff employed or costs recognised in relation to the Parent Company.

4. Dividends paid and proposed

The final dividend for the year ended 31 December 2017 was approved at the Company Annual General Meeting on 10 May 2018 and paid on 21 May 2018. The Company will be proposing a final dividend for approval at the AGM for the year ended 31 December 2018 (2017: £338,000).

5. Property, plant and equipment

	31 December 2018 Total £'000	31 December 2017 Total £'000
Cost		
At 1 January	**31**	31
At 31 December	**31**	31
Depreciation and impairment		
At 1 January	**(29)**	(19)
Charge for year	**(2)**	(10)
At 31 December	**(31)**	(29)
Net carrying amount		
At 31 December	**—**	2
At 1 January	**2**	12

All fixed assets relate to fixtures and fittings.

6. Investments

	Subsidiaries 2018 £'000	Subsidiaries 2017 £'000
Cost		
At 1 January	**28,456**	28,217
Acquisitions	**1,844**	—
Capital contribution – share-based payments	**161**	239
At 31 December	**30,461**	28,456
Impairment provisions		
At 1 January	**13,592**	13,592
At 31 December	**13,592**	13,592
Net book value		
At 31 December	**16,869**	14,864

Notes to the Company financial statements continued

6. Investments continued

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

Name of subsidiary company	Registered address	Holding (shares)	Proportion of voting rights and shares held	Nature of business
Gresham Technologies (UK) Limited(4)	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Solutions) Limited(5)	Aldermary House, London, England	Ordinary	100%	Software solutions
C24 Technologies Limited(7)	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Australia) Pty Limited(3, 6)	Level 6, 1 Pacific Highway, North Sydney, Australia	Ordinary	100%	Software solutions
Gresham Technologies (TDI) Limited(1,8, 7)	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Malaysia) SDN BHD(1,11)	Level 7, Menara Milenium, Jalan Damanlela, Malaysia	Ordinary	100%	Software solutions
Gresham Technologies (Singapore) Pte. Limited(12)	138 Cecil Street, Cecil Court, Singapore	Ordinary	100%	Software solutions
Gresham Technologies (US) Inc(1,3,7)	11 Park Place, New York, USA	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc(3)	11 Park Place, New York, USA	Ordinary	100%	Software solutions
Gresham Technologies (Holdings) SARL(9)	6E route de Treves, L-2633, Luxembourg	Ordinary	100%	Holding Company
Gresham Technologies (Luxembourg) S.A(1,10)	6E route de Treves, L-2633, Luxembourg	Ordinary	100%	Software Solutions
GMS Loan Technologies Limited	Aldermary House, London, England	Ordinary	50%	Software solutions
Gresham Consultancy Services Limited(2)	Aldermary House, London, England	Ordinary	100%	Dormant
Gresham Tech Limited(2)	Aldermary House, London, England	Ordinary	100%	Dormant
Gresham Telecomputing Limited(2)	Aldermary House, London, England	Ordinary	100%	Dormant
Circa Business Systems Limited(2)	Aldermary House, London, England	Ordinary	100%	Dormant
Cheerkeep Limited(2)	Aldermary 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 Computer Services Limited on 17 January 2018.

(5) Name changed from Gresham Financial Services Limited on 4 January 2018.

(6) Name changed from Gresham Computing Pty Limited on 4 January 2018.

(7) Subsidiary exempt from UK audit under section 479 of the Companies Act 2006.

(8) Name changed from B2 TDI Limited on 1 September 2018.

(9) Name changed from B2 Group SARL on 21 November 2018.

(10) Name changed from B2 Hub SA on 21 November 2018.

(11) Name changed from Gresham Computing SDN BHD on 25 September 2018.

(12) Name changed from Gresham Computing Pte Ltd on 31 August 2018.

7. Debtors

	2018 £'000	2017 £'000
Amounts owed by subsidiary undertakings	**30,007**	25,294
VAT receivable	**55**	27
Prepayments and accrued income	**7**	7
	30,069	25,328

7. Debtors continued

The Company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Company's historical credit losses experienced over the three year period prior to the period end. The Company does not anticipate any expected losses and therefore have not provided for any impairment against amounts owed by subsidiary undertakings.

8. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Amounts owed to subsidiary undertakings	**24,209**	17,053
Trade creditors	**8**	79
Other creditors and accruals	**66**	155
Financial liability	**—**	—
	24,283	17,287

For the year ended 31 December 2018, other creditors and accruals relates primarily to professional advisory fees.

For the year ended 31 December 2017, other creditors and accruals primarily represent year-end performance bonus.

Contingent consideration in relation to C24 Technologies Limited and B2 Group acquisition

	2018 £'000	2017 £'000
Amounts due within one year	**—**	356
Amounts due greater than one year	**67**	—
	67	356

9. Deferred tax

The Company has a recognised deferred tax asset as follows:

	2018 £'000	2017 £'000
As at 1 January	**339**	250
Movement in the period within the profit and loss account	**(210)**	89
As at 31 December	**129**	339
Comprising:		
Temporary timing differences	**82**	339
Tax losses	**47**	—
	129	339

10. Issued share capital

Ordinary shares allotted, called up and fully paid	Number	Nominal value £'000
At 1 January 2017	66,784,518	3,340
Exercise of share options (see note 23)	707,979	35
At 31 December 2017	67,492,497	3,375
Exercise of share options (see note 23)	462,500	23
Share issue (see note 2 and note 27)	134,440	6
At 31 December 2018	**68,089,437**	**3,404**

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

Notes to the Company financial statements continued

10. Issued share capital continued

During the year ended 31 December 2018, share options granted under the 2010 Share Option Plans were exercised and the Group issued 462,500 (2017: 707,979) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details. On 4 July 2018 134,440 shares were issued as part consideration for the acquisition of B2 Group at a placing price of £1.71, the excess over the nominal value of the shares issued has been credited to other reserves (merger) in compliance with s612 and s613 of the companies act 2006.

At 31 December 2018 and 2017 there were outstanding options granted to acquire ordinary shares in the Company. See note 23 for further details.

There are no preference shares in issue (2017: 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 2018, share options granted under the 2010 Share Option Plans were exercised and the Group issued 462,500 (2017: 707,979) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 23 of the Group financial statements for further details. On 4 July 2018 134,440 shares were issued as part consideration for the acquisition of B2 Group at a placing price of £1.71, the excess over the nominal value of the shares issued has been credited to other reserves (merger) in compliance with s612 and s613 of the companies act 2006.

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.

Special reserves

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. On 4 July 2018 134,440 shares were issued as part consideration for the acquisition of B2 Group at a placing price of £1.71, the excess over the nominal value of the shares issued has been credited to the merger reserve in compliance with s612 and s613 of the companies act 2006.

Profit and loss account

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

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 2018 £'000	**Other 2018 £'000**	**Total 2018 £'000**	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000
Not later than one year	**294**	**—**	**294**	279	—	279
After one but not more than five years	**785**	**—**	**785**	751	—	751
More than five years	**—**	**—**	**—**	61	—	61
	1,079	**—**	**1,079**	1,091	—	1,091

Operating lease agreements where the Company is lessor

The Company has no lease arrangements where it is lessor.

13. Capital commitments

At 31 December 2018, Company amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil (2017: £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 23 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 27 of the consolidated financial statements.

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