



Gresham Technologies plc
Annual Financial Report 2020

Vision and values

Our vision is to bring digital integrity, agility and confidence to financial markets

In a real-time digital world we want to be the first company you turn to when you need to be connected and in control.

Modern business is digital, our world is hyper-connected, we're data driven, and we need everything to happen fast.

Gresham helps global businesses connect, reconcile and control their data, systems and processes. And in doing so, we deliver something that is vital to modern business. Data confidence.

Our team is a combination of experienced minds with deep industry skills, and some of the brightest young talent in technology today. And I believe the way we do things at Gresham is really rather special.

Our culture is open, engaging and freethinking, but framed by a clear vision, a proven global operating model, and a genuine focus on success for our customers. We're not a well-intentioned start-up trying to find its way, nor a tired industry veteran resting on past accomplishments.

Here at Gresham we embrace difference, we create together and we champion success. I'm confident you'll like working with our people.

At our Innovation Labs we're fanatical about challenging perceived wisdom and entrenched ways with game-changing ideas that marry sophisticated thinking with simple implementation. The Clareti platform was born from this mind-set. A new generation of real-time intelligent automation technology optimised to solve the complex connectivity and data quality challenges of a fast-paced digital world.

Now proven at over one hundred organisations worldwide, including many of the world's largest banks, asset managers and corporates, the Clareti platform is becoming the new gold standard that firms and regulators can trust.

At Gresham it's all about making things easier for you and making your business more agile and competitive. In a real-time digital world we want to be the first company you turn to when you need to be connected and in control.

Ian Manocha

Chief Executive Officer



Our values

We Embrace Difference

We value different backgrounds, experience, expertise and ways of thinking. We encourage curiosity and respect every individual, recognising that everyone has the capability to bring something extraordinary to the table. We each apply our unique talents with passion and integrity and we are all committed to making Gresham an exceptional place to work.

We Create Together

Working together with our colleagues, customers and partners, we create energy and a dynamic approach to challenge the norm and find innovative ways to solve problems. Through open discussion and feedback, healthy debate and continuous learning, we combine the virtues of experience and fresh thinking. We operate at pace, taking the lead where appropriate, ensuring that we work together to seamlessly deliver outstanding products and services.

We Champion Success

We are passionate about delivering successful outcomes for our customers, employees, partners and shareholders. Our nimble approach means that we can adapt to our customers' individual ways of working, taking ownership for delivering the wow factor, delighting customers and enabling our business and our people to grow and flourish.

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Highlights

Continued Clareti-led transformation

Group revenues

£24.8m -1%

2020	24.8
2019	25.0
2018	19.3

Clareti revenues

£15.5m +0%

2020	15.5
2019	15.5
2018	11.8

Clareti annualised recurring revenues

£12.3m +29%

2020	12.3
2019	9.5
2018	7.4

Group adjusted EBITDA

£4.5m +10%

2020	4.5
2019	4.1
2018	0.9

Group adjusted diluted EPS

4.0p +100%

2020	4.0
2019	2.0
2018	(1.5)

Net cash

£8.9m -7%

2020	8.9
2019	9.6
2018	5.6

Innovative technology

Our Clareti platform is best-in-class and sits at the heart of customer workflows.

50bn+
transactions processed
in 2020

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Significant opportunity

Our addressable market is expanding as systemic data challenges increase.

\$1bn
market opportunity
in data quality in 2017

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Financial

- Group revenues down 1% to £24.8m (2019: £25.0m), including £0.6m from Inforalgo.
- Clareti revenues stable at £15.5m (2019: £15.5m), including £0.6m from Inforalgo.
- Clareti recurring software revenues up 11% to £11.5m (2019: £10.4m), including £0.5m from Inforalgo.
- Clareti annualised recurring revenues ("ARR") as at 31 December 2020 up 29% to £12.3m (2019: £9.5m), including £1.2m from Inforalgo; transition to full subscription licensing model complete.
- Other (non-Clareti) revenues down 2% to £9.3m (2019: £9.5m), in line with strategy.
- Adjusted EBITDA⁽¹⁾ up 10% to £4.5m (2019: £4.1m), including £0.1m from Inforalgo.
- Cash adjusted EBITDA⁽²⁾ stable at £0.3m (2019: £0.3m), including £0.1m from Inforalgo.
- Profit before tax⁽³⁾ as reported at £0.3m (2019: £0.3m).
- Adjusted diluted earnings per share⁽⁴⁾ up 100% at 4.0 pence (2019: 2.0 pence).
- Cash at 31 December 2020 of £8.9m and no debt (2019: £9.6m and no debt)⁽⁵⁾ after an outflow of £2.3m for Inforalgo initial consideration.
- Final dividend proposed at 0.75 pence per share (2019: 0.75 pence).

Operational

- New Tier 1 bank wins in Europe and the US.
- Continued growth within existing global key accounts.
- Go-lives of first cash and securities deployments in global banks.
- Acquisition of Inforalgo in July 2020 to accelerate Clareti sales into regulatory use cases; acquisition fully integrated.
- Cash management partnership with Australia and New Zealand Banking Group delivering to plan.
- Excellent levels of client retention throughout COVID-19 pandemic.
- Management confident about the prospects for the Group.

(1) Adjusted EBITDA refers to earnings before interest, tax, depreciation, impairment and amortisation, adjusted for one-off exceptional charges and share-based payments. Discontinued operations are not included in either year (see note 4 of the Group financial statements).

(2) Adjusted EBITDA less capitalised development spend and any IFRS 16 lease-related cash payments.

(3) Profit before tax for both years stated above excludes discontinued operations. There were no discontinued operations in 2020; in 2019 discontinued operations generated a profit before tax of £2.0m.

(4) Diluted earnings per share, adjusted to add back share-based payment charges, exceptional items, amortisation from acquired intangible assets and impairment of development costs.

(5) Excludes any IFRS 16 lease-related payables.

(6) Percentage increases stated above are based on rounding to the nearest £'000 as disclosed at detailed level within this report.

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Talented people

We have an exceptional pool of talent and we are committed to excellence.

150+

total employees as at
31 December 2020

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Strong growth

Our high-margin Clareti solutions are delivering profitable growth.

29%

growth in Clareti
ARR in 2020

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At a glance

Data confidence delivered

Fixing data and process integrity problems is one of the biggest challenges in the world's financial markets. So we developed our technology to deliver data confidence in core areas of our customers' business.

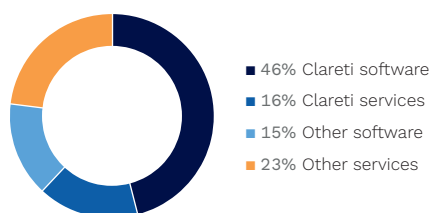
We have a global client base, served locally from offices in the UK, Europe, North America and Asia Pacific.



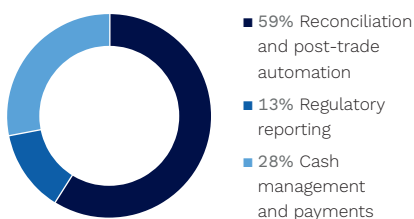
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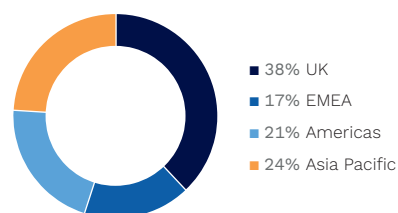
Group revenue by stream



Clareti revenue by solution



Clareti revenue by geography





What we do

Reconciliation and post-trade automation

Simplify the complexity in reconciliations with end-to-end automation, intelligent matching capabilities, and accelerated onboarding.

Regulatory reporting

Deliver accurate, on time submissions with connectivity to multiple trading and reporting venues, real time matching, and consolidation across multiple regulatory regimes.

Cash management and payments

Get easy, fast visibility of your payments activity with data agnostic connectivity solutions and real-time visibility of intraday positions.

What we deliver

Efficiency

A demanding environment means that scarce resources need to be deployed to where they can most add value.

Compliance

Regulatory expectations are higher than ever, the consequences of failure harsher.

Visibility

When data is scattered across an organisation it's impossible to truly understand where risks and opportunities lie.

Connectivity

Business operates in a web of complex ecosystems with high degrees of interconnectivity.

Automation

With data volumes soaring, the time for manual processes, hacks, and shortcuts has passed.

Agility

Businesses need to be able to make confident decisions based on timely and accurate data.

Dependability

When data determines a company's relationships with its stakeholders, they need 100% certainty.

Chairman's statement

Significant progress against our major strategic goals



“2020 saw significant expansion by way of new projects from existing clients and the strategic acquisition of Inforalgo in July 2020 to supplement our regulatory credentials and US footprint.”

Dear shareholder,

I am pleased to present this Annual Financial Report, my first as Chairman of Gresham.

As forewarned in last year's report, Ken Archer retired as Chairman after ten years in the role. I would like to thank Ken for his excellent stewardship of the business which has seen its evolution into a global leader in the field of enterprise financial software.

Overview

Obviously, the major world event in 2020 was the COVID-19 pandemic. I am pleased to report that the Company has remained fully operational despite this period of unprecedented disruption.

Thanks to strong leadership, resilient systems and a highly committed team of employees globally, the business was able to switch rapidly to 100% home working with no discernible disruption to levels of customer service, project delivery and income levels from existing clients.

However, as customers and prospects inevitably experienced their own internal operational challenges, new projects and initiatives were “parked” in many organisations for a good part of the year. As we moved through the year, we saw signs that clients and prospects appear to have adapted to the new normal and pre-sales momentum started to return to previous levels during the second half of the year, giving us confidence for the future.

So, whilst Clareti new licence revenues were lower than originally anticipated, we were pleased to add several new clients, including substantial long-term agreements with two global Tier 1 banks. 2020 also saw significant expansion by way of new projects from existing clients and the strategic acquisition of Inforalgo in July 2020 to supplement our regulatory credentials and US footprint. Clareti forward-looking ARR, a key performance indicator for the business, grew by 29% on the prior year at £12.3m, including £1.2m from the Inforalgo acquisition.

Overall, our revenue for the year was largely flat at £24.8m versus £25.0m last year, but adjusted EBITDA, stated after exceptional costs of £0.4m (2019: £nil), finished 10% up at £4.5m versus £4.1m last year thanks in part to effective management of operating expenses in the year.

In a period of global uncertainty, cash is obviously front of mind and I am pleased to report that the Company ended the year with a cash balance of £8.9m versus £9.6m at the prior year end after an outflow of £2.3m for the initial consideration for the Inforalgo acquisition.

Based on the overall financial performance and the cash within the business the Board is recommending a final dividend of 0.75 pence per share, the same as the prior year, for approval at the Company's Annual General Meeting.

Delivery against our strategic vision

Despite the global challenges, 2020 saw significant progress against the major strategic goals identified by the Board.

Of particular note:

- all new business in 2020 was signed on “subscription” terms;
- the Inforalgo acquisition brings additional sticky ARR and widens our addressable market;
- subscription model provides high level of visibility and increased certainty for future years' revenue;
- Clareti moved further towards stand-alone cash profitability; and
- underlying business systems and processes are increasingly scalable and global.

People and culture

2020 was a challenging year across the world and it is a testament to the leadership qualities of the executive team that the business continued to perform strongly. The annual employee engagement survey in December showed the highest ever scores across the business with significant improvements in areas highlighted in past years. On behalf of the Board, I would like to take this opportunity to thank all members of the Gresham family for their dedication, commitment and achievements in what will have been for many people a personally challenging time.

During my induction in the summer, I was particularly impressed with the passion, shared values and competence of the people in the business. I greatly look forward to a time when I can get to meet more of the staff and management face to face.

One of my first tasks on joining the Board in the summer was to work with the nomination committee to identify a suitable successor to Imogen Joss for the role of NED and chair of the remuneration committee.

The recruitment process identified two strong candidates with extremely valuable sector experience as well as excellent business experience gained in successful careers in financial services. As a result, the nomination committee took the decision that the Board would be strengthened and enhanced by appointing both candidates and I was delighted to welcome Jenny Knott and Dr Ruth Wandhöfer to the Board in October. Jenny and Ruth joined Andy Balchin, who has been a NED with Gresham since 2017. Jenny has been appointed chair of the remuneration committee and Andy has taken the role of Senior Independent Director. I have been particularly pleased at the speed with which the new Board has formed into a strong team despite the challenges of inductions and Board meetings being “virtual” meetings during the pandemic.

As well as taking the opportunity to consider the Group’s business strategy, as noted below, the new Board is increasing its focus on environmental, social and governance (“ESG”) matters and will provide details on how the Group is addressing these important issues in future reports and presentations.

Looking ahead

The new Board held a strategic workshop in December, where we engaged in constructively challenging conversations about which of the many opportunities available to the business would create maximum long-term shareholder value. As in many organisations with a subscription revenue model, there are trade-offs between maximising short-term profits and investing for future growth and value. The broad strategic direction approved by the Board focuses the Company on the following priorities:

- continue to build a global footprint and resilient international operations;
- increase investment in sales and marketing;
- make scalability and repeatability key themes within product development and professional services to enhance operating leverage and accelerate speed of implementations;
- increase investment in AI to support our vision of self-learning and self-optimising solutions;
- identify options to monetise the IP arising from the ANZ strategic partnership in the wider market; and
- seek further earnings-enhancing acquisitions which add adjacent technology capabilities, scale, and expand global reach.

We enter 2021 with the world still impacted by COVID-19 but, importantly, with a strong pipeline and a product suite that is increasingly relevant in an era when our clients and prospects are investing in solutions to accelerate digital transformation, remove manual processes, reduce costs and enhance the quality of regulatory reporting.

I am confident that the team has the vision, drive and capabilities to continue to deliver growth in the business and growth in shareholder value.

Peter Simmonds

Non-Executive Chairman

8 March 2021

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.

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CEO's statement

We are positive about the opportunities ahead



“Despite the challenging conditions in the year, we have progressed our strategy to further reduce the Group’s historical reliance on its portfolio of legacy businesses and continued our progress towards making Clareti stand-alone cash profitable. The Clareti business now provides Gresham with a platform for sustained, profitable, organic and in-organic growth.”

Dear shareholder, **Strategic overview**

It was nearly a decade ago, in September 2011, that Gresham announced the launch of Clareti Transaction Control 1.0. The Clareti business was born and the Group started its transformation from a UK-centric provider of ageing data-centre software and IT services into an IP-rich enterprise software company.

In recent years, divestments, restructuring, management and operational platform improvements have sharpened the focus of the Group, and our ongoing investment into product development, customer success and distribution has enabled the Clareti business to push through early-stage growth challenges and move confidently into the scale-up phase. A successful track record of new business wins and bolt-on acquisitions has enabled the Group to secure a base of over 120 customers in 20 countries around the world and establish itself as a respected and increasingly important player in the financial services vertical for risk and regulatory software.

As the business has grown, we have also refined our operating model and ensured all systems, processes and functions are global and scalable. In recent years, we have moved our core software to the cloud and introduced subscription services for connectivity and reconciliation solutions. Two years ago, we took the decision to move our on-premise software sales from a less predictable upfront licence model to a recurring revenue model, and, during 2020, all new business wins were signed on subscription terms. The Group now benefits from much improved quality of earnings underpinned by high-quality recurring Clareti licence revenues. Despite the challenging conditions in the year, we have progressed our strategy to further reduce the Group’s historical reliance on its portfolio of legacy businesses and continued our progress towards making Clareti stand-alone cash profitable. The Clareti business now provides Gresham with a platform for sustained, profitable, organic and in-organic growth.

Vision

Over the last ten years, the shift to digital has driven dramatic change in society and business, with entire industries being reimagined and transformed by data and inter-connected real-time processes. In financial services, these technology advances and competitive pressures are compounded by increasing regulatory, risk and compliance demands. Firms are striving to achieve full front-to-back and end-to-end control and digitisation of their businesses. They are replacing archaic, inflexible systems and manual processes and investing in automation to improve the speed, accuracy and efficiency of their data processing. Promising technologies such as artificial intelligence are making it onto the board agenda as executives think beyond digital transformation towards self-learning and self-optimising organisations. Executives need to have complete confidence in their data and processes to make good decisions, ensure optimal outcomes and protect their reputations. This is our vision – to bring digital integrity, agility and confidence to the world’s financial institutions.

Markets

Clareti software helps our customers connect, reconcile and control the many disparate sources of transaction, finance, risk and regulatory data that exist in modern trading ecosystems.

According to Geert Raeves of Adox Research (2020), *“The market for reconciliation in capital markets and asset management will grow by 5.2% per annum, to reach a size of USD 400m (excluding internal IT spend) by 2025”*. The market for reconciliation software in finance and post-trade operations remains an important opportunity for Gresham. Clareti enables firms to handle both core (cash and securities) and non-core (other use cases) reconciliations and data controls across the enterprise – simplifying the complex and scaling up to meet demand. Having initially established a strong position in non-core enterprise controls, our objective is to secure leadership in the core reconciliation space and increase our market share to more than 30%.

Connectivity, reconciliation and control are also fundamental capabilities needed by firms to confidently meet their obligations in the area of regulatory reporting. In 2019, the global market for regulatory reporting solutions was estimated at USD 330m and it is expected to reach USD 1,160m by the end of 2026, with a CAGR of 19.5% during 2021–2026. Over the last four years, we have secured a pleasing number of sales in the regulatory area and our acquisition of Inforalgo has further strengthened our position.

“The overall size of the addressable market for Clareti software, and the competitiveness of our offerings, provides an opportunity for us to build out a global financial technology company of substantial scale.”

We aim to win a meaningful share of the global market for reconciliations and regulatory reporting control software in financial services before turning our attention to other industries and use cases. Clareti has been successfully adopted in banking, investment management, insurance, wealth management, energy and commodities, where there are nearly 2,000 firms in Gresham's global target market. We are already regarded as an innovative partner to many of the world's largest financial institutions and we aim to deepen those key account relationships as well as win new names through direct sales teams in key geographies, as well as through OEM agreements and other alliances. I believe that the overall size of the addressable market for Clareti software, and the competitiveness of our offerings, provides an opportunity for us to build out a global financial technology company of substantial scale.

COVID-19 response and impact

I am pleased to confirm that your Company has continued to remain fully operational around the world throughout the current pandemic, and we are taking great care to protect our colleagues, partners and suppliers, customers and local communities.

Our Board, major incident team and our wider management team moved proactively to protect the business as the crisis emerged and continue to stay abreast of global developments. Thanks to our strong team, good contingency planning, modern resilient business systems, established collaboration models and flexible working practices, we were able to move all global employees seamlessly to 100% home working during the week of 9 March 2020. At that time, the Company benefited from record levels of recurring revenue, a strong book of contracted services engagements and good cash reserves; nevertheless, with the expectation that the crisis would have an inevitable impact on progress of new sales, management took swift actions during April to preserve cash and protect earnings in a way that would not compromise our excellent long-term prospects. I am pleased to report that we did not need to furlough any staff, or take any loans or business relief, in any of our global businesses.

From March until July 2020, many of our customers and prospects were focused on their own market and operational challenges and unable to devote time to new projects and initiatives. After the summer, pre-sales engagement levels picked up and we were able to requalify our pipeline and move projects forward. Whilst new Clareti licence revenues were lower than originally planned due to customer inertia for a large part of the year, we were pleased with the Clareti sales progress as set out below.

Unfortunately, the virus is a long way from being defeated and the global economy remains fragile. Nevertheless, we are confident in the underlying resilience of the financial services market and the demand for intelligent automation offerings is strong as firms seek to accelerate their digital transformation efforts. We have seen a positive uptick in our pipeline in recent months which we are confident will translate into sales of Clareti solutions.

CEO's statement continued

Clareti sales progress

During 2020, we were pleased to secure initial projects at two new Tier 1 global banks adding over £800k to Clareti ARR. Winning and growing large "key account" customers is an important aspect of our strategy. We look to secure several new name key accounts each year and expect to see steady ARR growth in these accounts over time coming from new projects, new instances or volume upgrades, and product cross-sells. To prove the point, in 2020, three existing key accounts committed to significant licence upgrades including a Tier 1 bank customer which selected Clareti to control its regulatory reporting processes across its global business and now has a framework contract for future growth. Several smaller new name wins and installed base upgrades were also added. In line with our strategy, all new agreements signed during the year were subscription based. Organic growth in forward-looking Clareti ARR was 17%.

We took the opportunity to refresh and strengthen our sales team during the year. We made key management appointments in Europe and the US and bolstered the team with several new sales and pre-sales hires. Our entrepreneurial direct sales team is now maturing into an organisation that can not only win new name business, but also manage global and key accounts, build out channels and alliances, open up new geographies and sell the broader range of product offerings now available to it. We enter 2021 with a strong team with better market coverage particularly in the UK, Europe and Asia. We will continue to expand our US sales team given the overall size of the market opportunity, as well as building out an inside sales function to support lead generation and account management.

Clareti services revenues were lower in 2020 than 2019 in large part due to investments we made in order to take our Tier 1 bank early adopters live and referenceable. Creating great customer references in the market remains key to sustainable growth. Our software becomes a mission critical part of our clients' trading operations and the Clareti platform has matured in recent years – indeed, its power and robustness were proven during an extraordinary year of market volatility with many clients processing record volumes. Our customer success team is responsible for ensuring successful implementation, adoption and value creation for the customer. During 2020, despite working remotely, our consulting team successfully ran more than 80 projects of varying size and scope, and our support team resolved 97% of tickets within our demanding service level agreements. We were delighted to win the bobsguide Ranking 2020 for Best Customer Support in Financial Technology.

Products and solutions for customers

Clareti technology has been applied to solve a wide variety of problems, such as data integration, data quality, automation and control issues in middle and back office operations as well as in front office, straight-through processing ("STP"), regulatory reporting and cash management and payments.

We deliver these capabilities with a flexible enterprise-grade platform and the full power of our software can be accessed in the cloud, on-premise or deployed into hybrid environments.

Our products or cloud services are now available in two primary offerings:

Clareti Control products

- The only modern enterprise-grade business self-service platform for the reconciliation and control of "any and all" transaction data in financial markets.
- Disrupting markets dominated by legacy vendors whose inflexible technology fails to achieve more granular and real-time data control, or replacing in-house systems and manual processes.
- Sold as applications for specific use cases including Clareti Transaction Control, Clareti Cash Control, Clareti Securities Control and Clareti Regulatory Control.

Clareti Connect products

- A unique service that enables customers to participate in the complex inter-connected global financial system without having to worry about integration risk, cost and time to market.
- Enables institutions to seamlessly connect their banking, payments, trading, accounting and regulatory systems and external partners with intelligent straight-through processing in a way that is reliable and cost effective.
- Sold primarily as a cloud service bringing together tools and software libraries built or acquired by Gresham into a rich menu of industry connectivity and data transformation services.

Data integrity and control – One of our long-standing competitive USPs in reconciliations is the ability to ingest and match any type of non-standard data, which provided us with repeat wins in areas such as derivatives and other alternatives, intersystem controls, insurance broking and regulatory reporting controls. In June 2020, we signed a large global bank to deploy controls across its substantial UK retail and commercial business covering a myriad of non-standard data types such as ATMs, and payments. This contract further widens our addressable market as we look to target US and European regional banks in 2021 alongside our thrust into capital markets. In December, we signed a new global investment bank to implement controls within its US markets business.

I am pleased to report that our two Tier 1 bank "early adopter" customers that signed in 2019 for global implementations of Clareti for post-trade reconciliation of cash and securities both went live with initial capabilities during the year. The core product development work for Clareti Cash Control and Clareti Securities Control is now complete and we are assisting these customers with finishing their global roll-outs. We continue to attack the legacy vendor duopoly in this part of market and new opportunities are emerging as firms firm up their projects for 2021.

Regulatory reporting – The ability to match multiple feeds of non-standardised data and check for integrity against complex rules in order ensure accuracy and completeness is a key requirement of market participants struggling to meet ever-increasing challenging regulatory reporting demands. Firms also need the ability to resolve exceptions identified in the end-to-end process. In 2020, we went live with the implementation of a Consolidated Audit Trail solution for a global investment bank, representing our largest regulatory implementation to date. We have now completed regulatory projects for customers in the UK, Europe, the US, Canada, Asia and Australia and gained substantial experience. In July 2020, we were able to strengthen our position in this market through the acquisition of Inforalgo.

The acquisition of Inforalgo, a niche provider of straight-through processing ("STP") software for financial markets, was completed for an initial consideration of £2.3m and contingent consideration of up to £1.3m dependent on recurring revenue retention at the 12-month and 18-month anniversaries of completion. The acquisition added over £1.2m of annualised recurring revenues ("ARR") from approximately 30 new customers, consisting mainly of global banks, asset managers and market infrastructure providers. Nearly 90% of the acquired ARR comes from North American customers, a key market for Gresham. The financial performance in the second half of 2020 was as planned and business integration is now complete. We have been pleased with the quality of the team, the technology and the customer base.

In recent years, the Inforalgo team had started to apply its rich heritage in STP connectivity and valuable know-how towards real-time management of regulatory submissions to external reporting venues. When this intelligent connectivity capability is combined with our reconciliation and exception management software, we are able to deliver end-to-end solutions to our customers. The Inforalgo leadership team has now taken on enhanced roles within Gresham and is driving our product plans and sales efforts in this area.

Cash management and payments – Gresham has a long heritage working in corporate cash management through our VBT reseller agreement, systems integration projects and, in recent years, the application of Clareti technology to data integration or matching problems. Having signed a strategic agreement with ANZ in 2019 to develop a next generation offering named Clareti Cash Management, development work progressed well during 2020 with key milestones achieved driving incremental licence revenues. The solution is on track for go-live in the middle of 2021 when further ARR licence increases are expected.

In parallel with this strategic investment, we continue to sell our reconciliation and control capabilities and our multi-bank connectivity cloud service, acquired from B2 Group, into payments and cash management use cases. Several multi-bank clients went live in 2020 providing good references. In January 2021, one of the world's leading providers of money processing services signed for a new multi-bank connectivity project to integrate with its CTC system. It is this combination of "control" and "connectivity" functionality that is essential in creating end-to-end digital solutions for our cash management customers in much the same way that I have described for regulatory reporting.

Acquisition of Inforalgo

Inforalgo, based in Solihull, UK, are specialists in connectivity and intelligent automation solutions for financial services institutions enabling straight-through processing and real-time regulatory reporting. Inforalgo's in-house developed integrated toolkit, provided as a hosted managed cloud service or on-premise solution, includes over 80 adaptors enabling rapid integration to market venues, traders and exchanges.

"This exciting deal will enable us to extend our portfolio to include further trading and regulatory reporting venues alongside our bank, ERP and financial messaging connectivity services. It strengthens our capability to offer end-to-end control of regulatory reporting for our customers, enhances our US footprint and creates cross and upselling opportunities."

➤ Stay up to date on our website
greshamtech.com



CEO's statement continued

Other (non-Clareti) business

Our other, non-Clareti software businesses continued to run off as expected during 2020. Our EDT tape storage software licensing now contributes less than £0.5m per annum in revenues and is expected to decline further in 2021. This was offset by a longer than expected tail of residual usage-based fees from the sole remaining UK customer of our historical reseller arrangement for Cashfac's VBT software, which finally ended in December 2020.

The Group's fixed-margin IT services contracting business with ANZ slowed as a result of the COVID-19 pandemic in Australia, finishing 11% lower than 2019. Monthly billings have already recovered to pre-pandemic levels and steady growth is expected in the short term.

People and culture

The Gresham team has performed well in an exceptional year and that is a testament to the quality of our people and the strong culture of collaboration that we have developed. In 2020, many of the injustices that exist in society and prejudices that can be found in the workplace were highlighted on the global stage. During the lockdown in the first half of 2020, we took the opportunity to engage in an extremely constructive process with our global employees to revisit our values, and we also rolled out diversity and inclusion training to our people managers. In December, we were pleased to receive our strongest ever set of scores from our annual employee engagement survey. In 2021, we will be investing in further leadership development programmes as well as our ongoing focus on developing talent and driving performance.

Outlook

We enter 2021 with an installed base of over 120 Clareti customers generating annualised recurring revenue of £12.3m, which is £2.8m and 29% higher than at the beginning of 2020. We also have good visibility of our legacy non-Clareti businesses. As a result, the Company is now much more resilient than it has been for many years. Whilst COVID-19 is expected to cast its dark shadow for at least the rest of the year, we are positive about the opportunity that lies ahead for Gresham. Our pipeline has strengthened considerably in the last six months and our financial services clients are investing into intelligent automation solutions to remove manual processes and save costs. We also expect to see ongoing spend on regulatory reporting infrastructure. We will focus our sales efforts on these growth areas where we also believe our technology has significant benefits over legacy vendors and newer competitors. We will also continue to look for earnings-enhancing acquisitions in these same core markets.

FY2021 has started positively with several new subscriptions already signed. Subject to sustaining our new business win rate, incremental investment in sales and distribution is planned for the second half of the year in order to further strengthen our pipeline into 2022 and capitalise on the significant market opportunities.

Thank you for your ongoing support.

Ian Manocha

Chief Executive

8 March 2021

Innovative solutions



Development philosophy

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

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. We have adopted

the Clojure language for some elements of the portfolio to deliver both productivity and quality improvements. We are also using Kubernetes, originally from Google, to deliver high availability and scalability, as well as 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.

Product development platform

We operate a global product development platform using the same systems and processes for all of our products. This allows us to spend more of our time and resources on productive development activities and innovation, and also ensures we can integrate new technologies or solutions quickly and consistently. We deliver innovative solutions from three main sites, all with their unique capabilities and attributes.



Business model

Building recurring revenues

Our business model is to earn high-margin, recurring revenues by providing innovative software solutions for reconciliations and post-trade automation, regulatory reporting and cash management and payments.

Our strengths



Growing, global market

There is a significant addressable market made up of financial institutions and large corporates which are grappling with increasingly complex data and financial control requirements. Structural trends are delivering substantial tailwinds.

[CEO's statement](#)
Page 8

Disruptive technology

Our Clareti platform is best-in-class, versatile and scalable and sits at the heart of customer workflows. We have an exceptional innovation engine and a proven track record of bringing disruptive solutions to market.

[Innovation](#)
Page 13

People and culture

We have an exceptional pool of talent that incorporates a vital and diverse blend of skills and experience. We are committed to a culture of integrity and excellence and we challenge ourselves to be an awesome place to work.

[Environmental, social and governance](#)
Page 26



Our business



Creating value

Distribution channels

Our global team of sales professionals sells directly to customers in our chosen markets, 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 Clareti applications are sold on a subscription basis, which combines 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 limited by scope of use and volume limitations, providing opportunity for additional fees for higher usage or new use cases.



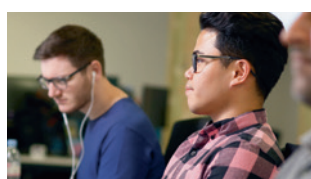
Deployment

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. Our solutions are available on-premise or in the cloud for which we charge additional hosting fees. Bank-grade 24/7 support is provided from our global hubs in the UK, Luxembourg, North America and Australia.



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.



For investors

Our model builds capital value based on high levels of recurring revenues and sustained growth. A progressive dividend policy has been in place since 2018, providing further shareholder returns.

Total shareholder return over five years*

40%

* Measured by the share price as at 31 December 2020 plus dividends paid since 1 January 2016, divided by the share price at the start of the five-year period.

For customers

Our solutions give customers confidence in their data in an increasingly complex and regulated environment. Our model enables us to continually invest in innovation and maintain the value proposition of our solutions.

Total Clareti customers

120+

For employees

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

Total employees

150+

Our route to long-term success

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 2020

We increased Clareti annualised recurring revenues by 29% (see KPIs, page 18) despite the challenging prevailing conditions. We completed our transition to subscription-based licensing.

> Key performance indicators
Page 18

Key priorities for 2021

We will continue to invest in sales capacity and supporting processes in all our key locations to deliver our growth targets. We will enhance our cloud-based offerings and will optimise our global operations.

2

Create a valuable financial technology business through Clareti-led growth and complementary acquisitions.

Key achievements in 2020

We added several key accounts and delivered important customer implementations. We acquired Inforalgo in July 2020, which adds valuable, connectivity technology to our Clareti portfolio.

> Innovation
Page 13

Key priorities for 2021

Our priority is to deliver organic Clareti growth in all of our core regions, achieve success for our customers and foster long-term relationships. We will continue to pursue appropriate acquisition opportunities.

3

Establish Clareti as the enterprise data integrity platform “category leader”.

Key achievements in 2020

We ran several successful marketing campaigns to promote our brand and offerings to our target market. Gresham won the WatersTechnology Award for Best Buy-Side Reconciliation Platform in 2020.

Key priorities for 2021

We are seeking high levels of customer engagement and referenceability. We will build brand awareness in our core regions, particularly the US.

4

Focus our product investment on innovative Clareti solutions for our chosen markets.

Key achievements in 2020

We delivered new, market-differentiating features and capabilities for our solutions to solve known market problems. We have adopted new technologies to increase reusability of IP assets across solutions.

Key priorities for 2021

We will enhance our reconciliation and regulatory reporting capabilities to address known market requirements. We will implement artificial intelligence within our offerings to improve automation and efficiencies for our customers.

5

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

Key achievements in 2020

We managed our non-Clareti business effectively, with revenues ahead of our original expectations. We have successfully eliminated support risks from certain legacy assets.

Key priorities for 2021

We will continue to monitor the viability and business risks of the individual non-Clareti lines of business and ensure contracts can be serviced effectively and profitably.

Key performance indicators

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 KPIs

Group revenues

£24.8m -1%

2020	24.8
2019	25.0
2018	19.3
2017	21.7
2016	17.2

Links 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.

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 revenue

£15.5m no change

2020	15.5
2019	15.5
2018	11.8
2017	11.1
2016	7.5

Links to strategy

1 2 3 4 5

Description

Total revenue generated and recognised in the year from Clareti Solutions.

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.

Clareti annualised recurring revenues ("ARR")

£12.3m +29%

2020	12.3
2019	9.5
2018	7.4
2017	5.7
2016	4.6

Links 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 2020.

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.

Non-financial KPIs

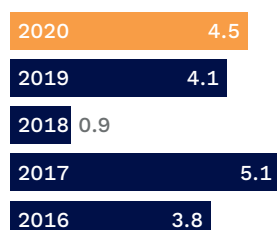
The Group monitors a range of non-financial performance indicators, including sales pipeline velocity, product development velocity, effective billing rates for professional services, customer upsell and retention rates, customer health scores and people engagement scores. These indicators are tracked operationally but are not considered to be individually appropriate as a measure of overall strategy execution success.

Links to strategy

- 1 Build a high-margin, recurring revenue stream based on Clareti software and cloud services.
- 2 Create a valuable financial technology business through Clareti-led growth and complementary acquisitions.
- 3 Establish Clareti as the enterprise data integrity platform "category leader".
- 4 Focus our product investment on innovative Clareti solutions for our chosen markets.
- 5 Retain strategic non-Clareti revenues to support Clareti-led growth.

Adjusted EBITDA¹

£4.5m +10%



Links to strategy

- 1
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Description

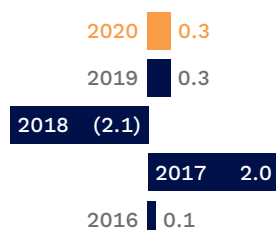
Group earnings before interest, tax, depreciation and amortisation, adjusted for share-based payment charges, impairment of development costs and exceptional items. Discontinued operations are not included in either year.

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.

Cash adjusted EBITDA¹

£0.3m no change



Links to strategy

- 1
- 2
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Description

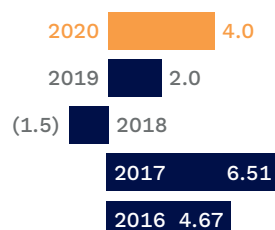
Adjusted EBITDA less capitalised development spend and any IFRS 16 lease-related cash payments.

Why is it a KPI?

A reflection of cash generation in the year, reflecting the Group's effectiveness in converting revenue to cash generation.

Adjusted diluted earnings per share¹

4.0p +100%



Links to strategy

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Description

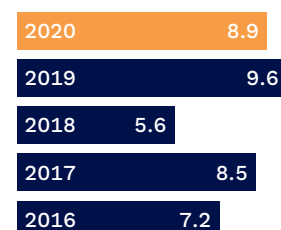
Earnings per individual share, taking into account changes in capital structure and issued equity on a fully diluted basis, adjusted for share-based payment charges, exceptional items and amortisation from acquired intangible assets.

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

£8.9m -7%



Links to strategy

- 1
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- 5

Description

Aggregate net cash balance (including bank deposits/restricted cash) as at 31 December 2020 including bank deposits after operational, investing and financing activities during the financial year.

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.

All KPI data excludes discontinued operations, except for profit before tax which includes discontinued operations and exceptional items.

Values stated for 2020 include the impact of the acquisition of Inforalgo. See note 23 for details.

(1) 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 4).

Principal risks and uncertainties

Our aim is to recognise and address the key risks and uncertainties facing Gresham at all levels of the 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 Report on page 39.

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

Links to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

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 reduces the revenue recognisable from new contracts in the year, and would potentially jeopardise our ability to deliver the implementations and recognise the associated revenues in the year.

Commentary

We continue to see strong market demand for Clareti solutions but sales cycles have become even more unpredictable as a result of the ongoing COVID-19 pandemic. This presents unquantifiable risks to achieving our short-term growth aspirations and business plan. Nevertheless, we are pleased with the Group's resilience in 2020 and the notable sales successes achieved, despite the challenging market conditions.

Misdirected product, operational or strategic investments

Links to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

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.

Commentary

Our ongoing investments in product innovation are an essential part of our strategy. In 2020, we have invested significantly to deliver market-differentiating enhancements to key customers, which we believe will provide significant sales opportunities in the wider market. The acquisition of Inforalgo in July 2020 has been fully integrated and is expected to deliver a strong return on investment in 2021 and beyond.

Product and service delivery failures

Links to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

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.

Commentary

We successfully completed several projects in the year. Often, our enterprise customers have complex data requirements, which can render implementation projects particularly challenging. We operate a clear methodology to align expectations from the outset, manage projects effectively and minimise issues or delays, but this is not always possible. Where necessary, we invest time and resource to rectify errors and minimise contractual, commercial and reputational risks.

Links to strategy

- [1](#) Build a high-margin, recurring revenue stream based on Clareti software and cloud services.
- [2](#) Create a valuable financial technology business through Clareti-led growth and complementary acquisitions.
- [3](#) Establish Clareti as the enterprise data integrity platform "category leader".
- [4](#) Focus our product investment on innovative Clareti solutions for our chosen markets.
- [5](#) Retain strategic non-Clareti revenues to support Clareti-led growth.

Accelerated decline in non-Clareti revenues

Links to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

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. Whilst the Group expects these contributions to decline over time, an unexpected or accelerated decline could have an immediate and significant impact on financial KPIs due to short-term planning assumptions.

Commentary

Risks in the non-Clareti portfolio have remained stable this year and we expect this to remain the case in 2021. We regularly review individual portfolio risks and will consider strategic options such as discontinuations or disposals in mitigation where risk reaches unacceptable levels.

Economic, international trade and market conditions

Links to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

Description

The Group is generally exposed to political, economic, trade, market and public health 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.

Commentary

In response to the COVID-19 pandemic, we activated our incident response plans in March 2020 and we successfully continued to operate without interruption and at full capacity. However, the Group's ability to win new business was adversely affected in 2020 due to the impact on our customer base, and we expect 2021 to carry similar challenges and risks. Aside from that, international trade conditions are gradually improving with the confirmation of the UK-EU Brexit deal at the end of 2020 and the new US administration in early 2021.

People risks

Links to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

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.

Commentary

People risks were stable in the year and this is expected to continue. Staff retention was high in the year and the results of our annual staff survey confirm that staff are highly engaged. We have refreshed our corporate values and are reviewing our policies and processes to ensure our staff remain highly engaged and productive and to minimise people-related risks.

IP, data and cyber risks

Links to strategy [1](#) [2](#) [3](#) [4](#) [5](#)

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.

Commentary

Like all businesses, Gresham is exposed to an increasing range of cyber attacks but there were no material incidents in the year. We appointed a Head of Information Security in 2020 and we have also enhanced our security-related systems and processes, which we will continue to do as we work towards achieving internationally recognised security accreditations.

Financial review

A successful year for the Group



“Despite the tough trading conditions created by the COVID-19 pandemic, the strategically important high-margin Clareti recurring revenues recognised in the year grew by 11%, up £1.1m to £11.5m. More importantly, the forward-looking Clareti annualised recurring revenues experienced growth of 29%, up £2.8m to £12.3m, providing further predictability going forward.”

Revenues

Our income is analysed between revenues from Clareti Solutions and from Other Solutions, as shown in the table on the next page.

Clareti Solutions

Despite the tough trading conditions created by the COVID-19 pandemic, the strategically important high-margin Clareti recurring revenues recognised in the year grew by 11%, up £1.1m to £11.5m. More importantly, the forward-looking Clareti annualised recurring revenues experienced growth of 29%, up £2.8m to £12.3m, providing further predictability going forward. The acquisition of Inforalgo on 29 July 2020, contributed £0.6m and £1.2m of this growth respectively. In line with the Group's strategy to focus on the aforementioned high-quality recurring revenues, there were no non-recurring licence fees generated in 2020, a reduction of £0.7m on the prior year.

Clareti services revenues were down 9% to £4.0m from £4.4m. This reduction was due to a combination of investment time to successfully deliver the ongoing implementation projects arising from the large strategic Clareti software licences sold to customers during 2019, and a period of lower generation of new services business due to COVID-19.

Other Solutions

Revenues from Other Solutions decreased 2% to £9.3m, which significantly exceeded expectations.

Other software revenues from partners were up 19% to £3.1m as a result of one of our legacy partner relationships increasing its usage of the already installed software, which is offset by reductions from another customer which has finally migrated away from the software after notifying us of its intent to do so during 2017. The ongoing arrangements have an approximate net margin of 50%.

Other software revenues from our remaining legacy products continued to decrease as planned as customers moved off from ageing platforms to newer technologies. Attrition is expected to persist as these technology shifts continue, although the longevity of these very old legacy products continues to surpass our expectations and still attracts a net margin exceeding 90%.

Contracting services are provided to ANZ, a strategically important Australian banking customer, which generate a contractually fixed net contribution to the Group of 13%. Contracts are typically signed for twelve months, giving strong visibility of the expected near-term revenues, although these do fluctuate as resource requirements change. Whilst 9% down on the prior year, our original expectations were significantly exceeded due to additional resource requests being made during the year.

			2020	2019	Variance	%
Clareti Solutions	Recurring	£m	11.5	10.4	1.1	11%
	Non-recurring	£m	—	0.7	(0.7)	(100%)
	Software	£m	11.5	11.1	0.4	4%
	Services	£m	4.0	4.4	(0.4)	(9%)
	Total	KPI	£m	15.5	—	—
Other Solutions	Software – Partners	£m	3.1	2.6	0.5	19%
	Software – Own solutions	£m	0.6	0.8	(0.2)	(25%)
	Services	£m	0.7	0.7	—	—
	Contracting services	£m	4.9	5.4	(0.5)	(9%)
	Total		£m	9.3	(0.2)	(2%)
Total from continuing operations – note 3		KPI	£m	24.8	(0.2)	(1%)
Discontinued	Software – Own solutions	£m	—	0.1	(0.1)	(100%)
Total revenue		KPI	£m	25.1	(0.3)	(1%)
Annualised recurring revenue as at 31 December 2020						
	Clareti	KPI	£m	12.3	2.8	29%
	Other		£m	2.8	0.7	25%
	Total	KPI	£m	15.8	3.5	28%

Earnings (continuing operations only)

Group			2020	2019	Variance	%
Gross margin	£m		20.9	21.0	(0.1)	—
Gross margin	%		84%	84%	—	—
Adjusted EBITDA	KPI	£m	4.5	4.1	0.4	10%
Adjusted EBITDA	KPI	%	22%	20%	2%	
Cash adjusted EBITDA	KPI	£m	0.3	0.3	—	—
Cash adjusted EBITDA	KPI	%	1%	1%	—	
Statutory profit/(loss) after tax	£m		1.3	(0.1)	1.4	n/a
Adjusted diluted EPS	KPI	pence	3.96	1.99	1.97	99%

Across all business segments, the majority of our cost of sales is made up of: (i) the customer-specific third party costs incurred in providing our hosted cloud solutions; and (ii) third party contractor costs incurred by our contracting services business (individuals we bring on our payroll as fixed-term employees to provide this service are recorded in administration costs).

Operating performance is analysed excluding exceptional items, share-based payment charges, amortisation from acquired intangible assets and impairment of development costs, which is consistent with the way in which the Board reviews the financial results of the Group. This is also consistent with the manner in which similar small-cap LSE (or AIM) listed companies present their results and how we understand the investment community assesses performance, with this particularly being the case for growth shares in which the recurring cash performance is considered important.

There has been an increase in statutory profit after tax from a loss of £0.1m to a profit of £1.3m; refer to the taxation section below for details of this variance.

Included below are tables and commentary for each of our key business segments which describe the underlying trends in gross margin, adjusted EBITDA and cash adjusted EBITDA. Cash adjusted EBITDA, which adjusts EBITDA for capitalised development spend and any IFRS 16 lease-related cash expenses classified as depreciation and interest, has also improved since the prior year. Adjusted EBITDA and cash adjusted EBITDA are not IFRS measures nor are they considered to be a substitute for, or superior to, any IFRS measures. They are not directly comparable to other companies.

Clareti Solutions			2020	2019	Variance	%
Gross margin	£m		14.5	14.4	0.1	1%
Gross margin	%		94%	93%	1%	
Adjusted EBITDA	KPI	£m	1.2	0.6	0.6	100%
Adjusted EBITDA	KPI	%	8%	4%	4%	
Cash adjusted EBITDA	KPI	£m	(2.9)	(3.1)	0.2	5%
Cash adjusted EBITDA	KPI	%	(19%)	(20%)	1%	

Financial review continued

Earnings (continuing operations only) continued

Despite the challenging global environment, our key growth business, Clareti, has seen an improvement since 2019 across all margin metrics. Our original 2020 plans for Clareti anticipated that Clareti would be close to a break-even cash adjusted EBITDA position and we are pleased to be reporting a continued trend in this direction. This outcome is as a result of careful management of costs during the COVID-19 related uncertainty of Q2 and Q3. As our confidence in generating new Clareti business increased during Q3, we increased investment, particularly focused on the distribution of Clareti during Q4 to support organic growth in 2021. Our product development team spent more time on new future revenue-generating Clareti features and functions than the prior year; hence, there was an increase in the proportion of development spend being capitalisable, which improved adjusted EBITDA but does not affect cash adjusted EBITDA.

Other Solutions (software)			2020	2019	Variance	%
Gross margin		£m	2.8	2.9	(0.1)	(3%)
Gross margin		%	63%	71%	(8%)	
Adjusted EBITDA	KPI	£m	2.6	2.8	(0.2)	(7%)
Adjusted EBITDA	KPI	%	60%	67%	(7%)	
Cash adjusted EBITDA	KPI	£m	2.6	2.8	(0.2)	(7%)
Cash adjusted EBITDA	KPI	%	60%	67%	(7%)	

As noted above, our Other Solutions business saw the expected reduction in our high-margin own solutions business, offset by an increase in usage fees generated from a legacy partner arrangement. Costs of sales in this business segment are fixed-margin reseller fees, with operating expenses being equivalent to 1.5 full-time equivalent employees to service these portfolios. This business segment is not core to Gresham's strategy and our primary objective is to operate it as profitably as possible and at minimal risk.

Other Solutions (contracting services)			2020	2019	Variance	%
Gross margin		£m	3.7	3.7	—	—
Gross margin		%	75%	69%	6%	
Adjusted EBITDA	KPI	£m	0.6	0.7	(0.1)	(14%)
Adjusted EBITDA	KPI	%	13%	13%	—	
Cash adjusted EBITDA	KPI	£m	0.6	0.7	(0.1)	(14%)
Cash adjusted EBITDA	KPI	%	13%	13%	—	

As noted above, we provide contracting services to ANZ, at a fixed net margin of 13%. Fees are paid six monthly in advance, providing a helpful contribution to working capital, but otherwise this business segment is not strategically important and will continue to be managed with negligible administrative overheads.

Exceptional items

During the year, the Group recognised exceptional costs of £0.4m, of which: (i) £0.2m were acquisition costs in relation to the acquisition of Inforalgo on 29 July 2020; and (ii) £0.2m related to a restructuring in July 2020 upon the expiry of the earn-out period relating to the acquisition of the B2 Group in July 2018. There were no material exceptional costs during 2019.

There was no material exceptional income during 2020. During 2019, the Group recognised exceptional income of £2.0m arising from the sale of the VME software business to Fujitsu in January 2019.

“We continue to invest in the Clareti business, namely in distribution, product and customer success, in order to ensure that we are best placed to take advantage of the significant market opportunities.”

Taxation

For the year ended 31 December 2020, the Group has recorded a net tax credit of £1.0m (2019: charge of £0.4m). The material drivers for the variance from the prior year being: additional taxation of £0.4m being generated in 2019 upon the sale of the VME business; 2020 accounting for the benefit of two years' worth of credit in relation to research and development activities; 2020 benefiting from a £0.2m release of 2019 overseas tax provisions; and £0.3m of deferred tax assets being generated upon grants of matching shares during the year and increase in share price throughout the year.

Cash flow

The Group's financial position remained very strong throughout 2020, despite the outflow of £2.3m for the initial consideration to acquire Inforalgo, ending the year with cash of £8.9m and no debt (2019: £9.6m and no debt).

Operating cash flow excluding working capital has decreased by £0.1m to £4.1m in the year.

The reduction in the movement in working capital of £1.7m is largely explained by the fact that 2019 included an initial three-year prepayment of £3.0m from the £1.0m per annum subscription licence that became non-contingent in March 2019.

The Group received tax receipts of £1.3m in the year during 2020 as a result of research and development activities performed during 2018 and 2019 where enhanced relief is available (2019: received £1.4m in relation to 2016 and 2017). Tax payments were made in the year of £0.5m (2019: £0.1m), the increase on the prior year largely as a result of increased profitability in the US and Australia and full utilisation of historical Australian tax losses having occurred.

The capitalised development expenditure of £3.5m has increased by £0.2m from the prior year. This is due to an increased portion of product development effort being spent on new product or new product features in comparison to the prior year.

During 2019, the Group received a net amount of £1.7m through the sale of its legacy VME business. No equivalent business sale occurred during 2020.

During 2019, the Group purchased a total of £1.0m of its own shares in the period, £0.1m being in respect of employee bonuses for FY2018 and £0.9m to pre-fund employee and executive bonus and long-term incentive schemes in future years. No such share purchase occurred during 2020.

The Group received £0.5m upon the exercise of share options during the year (2019: £0.1m).

As was the case in the prior year, 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. In order to maximise our returns, we plan to increase levels of investment in distribution and customer success, whilst continuing to invest excess cash efficiently in bank deposits and giving appropriate consideration to M&A opportunities.

		2020	2019	Variance	%
Operating cash flow excluding working capital	£m	4.1	4.2	(0.1)	(2%)
Movement in working capital	£m	0.6	2.1	(1.5)	(71%)
Net tax receipts	£m	0.8	1.3	(0.5)	(38%)
Capital expenditure – development costs	£m	(3.5)	(3.3)	(0.2)	(6%)
Capital expenditure – other	£m	(0.1)	(0.2)	0.1	50%
Principal paid on lease liabilities	£m	(0.6)	(0.4)	(0.2)	(50%)
Acquisition (net of cash acquired)	£m	(1.9)	—	(1.9)	n/a
Sale of discontinued operation	£m	—	1.7	(1.7)	(100%)
Purchase of own shares in employee benefit trust	£m	—	(1.0)	1.0	100%
Shares issued upon option exercises	£m	0.5	0.1	0.4	400%
Dividend	£m	(0.5)	(0.3)	(0.2)	(67%)
Other	£m	(0.1)	0.1	(0.2)	(200%)
Net increase/(decrease) in cash and financial assets	£m	(0.7)	4.3	(5.0)	(116%)
Cash	£m	8.9	9.6	(0.7)	(7%)

Consolidated statement of financial position

Intangible fixed assets have increased from £25.6m to £31.1m, largely as a result of the Inforalgo acquisition on 29 July 2020.

Trade receivables have reduced from £3.3m to £2.5m. This reduction is largely as a result of an unusually high receivables balance from an Australian customer in December 2019 related to our fixed-margin contracting services business, for which there was a corresponding payable at the time. This is also the reason behind the decrease in trade payables from £1.6m to £0.9m.

Non-current contract liabilities have reduced from £1.3m to £0.1m, as our standard model with customers has been to collect payments annually in advance as opposed to collecting multiple years in advance as was the case with a large three-year subscription licence signed in 2018. Non-current contingent consideration of £0.3m and current contingent consideration of £0.9m has been recognised in relation to the acquisition of Inforalgo.

Current contract liabilities have increased from £8.8m to £11.0m, due to the deferred revenue acquired from the Inforalgo acquisition and also the increase in Clareti ARR which is typically invoiced annually in advance.

Financial outlook

In light of the COVID-19 challenges of 2020, the Group is very pleased with the financial outcome of the year – particularly achieving a 17% organic growth rate in Clareti ARR, bolstered to 29% with the successful Inforalgo acquisition. Whilst this level of organic growth was lower than we had originally planned, we expect to be able to return closer to pre-COVID-19 Clareti organic growth rates in 2021. In prior year reports, I commented on our strategy to deliver consistent Clareti growth and drive more predictability into the business through a focus on generating higher levels of Clareti recurring revenues rather than initial licence fees – it is now satisfying and to the benefit of the

business to confirm that we have completed this transition.

The other (non-Clareti) software portfolio continues to surpass expectations, with customers requiring extensions to contracts as they struggle to migrate to newer or alternative platforms. Whilst such extensions can generate short-term revenue spikes, these portfolios remain in long-term decline, as demonstrated by the previously significant non-Clareti UK banking customer that finally completed its migration after declaring its intent to do so in 2017. We continue to plan for these portfolios to decline. We expect our contracting services business to remain stable in 2021.

Overall, we have further increased levels of revenue predictability throughout the Group. This predictability comes from the significantly increased Clareti recurring revenue base, which has been complemented by the Inforalgo acquisition, high levels of contracted backlog of Clareti services for ongoing implementations and innovation services and a high portion of the non-Clareti portfolio already being under contract for 2021. This was the case as we entered 2020 and is the case to an even greater degree as we enter 2021. With this in mind, we continue to invest in the Clareti business, namely in distribution, product and customer success, in order to ensure that we are best placed to take advantage of the significant market opportunities.

Tom Mullan

Chief Financial Officer
8 March 2021

Environmental, social and governance

Valued, engaging, responsible employer



People and culture

Our aim is to be a highly valued, engaging and responsible employer across the Group, where our people uphold our core values and are encouraged to excel. We challenge ourselves to be an inclusive and collaborative place to be successful.

We know that our 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.

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 employee share scheme, 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 teams. 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.

We operate our own bespoke leadership development programme. 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. Alongside this we support personal and professional growth encouraging our people to develop their technical competency as well as interpersonal skills and those related to our values-based behaviours. We create space to do this by encouraging our people to spend 5% of their time on professional development.

Engaging with our people

We listen to our people. We have an "always on" approach to employee engagement and communications including regular meetings within individual teams throughout the Group, regular Group-wide communications and confidential feedback mechanisms and engagement surveys. Performance appraisals happen formally at mid and full year, but we encourage ongoing dialogue and continuous performance management coaching conversations throughout the year to ensure that our people are getting support and feedback in order to be successful in their roles and to continuing growing at Gresham.

Trust is vital in order to support and promote the exceptional levels of employee engagement we enjoy and helps to ensure that the working environment balances wellbeing, provides motivating opportunities for growth and operates with compassion.

Early career programme

Our early career entry programme is one of the ways that we attract promising new colleagues to the business. Our graduate and apprenticeship paths within our professional services, development and IT teams have been running for several years with minimal attrition. We are expanding this programme in 2021 following its success.

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 and advisers to The Prince's Responsible Business Network, through our partnership with Business in the Community ("BITC"). BITC's vision is to make the UK the world leader at responsible business, through inspiring, engaging and challenging businesses to tackle some of global society's biggest issues.

Charity

We work with charities to responsibly recycle our old, used IT equipment. One of these charities is Learning Partnership West, a charity that works to ensure no child or young person is left without help and that children and young people are supported to build their own resilience and capability. It builds on the strengths, abilities and talents of children and young people to encourage and inspire future aspiration.

Each quarter, we donate £1 for each support call made to our customer support centres to three local charities. These three charities are chosen by ballot by our global teams and often have a personal connection with employees.

In 2020, instead of a Christmas Party, each of our offices chose local charities and donated the money that would have been spent to support those in need due to the pandemic. Different charities were chosen ranging from those redistributing surplus food to local community projects, assisting families in need, helping the homeless and supporting mental health. One such charity was Digilocal, a Bristol charity helping young people particularly from disadvantaged groups learn tech and distributing laptops to families to enable children to access remote learning.

Our core values

We Embrace Difference

We value different backgrounds, experience, expertise and ways of thinking. We encourage curiosity and respect every individual, recognising that everyone has the potential to bring something extraordinary to the table. We each apply our unique talents with passion and integrity and we are all committed to making Gresham an exceptional place to work.

We Create Together

Working together with our colleagues, customers and partners, we create energy and a dynamic approach to challenge the norm and find innovative ways to solve problems. Through open discussion and feedback, healthy debate and continuous learning, we combine the virtues of experience and fresh thinking. We operate at pace, taking the lead where appropriate, ensuring that we work together to seamlessly deliver outstanding products and services.

We Champion Success

We are passionate about delivering successful outcomes for our customers and employees, as well as our industry and our community. Our nimble approach means that we can adapt to our customers' individual ways of working, taking ownership for delivering the wow factor, delighting customers and enabling our business and our people to grow and flourish.

Environmental, social and governance continued

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 celebrate diversity and are dedicated to creating an inclusive environment for all employees. We are committed to ensuring that our workplaces are free from unlawful or unfair discrimination in accordance with applicable legislation and our values. We are determined to ensure that no applicant or employee receives less favourable treatment on the grounds of gender, age, disability, religion, belief, sexual orientation, marital status, or race, or is disadvantaged by conditions or requirements which cannot be shown to be justifiable. 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;
- 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. Our policies and practices aim to promote an environment that is free from all forms of unlawful or unfair discrimination and values the diversity of all people. We seek to treat all applicants and employees fairly and with dignity and respect.

Gender analysis

At 31 December 2020, the Group had the following split of gender of staff:

	Female	Male	Total
Executive Directors	—	2	2
Senior managers	2	6	8
Staff	26	118	144
	28	126	154
Non-Executive Directors	2	2	4

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.

Climate change

The Group does not consider that there are any risks associated with climate change impacting the Gresham Group.

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 2020. 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) and "The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018" 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 2020, the following disclosure is made:

Emissions from	UK		Group	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Electricity, heat, steam and cooling purchased for own use – tonnes of CO ₂ e	24	35	37	62
Group's chosen intensity measurement				
Emissions reported above normalised to tonnes of CO ₂ e per total £1,000,000 revenue	2.3	3.1	1.5	3.1

The Group's total energy consumption for the year ended 31 December 2020 was 158,000 kWh.

Emissions data has been reported for Gresham's operations in the UK, Luxembourg and Australia, 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.

Section 172(1) statement

Section 172(1) of the Companies Act 2006 provides that a director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

This section describes how the Directors have had regard to the matters set out in section 172(1)(a)–(f) of the Companies Act 2016 and forms the Directors' statement required under section 414CZA of that Act. In making this statement, the Directors have focused on matters of strategic importance to the Group, having regard to the size and complexity of its business.

Stakeholder group

Investors

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Workforce

- > **Environmental, social and governance**
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Customers

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Suppliers

Why engagement is important	How management and/or Directors engage	Strategic decisions in the year
To communicate our long-term strategic objectives effectively and promote long-term holdings. To secure investor support for our strategic objectives and ensure access to capital to deliver on our execution plans.	Use of the AGM, analyst presentations, investor presentations, a bi-annual capital markets day. Individual investor meetings with the CEO, CFO, Chairman and/or committee chairs.	We acquired Inforalgo in July 2020 which enhanced the Company's value proposition and provides further growth opportunities. We adopted a new performance share plan, designed to align interests of key employees with shareholders. We consulted with investors in advance and made adjustments based on feedback.
To deliver our long-term strategic objectives. To maintain competitive advantage and deliver market-leading solutions to our customers. To promote our culture, purpose and values, foster a healthy working environment for our workforce, support their wellbeing and be a responsible business. To maintain low turnover and high productivity rates.	Use of transparent, anonymous workforce engagement surveys, with commitments to address areas of concern. Ad hoc initiatives such as mental health awareness days, charity fundraisers and social events. Use of performance reviews, objective setting and formal policies and procedures. Board meetings held at each UK office and regular management visits to overseas offices, although this was not possible due to COVID-19 related travel restrictions.	We reviewed our corporate values and sought extensive input from our people to create new corporate values. We managed a transition from office-based working to home-based working and provided our people with the necessary equipment and systems to facilitate this. We adopted an unlimited holiday leave policy to help our people cope with COVID-19 related challenges.
To ensure we meet or exceed our customers' requirements and maintain competitive advantages. To build a highly referenceable customer base with low attrition rates. To identify and assess new market opportunities and collaborate with customers on high-value projects. To promote brand loyalty and identify sales opportunities for other Gresham solutions.	Quarterly customer success meetings, involving management representatives. Executive sponsorship programme for key accounts. Chairing industry roundtables and customer forums to communicate and consult on product development priorities and new features to address emerging market requirements. Customer satisfaction surveys on support incidents.	We invested heavily in developing new features and capabilities for cash and stock reconciliations, directly aligned to customer requirements.
To ensure that we operate our business effectively and without disruption. To act fairly and responsibly with respect to our suppliers. To adhere to our contractual obligations to suppliers.	We nominate senior business contacts to manage our key supplier relationships. They are supported by operations staff as required to manage supplier risks and requirements. We participate in Business in the Community ("BITC") which promotes responsible business.	We did not make any strategic decisions in the year affecting suppliers.

The Strategic Report was approved by the Board of Directors on 8 March 2021.
On behalf of the Board

Ian Manocha
Chief Executive
8 March 2021

Tom Mullan
Chief Financial Officer
8 March 2021

Corporate governance

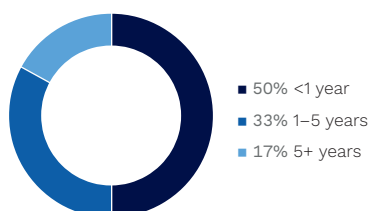
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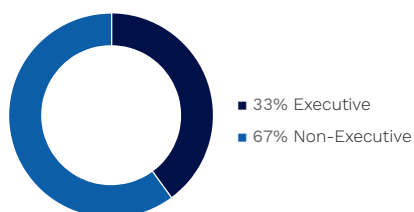
Chairman's introduction to governance



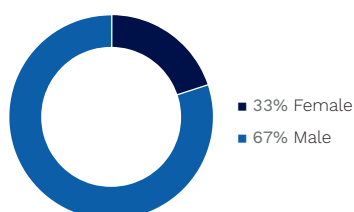
Board tenure



Board composition



Board gender diversity



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 in developing a healthy corporate culture and delivering long-term success to the Group, as well as leading and overseeing the Group's wider environmental, social and governance ("ESG") agenda.

The Board's aim is to operate as effectively as possible, in line with the governing principles of the UK Corporate Governance Code. The Board has received training in the 2018 UK Corporate Governance Code and a description of the Group's application of the principles set out therein for financial year 2020 is set out in the Statement of Corporate Governance (see page 36).

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 has completed a full, specific review of the Group's key risks and uncertainties (see page 20), in light of the new and emerging risks or uncertainties arising from the Group's strategic growth plans and the economic, political and market conditions, particularly with regard to COVID-19 and Brexit. The Board challenges management to ensure appropriate risk mitigation measures are in place.

There have been several changes to the Board membership, as noted in the Chairman's Statement on page 6. All changes were overseen and recommended by the nomination committee. I am pleased with the current balance of skills, experience and independence on the Board and no further changes are currently envisaged.

As regards remuneration, a new, discretionary performance share plan was adopted in December 2020, as a successor to the discretionary Share Option Plan 2010, which expired on 29 December 2020. This enables the Company to retain, recruit and incentivise key employees by directly aligning their interests with those of shareholders. Details are set out in the Remuneration Report starting page 44.

Finally, the Board continues to engage with shareholders and welcomes ongoing dialogue throughout the year, although the formal shareholder events such as the Annual General Meeting have been severely restricted due to COVID-19. We will continue to engage with shareholders as effectively as possible, taking account of the ongoing COVID-19 restrictions, and our current intention is to enable shareholder participation at the 2021 AGM via electronic means through the Investor Meet Company platform.

Peter Simmonds
Non-Executive Chairman
8 March 2021



Board of Directors



Peter Simmonds
Non-Executive Chairman

Appointed

Peter was appointed to the Board as a Non-Executive Director in August 2020 and became Non-Executive Chairman in September 2020.

Experience

Peter was previously CEO of dotDigital Group plc for eight years until his retirement in 2015; he then remained on the board as a non-executive director until 2018. Peter has been non-executive chairman of D4T4 Solutions plc and Cloudcall plc since 2015. Peter has more than 35 years of senior management and board-level experience, principally in software, banking, insurance, finance and outsourcing. Peter has also been a volunteer board member of the Quoted Companies Alliance since 2016.

Committee membership



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.



Jenny Knott
Non-Executive Director

Appointed

Jenny was appointed to the Board in October 2020.

Experience

Jenny brings unparalleled experience from an executive career in financial services including CEO of Standard Bank Intl, and prior to that senior roles at Nomura Securities and UBS, and was named one of the top 100 influencers by Financial Technologist in 2018. Jenny is a non-executive director for Simply Health and the British Business Bank, and a trustee for Ovarian Cancer Action. As well as being a fellow for Be-The-Business, Jenny is an adviser to many leaders, Fintechs and other young businesses.

Committee membership

A N R



Andy Balchin
Senior Independent
Non-Executive Director

Appointed

Andy was appointed to the Board as a Non-Executive Director in May 2017 and became Senior Independent Non-Executive Director in October 2020.

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. 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. As well as being a Non-Executive Director, he also mentors a number of CFOs and prospective CFOs.

Committee membership

A N R

Committee membership

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



Ruth Wandhöfer
Non-Executive Director

Appointed

Ruth was appointed to the Board in October 2020.

Experience

Ruth is a Global Fintech 50 Influencer and is currently chair of the Payment Systems Regulator and a partner at Gauss Ventures. Her prior roles have included spearheading regulatory and market strategy for treasury and trade solutions at Citi, advising the European Banking Federation on policy making for securities services and payments and serving as a NED of the London Stock Exchange.

Committee membership

A N

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 July 2018 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 2018 (the "Code") throughout the year with the exception that the Company did not fully comply with Provision 10 (Independence of non-executive directors), Provision 19 (Chair not to remain in post longer than nine years) and Provision 34 (Remuneration for non-executive directors should not include share options) of the Code because Mr K Archer (who ceased to be a Director on 30 September 2020) had served on the Board for more than nine years and held share options under the Group's Share Option Plan 2010. With regard to Provision 15 (Significant commitments), the nomination committee was notified of the external commitments of the new Board appointments prior to their appointment and took account of these other demands on their time before deciding upon their suitability. Refer to the Nomination Committee Report for further details.

Board leadership and company purpose

The Board recognises its role in promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society, and in establishing the Company's purpose, values and strategy. In the performance of its duties, the Board considers the interests of stakeholders and the matters set out in section 172 of the Companies Act 2006. Details of these matters are set out in the Strategic Report.

The Group has developed a Clareti-led strategy designed to drive profitable growth and create long-term shareholder value. The Board considers and addresses the opportunities and risks to the success of the business through a combination of monthly reports from management, operational, strategic and risk reviews, and key performance indicators. The Group's established business model and governance structures ensure that allocation of resources and investment decisions directly support the strategic objectives.

The Board is committed to maintaining a healthy corporate culture and recognises the importance of investing in and rewarding its workforce. As part of this, the Group has established clear values, has systems in place to promote wellbeing at work, seeks to create an environment where individuals are fulfilled, and operates a share incentive plan that ensures our people share in the success of the Group (see People and Culture, page 26).

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 Board meetings following investor meetings 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.

Mr A Balchin, the Senior Independent Non-Executive Director, and Mr P Simmonds, 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 normally uses the AGM to communicate with private and institutional investors and welcomes their participation. However, due to COVID-19 related restrictions, shareholders were requested not to attend the 2020 AGM. Subject to COVID-19 restrictions, the Chairman will aim to ensure that all members of the Board will be available at the forthcoming AGM, which is currently intended to be operated as a hybrid meeting, allowing Directors and shareholders to participate via electronic means using the Investor Meet Company platform.

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 2020.

Division of responsibilities

Board membership, roles and responsibilities

The Board is currently comprised of the Non-Executive Chairman, two Executive Directors and three Non-Executive Directors, details of which are set out pages 34 and 35. All Non-Executive Directors are considered to be independent.

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, Mr A Balchin, 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.

The Board normally meets once a month and has a formal schedule of matters specifically reserved to it. Other matters are delegated to the Executive Directors, supported by policies for reporting to the Board.

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 several days 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. 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 on page 39.

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 (resigned 30 September 2020)	9/9	—	1/1	3/3
I Joss (resigned 31 October 2020)	8/10	2/3	1/1	3/3
A Balchin	12/12	3/3	2/2	3/3
I Manocha	12/12	—	—	—
T Mullan	12/12	—	—	—
P Simmonds (appointed 1 August 2020)	5/5	—	1/1	1/1
J Knott (appointed 12 October 2020)	3/3	1/1	1/1	—
R Wandhöfer (appointed 12 October 2020)	2/3	1/1	—	—

Composition, succession and evaluation

Nomination committee

A report from the chair of the nomination committee is set out on page 42.

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 relevant legislative or regulatory changes. 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.

Evaluation of the Board's performance

The following reviews are normally undertaken annually:

- a formal review by the Board encompassing the performance of the Board as a whole, its committees and each Director;
- a formal review by the Chairman of the performance of Non-Executive Directors; and
- a formal review by the Senior Independent Non-Executive Director of the Chairman.

In light of the changes to the Board membership during 2020, no formal reviews were carried out.

Statement of corporate governance continued

Composition, succession and evaluation continued

Retirement and re-election

All Directors are subject to election by shareholders at the first AGM immediately following their appointment. Thereafter, 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.

Audit, risk and internal control

Audit committee

A report from the chair of the audit committee is set out on page 39.

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 55.

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.

Principal risks

A report on the principal risks and uncertainties affecting the Company is set out on page 20.

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 52.

Viability statement

The Directors confirm that they have assessed the prospects of the Group over a three-year period commencing 1 January 2021 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 two factors: firstly, the Group operates rolling financial projections which extend for the current financial year and up to two subsequent financial years; and, secondly, 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 other, 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 20 on the Group's business model (including, without limitation, the impact of COVID-19, which is also discussed on page 9), 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.

Remuneration

A report from the chair of the remuneration committee is set out on page 44.

Audit committee report



Audit committee members and attendance

Member	Meetings
Andy Balchin (committee chair)	3/3
Jenny Knott	1/1
Ruth Wandhöfer	1/1
Imogen Joss (resigned 31 Oct 2020)	2/3

Dear shareholder,

As chair of the audit committee, I am pleased to present the committee's report for the year ended 31 December 2020. The Committee's main role remains unchanged – to monitor the integrity of the Group's financial reporting, to assess the effectiveness of its internal controls and risk management processes and to ensure that our external auditor, BDO LLP, delivers a high-quality effective audit.

The audit committee membership saw some changes this year, with Ms J Knott and Ms R Wandhöfer joining as committee members and Ms I Joss stepping down during October 2020. All committee members are independent Non-Executive Directors, whose biographical details are available on page 34.

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 (including the Director of Financial Operations and Control) are invited to attend to provide financial, 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.

This year, the committee necessarily paid special attention to the potential impact and risks to the Group arising from the COVID-19 pandemic and Brexit. These matters are discussed in the Strategic Report on pages 9 and 20. Whilst Brexit-related risks appear to have reduced, the committee intends to continue monitoring the risks associated with the COVID-19 situation closely at least throughout 2021.

As mandated by EU legislation requiring the tendering of a public interest entity's audit at least every ten years, the committee conducted such a tender process during the year. We invited six firms to bid, including our current auditor, BDO LLP, another top mid-tier firm and each of the big four. All of the invited firms, except our current auditor, BDO LLP, withdrew from the process prior to submitting full proposal documents citing resourcing challenges as the key factor, mainly brought about by COVID-19 and lockdown. On 26 May 2020, the audit committee proposed, and the Board of Directors resolved to approve, the reappointment of BDO LLP, which has, for the last ten years, provided a high-quality audit and which had in recent years rotated the lead audit engagement partner, thereby providing continued objectivity and independence. The Board and the audit committee did not consider it necessary or appropriate to extend the invite to tender outside of the original list of invitees as no other UK firm is considered to have the requisite experience of auditing global enterprise technology providers with a full listing on the London Stock Exchange similar to the Company. The Board stated that it was satisfied with the proposal received from BDO LLP and resolved to reappoint BDO LLP. Pursuant to section 490A of the Companies Act 2006, on 1 June 2020 we wrote to Her Majesty's Principal Secretary of State for Business, Energy and Industrial Strategy stating that the audit committee was unable to present at least two firms to the Board with a justified preference for one of them in accordance with the requirements of section 489A of the Companies Act 2006. This letter was acknowledged and accepted on 24 September 2020.

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 2020, 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;



Audit committee report continued

Responsibilities continued

- 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.

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

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.

Work undertaken by the committee in forming an opinion

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, the Group's accounting policies and IFRS 15 "Revenue from Contracts with Customers" and concurred with management's opinion that it was.

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 their 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 considered whether the accounting treatment performing impairment reviews was in accordance with agreed methodology, the Group's accounting policies and IAS 36 "Impairment of Assets". We concluded that management's key assumptions were reasonable.

Significant issue and explanation

Acquisition accounting and contingent consideration

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.

Contingent consideration relating to acquisitions is included based on management's 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.

Work undertaken by the committee in forming an opinion

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. Acquisition accounting, contingent consideration and fair value reviews were also an area of focus for the external auditor, which reported its findings to us. The committee has concluded that the fair values attributed to both the acquisition and contingent consideration are in line with IFRS 3.

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 systems 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, and took into account the risks and potential impact arising from COVID-19 and Brexit.

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 any other matters of concern 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, there were no non-audit fees paid to the external auditor, compared to 20% of total fees paid to the external auditor in the prior year.

The committee is satisfied with the effectiveness and independence of the external auditor.

Andy Balchin

Chair of the audit committee

8 March 2021

Nomination committee report



Nomination committee members and attendance

Member	Meetings
Peter Simmonds (committee chair)	1/1
Andy Balchin	3/3
Jenny Knott	n/a
Ruth Wandhöfer	n/a
Imogen Joss (resigned 31 Oct 2020)	3/3
Ken Archer (resigned 30 Sept 2020)	3/3

Dear shareholder,

I am pleased to present the report of the nomination committee for the year ended 31 December 2020.

As Chairman of the Board, I also chair the nomination committee, having taken over from my predecessor Ken Archer in September 2020. All of the other Non-Executive Directors are also members of the committee.

The nomination committee's key activity in the year was to identify and appoint a new Chairman to take over from Mr K Archer, who had indicated his intention to step down from the Board after almost ten years in the role. This involved a comprehensive process using an external search consultancy (The DirectorBank Group Ltd), overseen by Ms I Joss who, at that time, was the Senior Independent Non-Executive Director. This process resulted in my appointment. In reaching its decision on my appointment, the committee was notified of all my existing external appointments (specifically, in relation to my two existing non-executive chairman roles at D4T4 Solutions plc and Cloudcall plc) and the time commitments involved. These matters were duly considered by the committee at the time and, considering that I have no other business interests with demands on my time, it was determined that they would not have a material impact on my ability to fully discharge my duties to Gresham.

The nomination committee then continued to identify potential new Non-Executive Directors, taking the composition, skills and experience of the Board into account, to replace Ms I Joss, who had also indicated an intention to step down after four years in post. This resulted in the appointment of Ms J Knott and Ms R Wandhöfer to the Board in October 2020, with Mr A Balchin taking on the role of Senior Independent Non-Executive Director.

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 are two female members of the Board, representing 33% 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. The committee has not approved any external appointment where such appointment is considered to be significant.

In accordance with the UK Corporate Governance Code 2018, all Directors are subject to election or annual re-election (as the case may be). Having considered the contribution of each Director in the relatively short time that we have operated together as a Board, it is apparent to me 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 them to shareholders.

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.

Peter Simmonds
Chair of the nomination committee
 8 March 2021

Annual statement from the chair of the remuneration committee



Remuneration committee members and attendance

Member	Meetings
Jenny Knott (committee chair)	1/1
Andy Balchin	2/2
Peter Simmonds	1/1
Imogen Joss (resigned 31 Oct 2020)	1/1
Ken Archer (resigned 30 Sept 2020)	1/1

Dear shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2020.

I took over as chair for the committee from Ms I Joss in October 2020 and wish to take this opportunity to acknowledge her outstanding service to Gresham and all its stakeholders. The committee now consists of me, as chair, and Mr P Simmonds and Mr A Balchin as members. The committee formally met two 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 2020, the committee has continued to operate a remuneration structure made up of basic salary, performance-related bonuses, share options, benefits and pensions, in accordance with the remuneration policy adopted at the AGM held in 2019. This included the full implementation of the Annual Bonus Scheme and Long-Term Share Incentive Plan ("LTIP"), following a transitional year in 2019 during which they were operated at 50% level. As in previous years, a significant proportion of executive remuneration is based on performance, designed to align executive pay with shareholder interests.

The committee took the following key decisions in relation to the year reported:

- assessed that Chief Executive and Chief Financial Officer basic pay should increase by 3%;
- determined the performance measures and targets for variable pay awards under the Annual Bonus Scheme in respect of 2020;
- determined the performance measures and targets for calculation of matching awards under the LTIP in respect of the three financial years 2020–2022;
- assessed the performance of Executive Directors for 2020 against the determined targets under the Annual Bonus Scheme. In doing so, the committee has carefully considered the impact of the COVID-19 pandemic on the Company and taken certain factors into account in making final determinations, including the exercise of discretion, to ensure that final awards remain fair and appropriate. Details of performance-related pay awards in respect of 2020 and how they were calculated are set out in the following pages; and
- introduced a new ten-year Performance Share Plan ("PSP") in December 2020 to replace the expiring 2010 discretionary Share Option Plan 2010. This PSP will run in conjunction with the LTIP. It is intended to be used on a discretionary basis to retain, recruit and incentivise key employees, and is anticipated to be first used during the course of 2021. Further details of the PSP can be found in the Company's circular dated 11 December 2020. Alongside this, a new remuneration policy was proposed and adopted by shareholders in general meeting on 30 December 2020.

As regards 2021, the committee has assessed that Chief Executive and Chief Financial Officer basic pay should increase by 1.25%. In addition, the committee has determined performance measures and targets for variable pay awards under the Annual Bonus Scheme for 2021 and under the LTIP in respect of the three financial years 2021 – 2023, details of which will be set out in future reports as appropriate.

We remain committed to ensuring that executive reward incentivises positive outcomes for shareholders by reflecting strong linkage with strategy and a fair, open and collaborative corporate culture.

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.

Jenny Knott

Chair of the remuneration committee

8 March 2021

Remuneration report

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, as approved at the general meeting held in December 2020, which sets out the Company's current policy on remuneration for Executive and Non-Executive Directors; and
- the Directors' Remuneration Report, which sets out details of how the remuneration policy was implemented for the year ended 31 December 2020 and how the Company intends for the remuneration policy to apply for the year ended 31 December 2021. The Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming AGM.

General principles

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 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

The table below sets out the Directors' remuneration policy as approved by shareholders at the general meeting held on 30 December 2020. No changes to the policy are being proposed at the 2021 AGM.

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.
Annual Bonus Scheme 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 predetermined targets. The annual bonus consists of a mix of cash and shares.	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.

Link to strategy	Operation	Framework
Annual Bonus Scheme continued Rewards and incentivises the Executive Directors for achievement of sustained long-term financial growth and returns.	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 Plan 2017.	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 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 predetermined 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 according 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 4x the number of deferred shares.
Performance Share Plan 2020 Directly aligns financial incentives with returns to shareholders. Financial reward is created through the creation of shareholder value.	The committee has discretion to make nil-cost awards to Executive Directors, subject to the plan rules, and to determine appropriate performance conditions.	The plan is subject to rules approved by shareholders in general meeting. Awards will vest following the later of (i) a three-year period from the date of grant and (ii) the date on which the committee determines that the specified performance conditions have been satisfied. No award or any part thereof will vest unless the Company's share price has increased by at least 20% relative to the share price at the date of grant. A material proportion of an award will be linked to performance conditions directly aligned to shareholder value growth. Awards are subject to continuous employment, post-vesting holding and malus and clawback. The maximum award for an individual in respect of a year is 100% of base salary or up to 200% in exceptional circumstances.
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 report continued

Remuneration policy considerations

Selection of performance measures

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 performance measures under the Performance Share Plan are selected to directly align awards with shareholder value growth and to reflect key drivers of shareholder value growth. The committee's policy is to set performance targets which are both challenging 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

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

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

For the year commencing 1 January 2019 and thereafter, 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. Shares acquired by Directors pursuant to the Performance Share Plan are subject to a two-year post-vesting holding period during which acquired shares may not be disposed of. Any shares that are sold to discharge the option holder's fiscal (including tax) 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, Long-Term Share Incentive Plan or Performance Share Plan for a period of six months following termination of employment. Any shares disposed of during this period shall be done in co-ordination with the Company and its brokers in order to ensure an orderly market is maintained.

Malus and clawback

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 and Performance Share 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 Nomination Committee Report for details.

Loss of office payments

There are no predetermined special provisions for 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 of other 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.

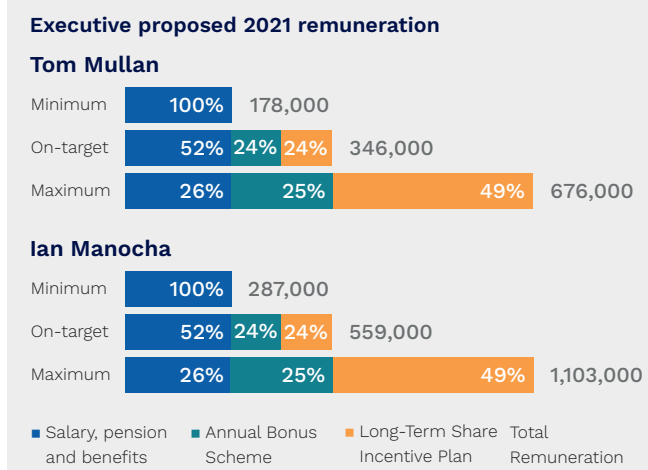
Remuneration scenarios

The following graphs set out an illustration of Executive Director pay for 2021. The potential reward opportunities for 2021 are based on the remuneration policy described herein. Projected values exclude the impact of share price movement and the payment of dividends and actual outcomes may differ from those shown. Projected values also exclude any potential discretionary awards under the Performance Share Plan 2020.

Three different remuneration scenarios for 2021 are provided, as follows:

- the “minimum” scenario includes base salary, pension and benefits (“fixed remuneration”) which are the elements of Executive Director pay that are not at risk;
- the “on-target” scenario includes fixed remuneration, plus an on-target bonus 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 three years later under the Long-Term Share Incentive Plan based on a 2x multiple of the shares awarded under the Annual Bonus Scheme; and

- the “maximum” scenario includes fixed remuneration, plus a maximum bonus of 100% 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 three years later under the Long-Term Share Incentive Plan based on a 4x multiple of the shares awarded under the Annual Bonus Scheme.



Directors' remuneration report

Role of the remuneration committee

The remuneration committee's key role is to determine and 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 committee's primary responsibilities include:

- setting remuneration incentives to attract, retain and motivate Senior Executives and other key employees of the quality required to run the Company successfully and support its strategy and its long-term success, without paying more than is necessary;
- approving the total individual remuneration package of each Executive Director;
- reviewing and setting performance targets for incentive plans including annual bonus and long-term share plans;
- determining remuneration outcomes in relation to performance-related pay; and
- reviewing and approving equity awards under the Performance Share Plan.

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 2020

Mr I Manocha and Mr T Mullan received a base salary increase of 3% in 2020. The average increase across Group employees in 2020 was 3.1%. There is no link between base salary and the Company's share price.

Variable pay in 2020

The variable element of Director pay comprises a performance-based bonus under the Annual Bonus Scheme and an equity award under the Long-Term Share Incentive Plan. In addition, Directors holding share options under the now-expired Share Option Plan 2010 (see page 49 for details) are included in this section as they are considered to constitute variable pay until such time as the options are exercised (subject to vesting).

Performance-based annual bonus

The annual bonus awards in respect of 2020 for Executive Directors are set out in the table on page 48. These awards have been initially assessed by the committee by reference to predetermined annual performance targets linked to Group objectives and individual performance objectives.

In light of the exceptional circumstances in the year, the remuneration committee considered that it was appropriate to review attainment of the original targets for 2020 against prior year and revised market expectations. Attainment in the latter scenarios was significantly higher (over 250% and over 60% of the original 2020 targets respectively). Therefore, the remuneration committee concluded it was reasonable and fair to override the formulaic outcome. In reaching this determination, the remuneration committee exercised independent judgement and considered a number of factors, including: the Group's overall performance; the overall impact of COVID-19; the self-sustenance of the business throughout the pandemic (no job losses, pay cuts, furlough or other government assistance in any location globally); the acquisition of Inforalgo; the growth against many 2019 baseline measures; and the individual contribution of the individual Directors. Having considered these factors, the committee determined to increase the award for each of the Executive Directors using a number of adjustments which, in aggregate, equate to 15% of base salary.

Remuneration report continued

Directors' remuneration report continued

Variable pay in 2020 continued

Performance-based annual bonus continued

Measure	Weighting	Attainment (CEO)	Attainment (CFO)
Clareti ARR	15%	81%	81%
Group revenue	15%	90%	90%
Clareti revenue	15%	79%	79%
Clareti cash EBITDA	15%	62%	62%
Group adjusted EBITDA	15%	110%	110%
Personal objectives	25%	90%	90%
Formulaic bonus outcome (% of base)		26.5% ⁽¹⁾	26.5% ⁽¹⁾
Discretionary adjustment ⁽²⁾		15%	15%
Final bonus outcome payable (% of base)		41.5%	41.5%

(1) As previously reported, the Annual Bonus Scheme was operated at 50% level during 2019 for transitional purposes, and at full level (i.e. 100%) in 2020, in line with commitments made to shareholders when the scheme and the Long-Term Share Incentive Plan were adopted. As such, variable pay awards for 2020 are comparatively higher as they take account of the increased bonus potential in 2020.

(2) Refer to commentary in the paragraph above for an explanation on the use of discretion.

Equity awards under the Long-Term Share Incentive Plan

The first awards under the Long-Term Share Incentive Plan were made in 2020 in respect of performance in financial year 2019. The award under the Long-Term Share Incentive Plan is calculated as a multiple of the number of deferred shares awarded under the Annual Bonus Scheme. The award will vest after three years and only if and to the extent that the Company's financial performance over financial years 2020, 2021 and 2022 achieve the predetermined targets specified by the committee. In this regard, the committee determined that the growth measure should be Group revenues and the return measure should be total shareholder return. The maximum potential matching share award, for achievement of stretch performance on both growth and return measures, is four times the number of deferred shares. See below for details.

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 2020 and 2019:

	Base salary/fees £	Benefits in kind £	Performance-related bonus ⁽¹⁾ £	Pension £	IFRS 2 share-based payment charge £	Total 2020 £
31 December 2020						
Executive Directors						
I Manocha	267,114	2,327	111,797	13,350	25,789	420,377
T Mullan	163,850	2,840	68,452	8,180	42,506	285,828
Non-Executive Directors						
K Archer (resigned 30 Sept 2020)	60,000	—	—	—	—	60,000
I Joss (resigned 31 Oct 2020)	33,333	—	—	—	—	33,333
A Balchin	41,102	—	—	—	—	41,102
P Simmonds (appointed 1 Aug 2020)	33,333	—	—	—	—	33,333
J Knott (appointed 12 Oct 2020)	10,096	—	—	—	—	10,096
R Wandhöfer (appointed 12 Oct 2020)	8,974	—	—	—	—	8,974
	617,802	5,167	180,249⁽¹⁾	21,530	68,295	893,043

(1) Bonus plan fully implemented in 2020 after being operated at 50% level during 2019 for transitional purposes. Paid 50% in cash bonus and 50% in shares.

	Base salary/fees £	Benefits in kind £	Performance-related bonus ⁽¹⁾ £	Pension £	IFRS 2 share-based payment charge £	Total 2019 £
31 December 2019						
Executive Directors						
I Manocha	261,245	2,223	59,806	33,056 ⁽²⁾	—	356,330
T Mullan	160,000	3,087	38,833	8,000	38,352	248,272
Non-Executive Directors						
K Archer	80,000	—	—	—	—	80,000
I Joss	40,000	—	—	—	—	40,000
A Balchin	40,000	—	—	—	—	40,000
	581,245	5,310	98,639	41,056	38,352	764,602

(1) Bonus plan implemented at 50% level during 2019 for transitional purposes. Paid 50% in cash bonus and 50% in shares.

(2) Includes a one-off payment in lieu of pension contributions of £20,000 to satisfy an outstanding contractual obligation.

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 22 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 and Long-Term Share Incentive Plan (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 those plans at the start and end of the year are as set out in the tables below. The interests of the Directors to subscribe for or acquire ordinary shares have not changed since the year end. Further details concerning the plans, including vesting conditions, can be found in note 22 to the Group financial statements.

Share Option Plan 2010

	Options at 1 January 2020	Granted	Cancelled	Exercised	Options at 31 December 2020	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 ^{(1) (3)}	200,000	—	—	—	200,000	14.03.18	227p	14.03.21	14.03.28
T Mullan ^{(1) (3)}	100,000	—	—	—	100,000	28.03.19	97p	28.03.22	28.03.29
Non-Executive Directors									
K Archer (resigned 30 Sept 2020)	700,000	—	—	700,000	—	31.12.10	28p	31.12.13	31.12.20
I Joss (resigned 31 Oct 2020)	—	—	—	—	—	—	—	—	—
A Balchin	—	—	—	—	—	—	—	—	—
P Simmonds (appointed 1 Aug 2020)	—	—	—	—	—	—	—	—	—
J Knott (appointed 12 Oct 2020)	—	—	—	—	—	—	—	—	—
R Wandhöfer (appointed 12 Oct 2020)	—	—	—	—	—	—	—	—	—
	2,500,000	—	—	700,000	1,800,000				

(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.

Long-Term Share Incentive Plan

The following table sets out the maximum potential awards. Vesting is subject to performance and retention conditions in accordance with the rules of the Deferred Share Bonus Plan 2017. No awards were made to Non-Executive Directors.

	Awards at 1 January 2020	Granted	Cancelled	Exercised	Awards at 31 December 2020	Date of grant	Exercise price	Date first exercisable	Expiry date
Executive Directors									
I Manocha ^{(1) (2)}	—	104,008	—	—	104,008	20.03.20	nil	20.03.23	20.03.30
T Mullan ^{(1) (2)}	—	67,532	—	—	67,532	20.03.20	nil	20.03.23	20.03.30
	—	171,540	—	—	171,540				

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

(2) All options for both are yet to vest.

Payments for loss of office (audited information)

No payments for loss of office were made during the year ended 31 December 2020 (2019: £nil).



Remuneration report continued

Directors' remuneration report continued

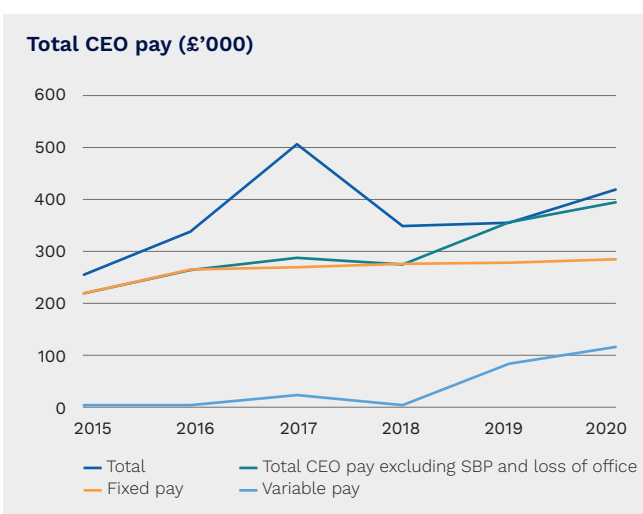
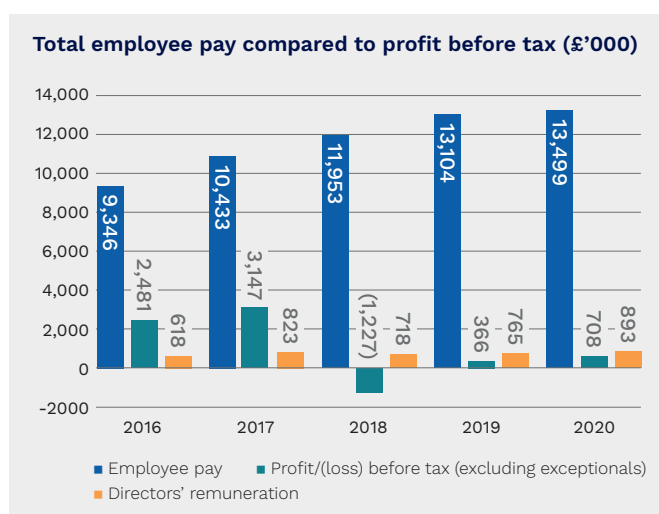
Percentage change in CEO remuneration

The table below sets out the increase in the total remuneration of the CEO and our staff (excluding promotions where relevant) in 2020. 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 2020)	2020 bonus payment (% of base salary)
CEO (I Manocha)	3.0%	41.5%
All staff	3.1%	8.2%

Relative importance of spend on pay

The chart below shows the total Directors' remuneration compared to total employee pay cost and profit before tax (for continuing operations and before exceptional items but including distributions) for the five years ended 31 December 2020. There were no share buy backs in the year.

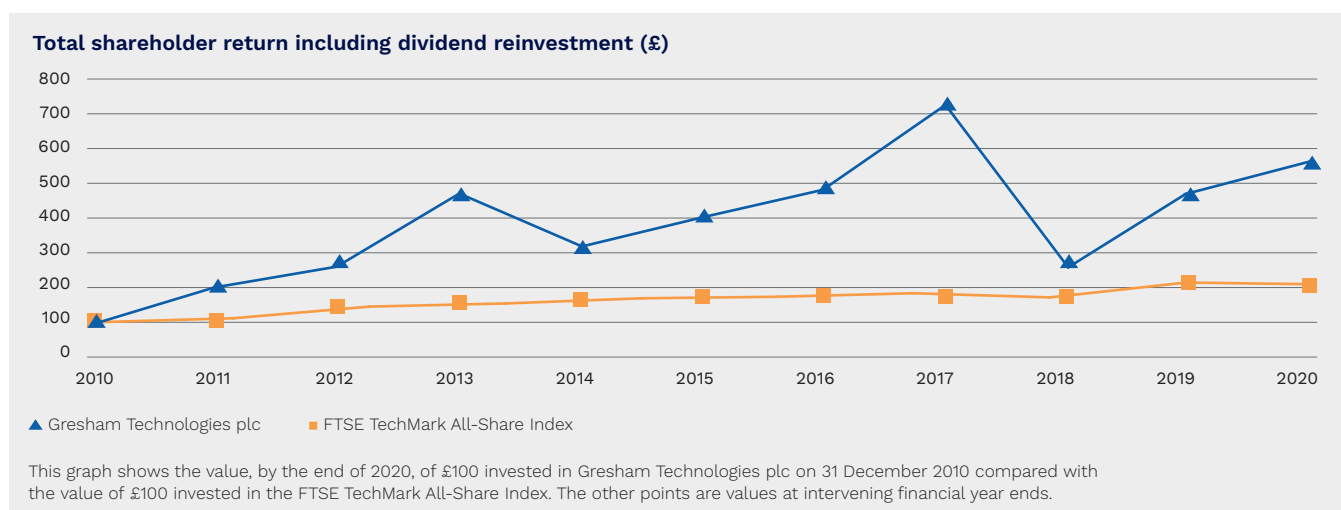


Change in CEO pay

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

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 Index was selected as it represents a broad equity market index in which the Company is a constituent member.



Change in CEO pay continued

The graph on page 50 is derived from the data in the following table:

	2015	2016	2017	2018	2019	2020
I Manocha (CEO from 1 June 2015)						
Base salary	145,833 ⁽¹⁾	250,000	254,000	259,840	261,245	267,114
Benefits in kind	544 ⁽¹⁾	1,983	1,491	2,882	2,223	2,327
Bonus	—	—	20,400	—	59,806	111,797
Pension	7,292 ⁽¹⁾	12,500	12,765	12,980	33,056	13,350
IFRS 2 share-based payment charges	35,889 ⁽¹⁾	75,441	220,233	73,744	—	25,789
	189,558 ⁽¹⁾	339,924	508,889	349,445	356,330	420,377
C Errington (CEO until 1 June 2015)						
Base salary	62,500 ⁽²⁾	—	—	—	—	—
Benefits in kind	545 ⁽²⁾	—	—	—	—	—
Bonus	—	—	—	—	—	—
Pension	3,125 ⁽²⁾	—	—	—	—	—
IFRS 2 share-based payment charges	—	—	—	—	—	—
	66,170 ⁽²⁾	—	—	—	—	—
Total	255,728	339,924	508,889	349,445	356,330	420,377

(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, Aldermay House, 10–15 Queen Street, London EC4N 1TX.

Remuneration resolutions at the last AGM

At the last AGM, held on 14 May 2020, the following resolution was moved:

Resolution	For ⁽¹⁾	Against	Withheld
Remuneration Report	99.99%	0.01%	0.01%

(1) Includes votes giving the Chairman discretion.

External advisers

The committee seeks professional advice where it considers it appropriate to do so. In the year the Group appointed Grant Thornton to advise on the implementation of the new Performance Share Plan 2020 with total fees paid in the year of £24,000. The Group did not engage any professional remuneration advisers in 2019.

Jenny Knott

Chair of the remuneration committee

8 March 2021

Directors' report

Registered number 01072032

The Directors present their report and the Group financial statements for the year ended 31 December 2020.

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 20 to the financial statements includes: the Group's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and, if any, hedging activities; and its exposures to credit risk and liquidity risk. The Statement of Corporate Governance beginning on page 36 forms part of the Directors' Report.

Directors and officers

The Directors who served on the Board during the year are set out on pages 34 and 35. In addition, Mr K Archer and Ms I Joss served on the Board until 30 September 2020 and 31 October 2020 respectively. 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 £1,261,000 (2019: profit of £1,898,000). A final dividend of 0.75 pence per ordinary share (2019: 0.75 pence) has been recommended by the Directors. There has been no interim dividend (2019: £nil).

If approved by the passing of a resolution at the forthcoming Annual General Meeting, it is intended to pay the final dividend on 20 May 2021 to all shareholders on the register at close of business on 15 April 2021. The ex-dividend date will be 15 April 2021.

The profit 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 2020.

Refer to page 38 for the viability statement required pursuant to Provision C2.2 of the Code.

Post balance sheet events

Events after the reporting date are set out in note 27 to the financial statements.

Significant relationships

In 2020, 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 2020. In the opinion of the Directors, the Group does not have any other individually significant relationships.

Fostering relationships with stakeholders

Refer to pages 30 and 31 for details of the Company's engagement with stakeholders.

Directors and their interests

The Directors at 31 December 2020 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 2020	1 January 2020
P Simmonds	30,000	—
A Balchin	8,233	8,233
J Knott	—	—
R Wandhöfer	13,403	—
I Manocha	88,685	75,000
T Mullan	19,826	10,940

There have been no further changes in the Directors' interests disclosed above from 31 December 2020 to 28 February 2021.

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 26 February 2021:

	Ordinary shares of 5 pence each	Percentage held
Kestrel Investment Partners	12,730,028	18.15%
Schroder Investment Management	8,838,194	12.60%
Tellworth Investments	7,222,664	10.30%
Jupiter Asset Management	4,216,000	6.01%
JO Hambro Capital Management	3,797,420	5.41%
Herald Investment Management	3,158,774	4.50%
Mrs M A Green	3,073,290	4.38%
Hargreaves Lansdown Asset Management	2,327,818	3.32%
Rimmer Worldwide Limited	2,178,091	3.10%
Canaccord Genuity Wealth Management	2,150,000	3.06%

Political donations

No donations were made in 2020 or 2019.

Social and community

No social or community review has been performed for 2020 or 2019.

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 £1,169,274 representing one-third of the issued ordinary share capital as at 28 February 2021 and to allot and grant rights over shares for cash up to a maximum nominal amount of £175,391 representing 5% of the issued ordinary share capital as at 28 February 2021, 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 7,015,646 ordinary shares which represents 10% of the issued ordinary share capital of the Company as at 28 February 2021; and
- the authority to call meetings (other than Annual General Meetings) on not less than 14 clear days' notice.

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 2020, the Company's issued share capital comprised:

	Number	Nominal value £	% of total share capital
Ordinary shares of 5 pence each	70,156,458	3,507,823	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 2020, certain share options granted under the Share Option Plan 2010 were exercised and as a result the Group issued 1,900,000 ordinary shares (2019: 167,021), such shares ranking pari passu with ordinary shares then in issue. See note 22 of the Group financial statements for further details.

Ordinary shares

On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held; 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. 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 52. Major interests (being those greater than 3%) of which the Company has been notified are shown on the top of 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 Share Option Scheme 2010, the Deferred Share Bonus Plan 2017 and the Performance Share Plan 2020 will either accelerate vesting, will be rolled over to the acquiring company's shares or will lapse, depending on the circumstances of the change. Further details are provided in note 22 to the Group financial statements.

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

Power of Directors to issue or buy back shares

The Directors' existing authorities to allot and grant rights over the unissued share capital, to allot and grant rights over the unissued share capital for cash without first making a pro rata offer to all existing shareholders and to make market purchases of shares in the issued share capital of the Company are due to expire at the upcoming AGM. Resolutions will be put to shareholders at the upcoming AGM of the Company to renew previous authorities granted.

Information to be included in the Annual Financial Report 2020

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 2020:

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 93
(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 52
(11)	Provision of services by a controlling shareholder	Not applicable
(12)	Shareholder waivers of dividends	Not applicable
(13)	Shareholder waivers of future dividends	Not applicable
(14)	Agreements with controlling shareholders	Not applicable

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

Auditor

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

Directors' statement as to disclosure of information to the auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on pages 34 and 35. 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.

By order of the Board

Jonathan Cathie

Company Secretary

8 March 2021

Statement of Directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the Annual Financial Report 2020 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 accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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 of 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 2020, 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 2020 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 2020 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

8 March 2021



Independent auditor's report to the members of Gresham Technologies plc

Opinion on the financial statements

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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

We have audited the financial statements of Gresham Technologies Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flow, notes to the Consolidated financial statements, the Company Balance Sheet, the Company Statement of Changes in Equity and notes to the Company 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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the Group financial statements, the Group in addition to complying with its legal obligation to apply international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee as a consequence of the tender process as described on page 41, we were reappointed by the Directors on 11 November 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is eleven years, covering the years ending 31 December 2010 to 31 December 2020. We remain 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. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included evaluating the following:

- the Directors' method including the relevance and reliability of underlying data used to make the assessment, and whether assumptions and changes to assumptions from prior years are appropriate and consistent with each other.
- the Directors' plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances.
- the Directors' stress-testing of the forecasts to the extent of reasonable worst-case scenarios.
- the adequacy and appropriateness of disclosures in the financial statements regarding the going concern assessment and any material uncertainties that may exist.

We carried out the above procedures through using our understanding of the business model, objectives, strategies and related business risk, the measurement and review of the entity's financial performance including forecasting and budgeting processes and the entity's risk assessment process.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Direct coverage by the Group engagement team 55% (2019: 53%) of Group revenue
84% (2019: 84%) of Group total assets

Key audit matters	2020	2019
Development costs	✓	✓
Goodwill and intangible asset impairment risk	✓	✓
Revenue and profit recognition	✓	✓
Acquisition of Inforalgo Information Technology Limited	✓	X

Materiality Group financial statements as a whole
£180,000 (2019: £110,000) based on 0.75% of revenue (2019: 5% of the result before tax)

The Group audit team, based in the UK, performed full scope audits of the significant components in the UK, comprising 34% of Group revenue and 84% of Group total assets. The audit of the Asia Pacific region significant component was performed by our component auditors, BDO Sydney. The full scope audit of this component comprised 45% of Group revenue and 16% of Group total assets.

In respect of insignificant components, the Group audit team, based in the UK carried out targeted procedures in respect of revenue and profit recognition as noted in the key audit matters section of this report. In doing so the Group audit team tested 21% of Group revenue applicable to insignificant components.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- the issuance of detailed instructions that included prescriptive procedures to be performed on the significant risks of material misstatement;
- further involvement in directing the audit strategy through a review of the component auditor's work plans and meetings with BDO Sydney at the audit planning stage;
- supervision of the audit process that included regular communication with the component auditor and a review of their audit files; and
- attending an audit close meeting at the conclusion of the component audit.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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 matter	How the scope of our audit addressed the key audit matter
Development costs As detailed in the accounting policies on page 67, and significant estimates and judgements on page 67. Development costs are recognised as an intangible asset if specific criteria have been met. During the year, development costs of £3,561,000 (2019: £3,259,000) have been capitalised. 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. 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 of controls.	We evaluated the Group's accounting policy in this area to ensure that their recognition and measurement principles were in accordance with International Accounting Standard 38. We agreed a sample of capitalised costs to underlying supporting documentation. This included obtaining time records to corroborate the allocation of cost between products and inspecting employee contracts to check that their stated job roles support their involvement in development activities. We also recalculated the on-costs and overheads capitalised with reference to source data and checked that the five criteria for capitalisation, as required by the standard, had been met. The testing 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. We also critically assessed 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 to established software, we assessed the nature of the new releases – and resultant sales opportunities – to assess whether there was evidence of superseding previous development effort.
Key observations	Based on the audit work performed we consider that development costs have been capitalised appropriately and in accordance with the Group's accounting policy.

Independent auditor's report continued

Key audit matters continued

Key audit matter

Goodwill and intangible asset impairment risk

As detailed in the accounting policies on page 67, and significant estimates and judgements on page 67.

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. This risk is considered significant due to the level of judgement involved and the opportunity for management bias within the impairment model assumptions. There is also a significant risk that impairment indicators for particular intangible assets might not be identified.

Revenue and profit recognition

As detailed in the accounting policies on page 67.

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. In line with the requirements of International Financial Reporting Standard 15, management continue to exercise 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 over time. Revenue and profit recognition is considered a significant risk due to the manual adjustments required in order to appropriately recognise the distinct performance obligations within revenue contracts, which can involve management judgement.

Acquisition of Inforalgo Information Technology Limited

As detailed note 23 to the financial statements on page 96, and significant estimates and judgements on page 68.

As detailed in the judgements and key sources of estimation uncertainty within the accounting policies, the Group undertook an acquisition during the financial year. The acquisition resulted in the recognition of intangible assets at fair value of £2,078,000 and goodwill of £2,439,000. 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. This matter is considered to be a significant risk as management had to exercise judgement in determining the fair value of the consideration, which contained a contingent element, and the assets and liabilities acquired.

How the scope of our audit addressed the key audit matter

We performed a review of the Group's goodwill and intangible assets and examined for indicators of impairment. We also assessed the impairment reviews prepared by management, specifically reviewing the integrity of management's value-in-use model and, with the assistance of our valuation experts, 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 and also performed our own sensitivity analysis upon the key valuation inputs.

Key observations

Based on the procedures performed, we did not identify any material impairments nor any evidence of impairment indicators for particular intangible assets that has not been identified.

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 executed 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.

Key observations

Based on the work performed, we consider that revenue has been recognised appropriately and is in accordance with IFRS 15 and the Group's revenue recognition accounting policy.

In respect of the fair value of the consideration, we reviewed management's calculation with reference to the sale and purchase agreement. We also assessed the estimate of contingent consideration against forecasts and current performance and verified the initial cash consideration to documentation such as the sale 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 assessed the competence, capability and objectivity of the Group's experts who prepared the IFRS 3 purchase price allocation exercise. 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.

Key observations

Based on the audit work performed, we consider that the acquisition of Inforalgo, including the separately identifiable intangible assets and contingent consideration has been recognised appropriately in the financial statements.



Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels 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 as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Materiality	180	110	105	60
Basis for determining materiality	0.75% of revenue	5% of profit before taxation	1% of total assets (capped based on Group materiality)	1% of total assets (capped based on Group materiality)
Rationale for the benchmark applied	As a growing technology business we consider revenue to be the key performance measure in driving the valuation of the Group and informing the economic decisions of the users of the financial statements. This is particularly in light of revenues being an increasing basis of business valuation in the sector.	We considered 5% of profit before tax to be a key performance benchmark for the Group and its members in assessing financial performance.	We considered total assets to be the most appropriate measure for the basis of materiality as the Parent Company is primarily an investment holding company.	We considered total assets to be the most appropriate measure for the basis of materiality as the Parent Company is primarily an investment holding company.
Performance materiality	117	77	68	42
Basis for determining performance materiality	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%.	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 70%.	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%.	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 70%.

Component materiality

We set materiality for each component of the Group based on a percentage of between 17% and 75% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £30,000 to £135,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £3,600 (2019: £2,200). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent auditor's report continued

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Financial 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	■ The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 52; and ■ The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate as set out on page 52.
Other Code provisions	■ Directors' statement on fair, balanced and understandable as set out on page 55; ■ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 55; ■ The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems as set out on page 41; and ■ The section describing the work of the audit committee as set out on page 40.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report

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.

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.

Directors' remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information.

In our opinion, based on the work undertaken in the course of the audit information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.

Matters on which we are required to report by exception

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 Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Procedures performed by the Group audit team included:

- evaluation of management incentives and opportunities for fraudulent manipulation of the financial statements including management override;
- this evaluation involved a particular focus on the judgements and estimates inherent in the key audit matters and exercising professional scepticism in considering the impact of those estimates and judgements on the reported results and key performance measures such as annually recurring revenues and cash EBITDA;
- the evaluation also involved gaining an understanding of Management remuneration schemes and the extent to which remuneration is influenced by reported results;
- discussions with management and the Audit Committee regarding known or suspected instances of non-compliance with laws and regulations;
- evaluation of controls designed to prevent and detect irregularities;
- review of Board minutes for any evidence of fraud or non-compliance with laws and regulations; and
- assessment of journal entries to accounts that are considered to carry a greater risk of fraud as part of our planned audit approach.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

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
8 March 2021

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

Consolidated income statement

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	3,4	24,752	24,961
Cost of sales		(3,860)	(3,933)
Gross profit		20,892	21,028
Adjusted administrative expenses		(19,054)	(19,302)
Adjusted operating profit		1,838	1,726
Adjusting administrative items:			
Exceptional items	4	(400)	(10)
Impairment of development costs	13	—	(647)
Amortisation on acquired intangibles	13	(893)	(794)
Share-based payments	22	(220)	(77)
		(1,513)	(1,528)
Total administrative expenses		(20,567)	(20,830)
Operating profit from continuing operations	4,5	325	198
Share of post-tax profit from joint venture		—	66
Finance revenue	3,8	37	104
Finance costs	8	(54)	(65)
Profit before taxation from continuing operations		308	303
Taxation	9	953	(443)
Profit/(loss) after taxation from continuing operations		1,261	(140)
Net gain on sale of discontinued operations		—	1,985
Profit after taxation from discontinuing operations		—	53
Profit attributable to the equity holders of the Parent		1,261	1,898
Earnings per share			
Statutory		pence	pence
Basic earnings per share	10	1.84	2.78
Diluted earnings per share	10	1.80	2.72
Adjusted			
Basic earnings per share	10	4.04	2.11
Diluted earnings per share	10	3.96	2.07
Earnings per share – continuing operations			
Statutory			
Basic earnings per share	10	1.84	(0.21)
Diluted earnings per share	10	1.80	(0.21)
Adjusted			
Basic earnings per share	10	4.04	2.04
Diluted earnings per share	10	3.96	1.99

Consolidated statement of comprehensive income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit attributable to the equity holders of the Parent	1,261	1,898
Other comprehensive expenses		
Items that will or may be re-classified into profit or loss:		
Exchange differences on translating foreign operations	(113)	(3)
Total other comprehensive expenses	(113)	(3)
Total comprehensive income for the year	1,148	1,895



Consolidated statement of financial position

	Notes	At 31 December 2020 £'000	At 31 December 2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	243	387
Right-of-use assets	15	1,646	1,292
Intangible assets	13	31,108	25,575
Deferred tax assets	9	552	489
		33,549	27,743
Current assets			
Trade and other receivables	17	3,497	4,367
Contract assets	17	923	611
Income tax receivable	17	—	43
Cash and cash equivalents	18	8,876	9,605
		13,296	14,626
Total assets		46,845	42,369
Equity and liabilities			
Equity attributable to owners of the Parent			
Called up equity share capital	21	3,508	3,413
Share premium account	24	4,341	3,903
Own share reserve	21	(778)	(945)
Other reserves	24	536	536
Foreign currency translation reserve	24	(194)	(81)
Retained earnings	24	19,453	18,478
Total equity attributable to owners of the Parent		26,866	25,304
Non-current liabilities			
Contract liabilities	19	66	1,329
Lease liabilities	15	1,004	788
Deferred tax liability	9	1,289	952
Provisions	19	146	144
Contingent consideration	19	349	—
		2,854	3,213
Current liabilities			
Trade and other payables	19	15,303	12,976
Lease liabilities	15	535	457
Income tax payable	19	378	419
Contingent consideration	19	909	—
		17,125	13,852
Total liabilities		19,979	17,065
Total equity and liabilities		46,845	42,369

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2021.

On behalf of the Board

Ian Manocha
Chief Executive
8 March 2021

Tom Mullan
Chief Financial Officer
8 March 2021

Consolidated statement of changes in equity

	Notes	Share capital £'000	Share premium account £'000	Own share reserve £'000	Other reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019		3,404	3,830	—	536	(78)	16,842	24,534
Attributable profit for the period		—	—	—	—	—	1,898	1,898
Other comprehensive expenses		—	—	—	—	(3)	—	(3)
Total comprehensive (expense)/income		—	—	—	—	(3)	1,898	1,895
Exercise of share options	21	9	73	—	—	—	—	82
Purchase of own shares	21	—	—	(995)	—	—	—	(995)
Sale of own shares held by								
Employee Share Ownership Trust	21	—	—	50	—	—	—	50
Share-based payments	22	—	—	—	—	—	77	77
Dividend paid		—	—	—	—	—	(339)	(339)
At 31 December 2019		3,413	3,903	(945)	536	(81)	18,478	25,304
Attributable profit for the period		—	—	—	—	—	1,261	1,261
Other comprehensive expense		—	—	—	—	(113)	—	(113)
Total comprehensive (expense)/income		—	—	—	—	(113)	1,261	1,148
Exercise of share options	21	95	438	—	—	—	—	533
Sale of own shares held by								
Employee Share Ownership Trust	21	—	—	167	—	—	—	167
Share-based payments	22	—	—	—	—	—	220	220
Dividend paid	11	—	—	—	—	—	(506)	(506)
At 31 December 2020		3,508	4,341	(778)	536	(194)	19,453	26,866



Consolidated statement of cash flow

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Cash flows from operating activities			
Profit after taxation		1,261	1,898
Depreciation of property, plant and equipment	12	245	266
Amortisation of intangible assets	13	2,810	2,364
Impairment of intangible assets	13	—	647
Amortisation of right-of-use assets	15	496	461
Share-based payments	22	220	77
Net gain on sale of discontinued operations		—	(1,985)
Share of post-tax profit from joint venture		—	(66)
Decrease/(increase) in trade and other receivables		1,060	(210)
Increase in contract assets		(312)	(33)
Increase in trade and other payables		1,111	639
(Increase)/decrease in contract liabilities		(1,263)	1,600
Taxation	9	(953)	546
Movement in provisions		—	59
Net finance costs	8	17	39
Cash inflow from operations		4,692	6,302
Income taxes received		1,307	1,356
Income taxes paid		(510)	(75)
Net cash inflow from operating activities		5,489	7,583
Cash flows from investing activities			
Interest received	8	37	37
Decrease in other financial assets – bank deposits/restricted cash		—	278
Purchase of property, plant and equipment	12	(87)	(178)
Proceeds from sale of property, plant and equipment		—	3
Payments to acquire subsidiary undertaking (net of cash)	23	(1,900)	—
Proceeds from sale of discontinued operations		—	1,675
Payments to acquire intangible fixed assets	13	(3,565)	(3,266)
Net cash used in investing activities		(5,515)	(1,451)
Cash flows from financing activities			
Interest paid	8	(16)	(17)
Principal paid on lease liabilities	15	(576)	(511)
Dividend paid	11	(506)	(339)
Purchase of own shares by Employee Share Ownership Trust	21	—	(995)
Sale of own shares held by Employee Share Ownership Trust	21	—	50
Share issue proceeds	21	533	82
Net cash used in financing activities		(565)	(1,730)
Net (decrease)/increase in cash and cash equivalents		(591)	4,402
Cash and cash equivalents at beginning of year		9,605	5,323
Exchange adjustments		(138)	(120)
Cash and cash equivalents at end of year	18	8,876	9,605

Notes to the financial statements

1. Authorisation of financial statements and statement of compliance with International Financial Reporting Standards

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 2020 were authorised for issue by the Board of Directors on 8 March 2021 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 adopted International Financial Reporting Standards ("IFRSs") as they apply to the financial statements of the Group for the year ended 31 December 2020.

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 accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

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

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

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.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 6 to 32. The financial position of the Group and the principal risks and uncertainties are also described in the Strategic Report.

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. In assessing the future financial performance of the Group, the Directors considered the current uncertain economic outlook with regards to COVID-19.

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 2020.

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.

Capitalised development costs

The Group invests in the development of new and enhanced features to its products. 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 as to the technical and commercial viability of each asset created. These judgements are applied consistently year to year with the Group evaluating whether there are future economic benefits beyond the current period, the stage at which technical feasibility has been achieved, management's intention to use or sell the product, the likelihood of success of completion, the availability of technical resources to complete the development and the ability to measure reliably the expenditure attributed to each product.

Estimates are made to the applicable useful economic life of each asset created. These estimates are continually reviewed and updated based on past experience and reviews of competitor products available in the market. The impact of reducing the useful economic life by one year would increase the amortisation charge for the year by £472,000; if the useful economic life was increased by one year the amortisation charge is reduced by £236,000.

The capitalised development cost is disclosed in note 13.



Notes to the financial statements continued

2. Accounting policies continued

Estimates and assumptions continued

Impairment reviews

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

The intangible asset impairment reviews are disclosed in note 14.

Sensitivity analysis has been performed on the key assumptions for discount rate, growth rate and revenue growth rates to determine when impairment would occur. These are disclosed in note 14.

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. 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. 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 and 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 the stand-alone sales price of each element of a typical software, support and maintenance is determined, unbundled and recognised 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.

Judgement is exercised in setting the stand-alone selling prices of each element of our bundled contracts. It was concluded that the annual stand-alone sales price of standard support and maintenance offerings will 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 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.

Valuation of intangible assets on business combinations

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.

See note 13 and note 23 for further details.

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 are disclosed in note 23 to the financial statements.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency by applying an approximation of the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement; in the instance where the differences on monetary assets and liabilities form part of the Group's net investment in foreign operations, they are moved to the statement of other comprehensive income on consolidation and held in a separate component of equity until the disposal of the net investment, at which time they are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into Sterling at the rate of exchange ruling at the statement of financial position date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken 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 income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions, on consolidation; all assets and liabilities of overseas subsidiaries which report in a different functional currency are retranslated using the closing rate.

2. Accounting policies continued

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. At the date of acquisition, goodwill is allocated to cash-generating units for the purpose of impairment testing. Goodwill is recognised as an asset and assessed for impairment annually. Any impairment is recognised immediately in the Group Statement of Comprehensive Income. Once recognised, an impairment of goodwill is not reversed.

Intangible assets

Acquired intangibles

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 income statement in the expense category consistent with the function of the intangible asset. The useful economic lives of separately acquired software is deemed to be ten years and the useful economic life of customer relations is between six and eight 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 13 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. The useful economic lives are assessed to be between four and fourteen years. The amortisation charge is recognised in the income statement.

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

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

Research and development costs

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

Capitalised product development expenditure is stated at cost less accumulated amortisation and impairment losses. Product development costs that have been capitalised are amortised from the time the product or related enhancement becomes available for use as part of a version release issued to customers on a straight-line basis over two to twelve 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 income statement in the period of derecognition.

Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Notes to the financial statements continued

2. Accounting policies continued

Leases continued

On initial recognition, the carrying value of the lease liability also includes: amounts expected to be payable under any residual value guarantee; the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for: lease payments made at or before commencement of the lease; initial direct costs incurred; and the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with the stand-alone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

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 income statement in those expense categories consistent with the function of the impaired asset.

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

The Group assesses at each reporting date whether there is an indication that contract assets may be impaired by applying the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision.

Provisions

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

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

Financial assets

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.

2. Accounting policies continued

Financial assets continued

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.

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

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 Consolidated Statement of Cash Flow – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the Consolidated Statement of Financial Position.

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.

Research and development tax credits are recognised on an accruals basis and recorded as a credit in the taxation line of the income statement.

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

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

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

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

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

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 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.

Notes to the financial statements continued

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 income statement 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

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

The following criteria must also be met before revenue is recognised:

Software licences

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

- persuasive evidence of an arrangement exists, such as a signed contract or purchase order;
- 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 ratably 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. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

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 be provided without another. The typical example of this is when the customer contracts our hosted cloud software offerings, 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.

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.

2. Accounting policies continued

Share-based payments continued

Equity-settled transactions continued

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the 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 income statement.

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

Employee Share Ownership Trust ("ESOT")

The Company is deemed to have control of its ESOT; therefore the trust is included within the consolidated financial statements. The ESOT investment in the Company's shares is deducted from equity in the Consolidated Statement of Financial Position. The shares are valued at the average purchase price.

3. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Note	2020 £'000	2019 £'000
Provision of software and services		24,752	24,961
Finance revenue	8	37	104
Revenue from continuing operations		24,789	25,065
Revenue from discontinued operations		—	64
Total revenue		24,789	25,129

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 data; and
- enable users to understand the relationship with the revenue segment information provided in note 4.

	Clareti Solutions £'000	Other Solutions £'000	Contracting Services £'000	Total £'000
2020				
Non-recurring software revenue (software licences)	—	—	—	—
Recurring software revenue (annually recurring software licences and support and maintenance)	11,428	3,674	—	15,102
Rendering of services	4,025	721	4,904	9,650
	15,453	4,395	4,904	24,752

Timing of revenue recognition

	£'000	£'000	£'000	£'000
Non-annually recurring – at a point in time	—	—	—	—
Annually recurring – at a point in time	2,891	—	—	2,891
Rateably recognised – over contract period	12,562	4,395	4,904	21,861
	15,453	4,395	4,904	24,752

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 non-recurring items of income or expense that have been shown separately due to the significance of their nature or amount.

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2020

A number of new standards, interpretations and amendments are effective for the year ended 31 December 2020, which have been listed below; these have had no impact on the Group's accounting policies and disclosures in these financial statements.

- IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to IFRS 3 "Business Combinations" (Definition of a Business)
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to IAS 1 and IAS 8 "Definition of Material"
- Amendments to References to the Conceptual Framework in IFRS Standards

New standards, interpretations and amendments not yet effective

Accounting standards, amendments to standards and interpretations issued by the IASB that are effective for the period beginning 1 January 2021 are not expected to have a significant impact on the Group's financial statements.

There are no new standards, and amendments to standards and interpretations which are effective for annual periods beginning after 1 January 2021 which have been adopted in these financial statements.

Notes to the financial statements continued

3. Revenue continued

2019	Clareti Solutions £'000	Other Solutions £'000	Contracting Services £'000	Total £'000
Non-recurring software revenue (software licences)	718	300	—	1,018
Recurring software revenue (annually recurring software licences and support and maintenance)	10,362	3,099	—	13,461
Rendering of services	4,409	679	5,394	10,482
	15,489	4,078	5,394	24,961
Timing of revenue recognition	£'000	£'000	£'000	£'000
Non-annually recurring – at a point in time	718	300	—	1,018
Annually recurring – at a point in time	2,386	—	—	2,386
Rateably recognised – over contract period	12,385	3,778	5,394	21,557
	15,489	4,078	5,394	24,961

Contract balances

	Contract assets 2020 £'000	Contract assets 2019 £'000	Contract liabilities 2020 £'000	Contract liabilities 2019 £'000
At 1 January	3,829	3,809	(10,156)	(8,556)
Amounts included in contract liabilities that were recognised as revenue during the period	—	—	9,983	8,070
Acquisition of Inforalgo	93	—	(655)	—
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	(491)	20	—	—
Cash received in advance of performance and not recognised as revenue during the period	—	—	(10,268)	(9,670)
As at December	3,431	3,829	(11,096)	(10,156)

Contract assets relate to services performed but do not have an unconditional right to payment and are disclosed within the statement of financial position.

Contract liabilities relate to subscription, support and maintenance contracts invoiced with performance obligations yet to be satisfied and arise when the Group enters into a contract which results in cumulative payments received from customers at each statement of financial position date which do not necessarily equal to the amount of revenue recognised on the contracts and relate to performance obligations yet to be satisfied. These are disclosed within trade and other payables.

Amounts due to be recognised in more than one year are £66,000 (2019: £1,329,000). Trade receivables included in the above as at 1 January 2019 were £3,231,000.

The Group applies the IFRS 9 simplified approach to measuring credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The Group has not provided for any impairment. See note 17 for further details.

4. Segment information

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

In addition, 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. Includes both software and services that can be accessed in the cloud, on-premise or deployed into hybrid environments. These primary offerings within this segment include:
 - Clareti Control products:
 - The only modern enterprise-grade business self-service platform for the reconciliation and control of “any and all” transaction data in financial markets.
 - Disrupting markets dominated by legacy vendors whose inflexible technology fails to achieve more granular and real-time data control, or replacing in-house systems and manual processes.
 - Sold as applications for specific use cases including Clareti Transaction Control, Clareti Cash Control, Clareti Securities Control and Clareti Regulatory Control.

4. Segment information continued

– Clareti Connect products:

- A unique service that enables customers to participate in the complex inter-connected global financial system without having to worry about integration risk, cost and time to market.
- Enables institutions to seamlessly connect their banking, payments, trading, accounting and regulatory systems and external partners with intelligent straight-through processing in a way that is reliable and cost effective.
- Sold primarily as a cloud service bringing together tools and software libraries built or acquired by Gresham into a rich menu of industry connectivity and data transformation services.

■ Other Solutions – supply of a range of well-established solutions to enterprise-level customers in a variety of end markets.

■ Contracting Services – supply of IT contracting services to one banking customer.

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.

			Other		Adjustments, central overheads and elimination	
	Notes	Clareti Solutions £'000	Solutions £'000	Contracting Services £'000	£'000	Consolidated £'000
2020						
Revenue	3	15,453	4,395	4,904	—	24,752
Cost of sales		(1,031)	(1,605)	(1,226)	—	(3,862)
Cost of sales capitalised as intangible asset		2	—	—	—	2
Gross profit		14,424	2,790	3,678	—	20,892
Gross profit %		93%	63%	75%		84%
Contracted administrative expenses		(96)	—	(3,046)	—	(3,142)
Gross profit after contracting fully costed		14,328	2,790	632	—	17,750
Gross profit %		93%	63%	13%		72%
Adjusted administrative expenses		(15,753)	(159)	—	—	(15,912)
Adjusted operating (loss)/profit		(1,425)	2,631	632	—	1,838
Adjusting items:						
Exceptional costs	4	—	—	—	(400)	(400)
Amortisation of acquired intangibles	13	—	—	—	(893)	(893)
Share-based payments	22	—	—	—	(220)	(220)
Adjusting administrative expenses		—	—	—	(1,513)	(1,513)
Operating (loss)/profit from continuing operations		(1,425)	2,631	632	(1,513)	325
Finance revenue	8					37
Finance costs	8					(54)
Profit before taxation from continuing operations						308
Taxation	9					953
Profit after taxation from continuing operations						1,261
Adjusted operating (loss)/profit		(1,425)	2,631	632	—	1,838
Amortisation of intangibles	13	1,917	—	—	—	1,917
Depreciation of property, plant and equipment	12	213	—	—	—	213
Amortisation of right-of-use assets	15	496	—	—	—	496
Bank charges	8	(13)	—	—	—	(13)
Adjusted EBITDA – continuing operations	4	1,188	—	—	—	4,451
Development costs capitalised	13	(3,561)	—	—	—	(3,561)
Principal paid on lease liabilities	15	(576)	—	—	—	(576)
Adjusted cash EBITDA		(2,949)	2,631	632	—	314
Segment assets						46,845
Segment liabilities						(19,979)

Notes to the financial statements continued

4. Segment information continued

2019	Notes	Clareti Solutions £'000	Other		Adjustments, central and eliminations £'000	Consolidated £'000
			Solutions £'000	Contracting Services £'000		
Revenue	3	15,489	4,078	5,394	—	24,961
Cost of sales		(1,089)	(1,185)	(1,669)	—	(3,943)
Cost of sales capitalised as intangible asset		10	—	—	—	10
Gross profit		14,410	2,893	3,725	—	21,028
Gross profit %		93%	71%	69%	—	84%
Contracted administrative expenses		—	—	(3,062)	—	(3,062)
Gross profit after contracting fully costed		14,410	2,893	663	—	17,966
Gross profit %		93%	71%	12%	—	72%
Adjusted administrative expenses		(16,097)	(143)	—	—	(16,240)
Adjusted operating (loss)/profit from continuing operations		(1,687)	2,750	663	—	1,726
Adjusting items:						
Exceptional costs	4	—	—	—	(10)	(10)
Impairment of development costs	13	—	—	—	(647)	(647)
Amortisation of acquired intangibles	13	—	—	—	(794)	(794)
Share-based payments	22	—	—	—	(77)	(77)
Adjusting administrative expenses		—	—	—	(1,528)	(1,528)
Operating (loss)/profit from continuing operations		(1,687)	2,750	663	(1,528)	198
Share of post-tax profit from joint venture						66
Finance revenue	8					104
Finance costs	8					(65)
Profit before taxation from continuing operations						303
Taxation	9					(443)
Loss after taxation from continuing operations						(140)
Net gain on sale of discontinued operations						1,985
Profit after taxation from discontinuing operations						53
Profit after taxation						1,898
Adjusted operating (loss)/profit		(1,687)	2,750	663	—	1,726
Amortisation of intangibles	13	1,570	—	—	—	1,570
Depreciation of property, plant and equipment	12	266	—	—	—	266
Amortisation of right-of-use assets	15	461	—	—	—	461
Share of post-tax profit from joint venture		—	—	—	66	66
Bank charges	8	(13)	—	—	—	(13)
Adjusted EBITDA – continuing operations	4	597	2,750	663	66	4,076
Development costs capitalised	13	(3,259)	—	—	—	(3,259)
Principal paid on lease liabilities	15	(511)	—	—	—	(511)
Adjusted cash EBITDA		(3,173)	2,750	663	66	306
Segment assets						42,369
Segment liabilities						(17,065)

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 £11,388,000 (2019: £10,892,000) which includes low-margin contracting revenue of £5,115,000 (2019: £5,394,000) which falls predominantly within the Contracting Services segment.

4. Segment information continued

Adjusting administrative items

Operating performance is analysed excluding exceptional items, share-based payment charges, amortisation from acquired intangibles and impairments of development costs which is consistent in with the way in which the Board reviews the financial results of the Group. This is also consistent with the manner in which similar small-cap LSE (or AIM) listed companies present their results and how we understand the investment community to assess performance, with this particularly being the case for growth shares in which the recurring cash performance is considered important.

The adjusting administrative items are:

	2020 £'000	2019 £'000
Acquisition and associated integration costs	423	—
Advisory fees for new share option scheme	33	—
Negative goodwill arising on acquisition of remaining shares in joint venture	—	(21)
Advisory fees for establishment of joint venture and all-staff incentive scheme	—	31
Exceptional income	(56)	—
Exceptional items	400	10
Impairment of development costs	—	647
Amortisation on acquired intangibles	893	794
Share-based payments	220	77
Total adjusting administrative items	1,513	1,528

During the year the Group incurred £423,000 (2019: £nil) exceptional costs relating to legal, due diligence and professional fees for acquisitions and associated integration costs.

Exceptional legal and tax advisory costs were incurred in the year of £33,000 (2019: £nil) associated with implementing a new ten-year share option incentive scheme. These costs are not expected to occur for a further ten years.

£56,000 was received during the year following an initiative by the Australian Government to support businesses during the COVID-19 pandemic. This income has been treated as exceptional as it is non-recurring.

The negative goodwill incurred in the prior year was due to the acquisition of the remaining 50% of the share capital in GMS Loan Technologies Limited. As the purchase price was lower than the net assets acquired the negative goodwill created is disclosed within exceptional items as a non-recurring item.

Development costs of £nil (2019: £647,000) were impaired during the year relating to the termination of a joint venture arrangement; these costs are considered to be significant and non-recurring.

Due to the amount and nature of amortisation of acquired intangibles and share-based payments both costs were treated as an adjusting administrative item.

Adjusted EBITDA – continuing operations

Adjusted EBITDA – continuing operations is disclosed within the financial statements to show the underlying performance of the Group on a consistent basis and to aid understanding of the financial performance during the year.

	Notes	2020 £'000	2019 £'000
Profit before taxation		308	303
Adjusting items:			
Amortisation of intangibles	13	2,810	2,364
Impairment of development costs	13	—	647
Depreciation of property, plant and equipment	12	213	266
Amortisation of right-of-use assets	15	496	461
Notional interest on lease liabilities	8	38	48
Finance revenue	8	(37)	(104)
Interest payable	8	3	4
EBITDA		3,831	3,989
Exceptional items	4	400	10
Share-based payments	22	220	77
Adjusted EBITDA – continuing operations		4,451	4,076

Adjusted EBITDA is not an IFRS measure or not considered to be a substitute for or superior to any IFRS measures. It is not directly comparable to other companies.

Notes to the financial statements continued

4. Segment information continued

Geographic information

	2020 £'000	2019 £'000
Revenues from external customers (by destination)		
UK	6,719	6,485
EMEA	2,593	3,698
United States	3,038	2,005
Americas	494	207
Australia	11,413	11,117
Asia Pacific	495	1,449
	24,752	24,961

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.

	2020 £'000	2019 £'000
Non-current assets		
UK	32,269	26,366
EMEA	588	632
North America	9	17
Asia Pacific	683	728
	33,549	27,743

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

5. Group operating profit

The Group operating profit is stated after charging:

	Notes	2020 £'000	2019 £'000
Research and development costs written off		1,049	1,127
Impairment of development costs	13	—	647
Amortisation of deferred development costs recognised in administration expenses	13	1,863	1,502
Total research and development costs		2,912	3,276
Depreciation of property, plant and equipment	12	245	266
Amortisation of right-of-use assets	15	496	461
Amortisation of intangible assets (excluding development costs)	13	947	862
Total depreciation, impairment and amortisation expense		1,688	1,589
Employee benefit expenses	7	16,641	15,929
Net foreign currency differences (gains)/losses		(7)	99

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.

	2020 £'000	2019 £'000
Audit fees		
Audit of the Group financial statements and associated company	27	24
Other fees to the auditor		
– Auditing the accounts of subsidiaries	84	73
– Audit of acquisition	10	—
	121	97
Non-audit fees		
Subsidiary company fees	—	19
	—	19

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

	Income statement £'000	Capitalised development costs £'000	Total excluding contracting £'000	Contracting costs expensed £'000	Discontinued operations £'000	Total £'000
31 December 2020						
Wages and salaries	9,129	2,836	11,965	2,703	—	14,668
Social security costs	724	299	1,023	182	—	1,205
Other pension costs	434	77	511	257	—	768
	10,287	3,212	13,499	3,142	—	16,641
31 December 2019						
Wages and salaries	9,189	2,360	11,549	2,422	6	13,977
Social security costs	741	232	973	166	1	1,140
Other pension costs	501	81	582	230	—	812
	10,431	2,673	13,104	2,818	7	15,929

Included in wages and salaries is a total expense of share-based payments of £220,000 (2019: £77,000) 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:

	2020	2019
Management	11	9
Sales and administration	32	27
Technical	107	103
Total	150	139
Contracting services	20	13

Directors' emoluments

	2020 £'000	2019 £'000
Remuneration	618	581
Social security costs	100	87
Bonuses	180	99
Pension	22	41
Share-based payments	68	38
	988	846
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

	2020 £'000	2019 £'000
Finance revenue		
Bank interest receivable	37	37
Release of contingent consideration	—	67
Total finance revenue	37	104
Finance costs		
Notional interest on lease liabilities	38	48
Other interest payable	3	4
Other bank charges	13	13
Total finance costs	54	65

Notes to the financial statements continued

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 no tax charge in respect of discontinuing operations for the year ended 31 December 2020 (2019: £nil).

Tax on profit on ordinary activities

Tax charge in the income statement

	2020 £'000	2019 £'000
Current income tax		
Overseas tax charge – adjustment to previous years	(124)	186
Overseas tax charge – current year	599	279
UK corporation tax credit – adjustment to previous years	(1,307)	(568)
Total current income tax	(832)	(103)
Deferred income tax		
Movement in net deferred tax asset	(202)	546
Tax rate change adjustments	81	—
Total deferred income tax	(121)	546
Total (credit)/charge in the income statement	(953)	443

Reconciliation of the total tax charge

The tax charge in the income statement for the year is lower (2019: lower) than the standard rate of corporation tax in the UK of 19.0% (2019: 19.0%). The differences are reconciled below:

	2020 £'000	2019 £'000
Profit before taxation	308	2,341
Profit before taxation multiplied by the UK standard rate of corporation tax of 19.0% (2019: 19.0%)	59	445
Expenses not deductible for tax purposes	137	101
Differences in tax rates	168	160
Overseas tax (credit)/charge – adjustment to previous years	(124)	121
Research and development credit – previous year	(1,307)	(568)
Research and development enhanced relief	(1,424)	(1,262)
Movement in unrecognised losses carried forward	1,359	1,339
Movement in unrecognised temporary differences	211	227
Movement in unrecognised fixed asset temporary differences	(16)	242
Temporary difference on share-based payments	73	(231)
Temporary movement on acquired intangibles	(170)	(131)
Tax rate change adjustments	81	—
Total tax (credit)/charge reported in the income statement	(953)	443

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 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 £21,000 (2019: £1,000).

Temporary differences associated with Group investments

At 31 December 2020, there was no recognised deferred tax liability (2019: £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.



9. Taxation continued

Deferred tax

Deferred tax assets/(liabilities)

	Asset £'000	Liability £'000	Net £'000
2020			
1 January	489	(952)	(463)
Movement in the period:			
– Tax losses	411	—	154
– Employee share award schemes	(219)	—	(262)
– Qualifying research and development expenditure	(513)	—	(211)
– Fixed asset timing differences	353	—	351
– Acquired intangibles	—	170	170
Acquisition of intangibles in subsidiaries	—	(395)	(395)
Impact of change in tax rate	31	(112)	(81)
31 December	552	(1,289)	(737)

	Asset £'000	Liability £'000	Net £'000
2019			
1 January	1,166	(1,083)	83
Movement in the period:			
– Tax losses	(886)	—	(886)
– Employee share award schemes	228	—	228
– Qualifying research and development expenditure	(157)	—	(157)
– Fixed asset timing differences	138	—	138
– Acquired intangibles	—	131	131
31 December	489	(952)	(463)

	2020 £'000	2019 £'000
Comprising:		
Tax losses	2,784	2,353
Employee share award schemes	145	364
Qualifying research and development expenditure	(3,079)	(2,566)
Acquired intangibles	(1,289)	(952)
Fixed asset timing differences	702	338
31 December	(737)	(463)

A deferred tax asset of £1,326,000 (2019: £546,000) has been recognised in the year in respect of tax losses and capital allowances in excess of depreciation and other temporary differences.

Unrecognised potential deferred tax assets

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

	2020 £'000	2019 £'000
Temporary differences	—	5
Tax losses	1,458	603
Unrecognised deferred tax asset	1,458	608
Gross temporary differences unrecognised	—	31
Gross tax losses unrecognised	6,459	2,811
Gross temporary timing differences unrecognised	6,459	2,842

Future tax rates

The expected reduction in the main UK corporation tax rate to 17% from 1 April 2020 enacted by the Finance Act 2016 was reversed in the Finance Act 2020. Therefore, the UK statutory tax rate remains at 19% and the rate used to calculate deferred tax balances at 31 December 2020 has increased from 17% to 19%.

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

	2020 %	2019 %
UK	19	17/19
Luxembourg	25	25
Australia	30	30
US	27	27

Notes to the financial statements continued

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:

	2020	2019
Basic weighted average number of shares	68,697,828	68,168,602
Employee share options – weighted (note 22)	1,414,549	1,499,805
Diluted weighted average number of shares	70,112,377	69,668,407

	Notes	2020 £'000	2019 £'000
Including discontinued operations			
Adjusted earnings attributable to owners of the Parent – including discontinued operations		2,774	1,441
Adjusting items:			
Exceptional items	4	(400)	(10)
Amortisation of acquired intangibles	13	(893)	(794)
Impairment of development costs	13	—	(647)
Net gain on sale of discontinued operations		—	1,985
Share-based payments	22	(220)	(77)
Statutory earnings attributable to owners of the Parent		1,261	1,898

Earnings per share – including discontinued operations

	Pence	Pence
Statutory		
Basic earnings per share	1.84	2.78
Diluted earnings per share	1.80	2.72
Adjusted		
Basic earnings per share	4.04	2.11
Diluted earnings per share	3.96	2.07

	Notes	2020 £'000	2019 £'000
Continuing operations			
Adjusted earnings attributable to owners of the Parent		2,774	1,388
Adjusting items:			
Exceptional items	4	(400)	(10)
Amortisation of acquired intangibles	13	(893)	(794)
Impairment of development costs	13	—	(647)
Share-based payments	22	(220)	(77)
Statutory earnings attributable to owners of the Parent		1,261	(140)

Earnings per share – continuing operations

	Pence	Pence
Statutory		
Basic earnings per share	1.84	(0.21)
Diluted earnings per share	1.80	(0.21)
Adjusted		
Basic earnings per share	4.04	2.04
Diluted earnings per share	3.96	1.99

During the year ended 31 December 2020, share options granted under the 2010 Share Option Plans were exercised and the Group issued 1,900,000 (2019: 167,024) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 21 for further details.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of this Annual Financial Report 2020.

11. Dividends paid and proposed

The final dividend for the year ended 31 December 2019 was approved at the Company Annual General Meeting on 10 May 2020 and paid on 21 May 2020 of 0.75 pence per share, equating to a total of £506,000. The Company will be proposing a final dividend for approval at the AGM for the year ended 31 December 2020 of 0.75 pence per share.

12. Property, plant and equipment

	Fixtures and fittings £'000	Property, plant and equipment £'000	Total £'000
2020			
Cost			
At 1 January	733	1,076	1,809
Additions	5	82	87
Additions acquired as part of a business combination	7	7	14
Disposals	—	(156)	(156)
Exchange adjustment	11	—	11
At 31 December	756	1,009	1,765
Depreciation and impairment			
At 1 January	(609)	(813)	(1,422)
Charge for year	(71)	(174)	(245)
Disposals	—	156	156
Exchange adjustment	(11)	—	(11)
At 31 December	(691)	(831)	(1,522)
Net carrying amount			
At 31 December	65	178	243
At 1 January	124	263	387
2019			
Cost			
At 1 January	752	1,243	1,995
Additions	21	157	178
Disposals	(31)	(311)	(342)
Exchange adjustment	(9)	(13)	(22)
At 31 December	733	1,076	1,809
Depreciation and impairment			
At 1 January	(580)	(935)	(1,515)
Charge for year	(69)	(197)	(266)
Disposals	31	308	339
Exchange adjustment	9	11	20
At 31 December	(609)	(813)	(1,422)
Net carrying amount			
At 31 December	124	263	387
At 1 January	172	308	480



Notes to the financial statements continued

13. Intangible assets

	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition		Goodwill £'000	Total £'000
			Software £'000	Customer relationships £'000		
2020						
Cost						
At 1 January	23,345	872	6,275	1,218	2,943	34,653
Additions	3,561	4	886	1,192	2,656	8,299
Disposals	—	(44)	—	—	—	(44)
Exchange adjustment	90	—	—	—	26	116
At 31 December	26,996	832	7,161	2,410	5,625	43,024
Amortisation and impairment						
At 1 January	(6,182)	(729)	(1,477)	(440)	(250)	(9,078)
Charge for year	(1,863)	(54)	(664)	(229)	—	(2,810)
Eliminated on disposal	—	44	—	—	—	44
Exchange adjustment	(72)	—	—	—	—	(72)
At 31 December	(8,117)	(739)	(2,141)	(669)	(250)	(11,916)
Net carrying amount						
At 31 December	18,879	93	5,020	1,741	5,375	31,108
At 1 January	17,163	143	4,798	778	2,693	25,575

	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition		Goodwill £'000	Total £'000
			Software £'000	Customer relationships £'000		
2019						
Cost						
At 1 January	20,086	881	6,275	1,218	2,962	31,422
Additions	3,259	7	—	—	—	3,266
Disposals	—	(15)	—	—	—	(15)
Exchange adjustment	—	(1)	—	—	(19)	(20)
At 31 December	23,345	872	6,275	1,218	2,943	34,653
Amortisation and impairment						
At 1 January	(4,033)	(676)	(850)	(273)	(250)	(6,082)
Charge for year	(1,502)	(68)	(627)	(167)	—	(2,364)
Impairment	(647)	—	—	—	—	(647)
Eliminated on disposal	—	15	—	—	—	15
At 31 December	(6,182)	(729)	(1,477)	(440)	(250)	(9,078)
Net carrying amount						
At 31 December	17,163	143	4,798	778	2,693	25,575
At 1 January	16,053	205	5,425	945	2,712	25,340

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 two to twelve years. These assets are tested for impairment where an indicator of impairment arises and annually prior to them being made available for use.

For the years ended 31 December 2020 and 31 December 2019 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 two and twelve 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 twelve years.

Patents and licences

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

13. Intangible assets continued

Separately identified acquired intangibles

Separately identified intangibles acquired through business combinations represent software and customer relationships which arose through the acquisitions of C24 Technologies Limited in October 2016, B2 Group in July 2018 and Inforalgo in July 2020.

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 the Inforalgo and C24 Technologies Limited acquisitions and six years for B2 Group.

Goodwill

Goodwill arose on the acquisition of our Asia Pacific real-time financial solutions business, C24 Technologies Limited, B2 Group and Inforalgo. 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

	2020 £'000	2019 £'000
Clareti Solutions CGU	5,375	2,693

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:

	2020 £'000	2019 £'000
Clareti Solutions CGU	18,879	17,163

Clareti Solutions cash-generating unit

The recoverable amount of this CGU has been determined based on a value-in-use calculation. The cash flow projections are based on the 2021 financial budget, as approved by the Board, which are extrapolated for five years and extended beyond five years using a long-term growth rate. The Board considers this approach appropriate given the long-term opportunities that exist in the Asia Pacific, EMEA and North American regions. The impact of COVID-19 on financial budgets and projections has been considered by the Board with any appropriate adjustments reflected.

The discount rate applied to cash flow projections is 15% (2019: 15%) and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2019: 2%) that is a prudent approximation to the long-term average growth rate for the region in which the CGU operates. The recoverable amount of the Clareti Solutions CGU supports the value of goodwill on the statement of financial position.

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 2021 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.

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.

Pre-tax discount rate	Increase from 15% to 22%
Growth rate beyond year 5	Reduction from 2% to -5%
Revenue growth	Reduction from 19% average over five years to 9% average

We are confident the assumptions in respect of 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.

Notes to the financial statements continued

15. Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets or leases with a duration of twelve months or less. The expense relating to short-term leases of twelve months or less was £nil (2019: £236,000). The Group held no low value asset leases.

Right-of-use assets are initially measured at the amount of lease liability reduced for any lease incentives received and increased for initial direct costs incurred and any provision contractually required. Right-of-use assets are amortised on a straight-line basis over the period of the lease.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term with the discount rate determined by reference to the interest rate inherent in the lease and where that is not readily determinable the incremental borrowing rate, 3.1%. Subsequent to the initial measurement lease liabilities are increased as a result of interest charged and reduced for lease payments made.

The Group leases a number of office buildings where payments are fixed until the contracts expire. The Group also leases motor vehicles where payments can be increased if actual mileage is higher than the contracted rates.

Right-of-use assets

	Land and buildings £'000	Motor vehicles £'000	Total £'000
2020			
Cost			
At 1 January	2,283	146	2,429
Additions	659	5	664
Acquisition	193	—	193
Disposals	—	(60)	(60)
Exchange adjustment	48	8	56
At 31 December	3,183	99	3,282
Amortisation			
At 1 January	(1,075)	(62)	(1,137)
Charge for year	(466)	(30)	(496)
Disposals	—	30	30
Exchange adjustment	(29)	(4)	(33)
At 31 December	(1,570)	(66)	(1,636)
Net carrying amount			
At 31 December	1,613	33	1,646
At 1 January	1,208	84	1,292
	Land and buildings £'000	Motor vehicles £'000	Total £'000
2019			
Cost			
At 1 January	2,324	155	2,479
Exchange adjustment	(41)	(9)	(50)
At 31 December	2,283	146	2,429
Amortisation			
At 1 January	(666)	(34)	(700)
Charge for year	(427)	(34)	(461)
Exchange adjustment	18	6	24
At 31 December	(1,075)	(62)	(1,137)
Net carrying amount			
At 31 December	1,208	84	1,292
At 1 January	1,658	121	1,779

15. Leases continued

Lease liabilities

	Land and buildings £'000	Motor vehicles £'000	Total £'000
At 1 January 2019	1,615	123	1,738
Cash items:			
Lease payments	(474)	(37)	(511)
Non-cash items:			
Interest expense	44	3	47
Foreign exchange movements	(24)	(5)	(29)
At 31 December 2019	1,161	84	1,245
At 1 January 2020	1,161	84	1,245
Cash items:			
Lease payments	(516)	(60)	(576)
Non-cash items:			
Additions	623	—	623
Acquisitions	193	—	193
Interest expense	36	2	38
Foreign exchange movements	13	3	16
At 31 December 2020	1,510	29	1,539
		2020	2019
		£'000	£'000
Due between 0 and 3 months		133	123
Due between 3 and 12 months		402	334
Due less than one year		535	457
Due more than one year		1,004	788
Lease liabilities		1,539	1,245

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	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Solutions) Limited	Aldermay House, London, England	Ordinary	100%	Software solutions
C24 Technologies Limited ⁽⁴⁾	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Australia) Pty Limited ⁽³⁾	Level 6, 1 Pacific Highway, North Sydney, Australia	Ordinary	100%	Software solutions
Gresham Technologies (TDI) Limited ⁽¹⁾	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Malaysia) SDN BHD ⁽¹⁾	Level 7, Menara Milenium, Jalan Damanlela, Malaysia	Ordinary	100%	Software solutions
Gresham Technologies (Singapore) Pte. Limited	138 Cecil Street, Cecil Court, Singapore	Ordinary	100%	Software solutions
Gresham Technologies (US) Inc ^{(1) (3)}	100 Church Street, New York, USA	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc ⁽³⁾	100 Church Street, New York, USA	Ordinary	100%	Software solutions
Gresham Technologies (Holdings) SARL	6E route de Treves, L-2633, Luxembourg	Ordinary	100%	Holding company
Gresham Technologies (Luxembourg) S.A. ⁽¹⁾	6E route de Treves, L-2633, Luxembourg	Ordinary	100%	Software solutions
GMS Loan Technologies Limited	Aldermay House, London, England	Ordinary	100%	Software solutions
Inforalgo Information Technology Limited	Aldermay House, London, England	Ordinary	100%	Software solutions
Gresham Consultancy Services Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Tech Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Gresham Telecomputing Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Circa Business Systems Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant
Cheerkeep Limited ⁽²⁾	Aldermay House, London, England	Ordinary	100%	Dormant

(1) Held by a subsidiary undertaking.

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

(3) Subsidiary has no requirement for a local statutory audit.

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

Notes to the financial statements continued

17. Current assets

	2020 £'000	2019 £'000
Trade receivables	2,508	3,344
Prepayments	796	856
Other receivables	193	167
Trade and other receivables	3,497	4,367
Accrued income	447	166
Prepaid commission	476	445
Contract assets	923	611
Income tax receivable	—	43

Trade receivables are denominated in the following currencies:

	2020 £'000	2019 £'000
Sterling	473	1,165
Euro	287	347
US Dollar	1,036	345
Singapore Dollar	85	106
Canadian Dollar	—	41
South African Rand	—	26
Australian Dollar	393	1,310
Malaysian Ringgit	234	4
Total trade receivables	2,508	3,344

Trade receivables are non-interest bearing and are generally on 30 to 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:

	Total £'000	Due not impaired £'000	Past due but not impaired				
			<30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	>120 days £'000
2020	2,508	1,462	601	—	445	—	—
2019	3,344	1,479	1,430	167	40	3	225

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 historical experience of bad debts and relatively good ageing profiles.

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 ageing. 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 has not provided for any impairment.

18. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	8,876	9,605

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.

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.

19. Trade, other payables, provisions and financial liabilities

Trade and other payables

Trade payables, other payables and contract liabilities are non-interest bearing.

Current

	2020 £'000	2019 £'000
Trade payables	934	1,591
Other payables	3,339	2,558
Contract liabilities	11,030	8,827
	15,303	12,976

	2020 £'000	2019 £'000
Income tax payable	378	419

Non-current

	2020 £'000	2019 £'000
Contract liabilities	66	1,329

Provisions

	Property provisions	
	2020 £'000	2019 £'000
At 1 January		
– Current	—	26
– Non-current	144	59
	144	85
Amounts provided during the year	—	59
Amounts utilised in the year	2	—
At 31 December		
– Current	—	—
– Non-current	146	144
	146	144

The provisions relate to the Group's property portfolio and the resulting lease liabilities, comprising end-of-lease dilapidation costs and empty property costs.

Contingent consideration

	2020 £'000	2019 £'000
At 1 January		
– Current	—	—
– Non-current	—	67
	—	67
Contingent consideration released during the year	—	(67)
Arising on the acquisition of Inforalgo	1,258	—
At 31 December		
– Current	909	—
– Non-current	349	—
	1,258	—

Notes to the financial statements continued

20. Financial instruments

The Group is exposed through its operations to credit risk, interest rate risk, capital risk, liquidity risk and currency risk.

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements. There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

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):

	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
2020			
Financial assets			
Trade receivables	—	2,508	2,508
Contract assets	—	923	923
Cash and cash equivalents	—	8,876	8,876
	—	12,307	12,307
Financial liabilities			
Trade payables	—	934	934
Other payables	—	3,339	3,308
	—	4,273	4,242
2019			
Financial assets			
Trade receivables	—	3,344	3,344
Contract assets	—	1,033	1,033
Cash and cash equivalents	—	9,605	9,605
	—	13,982	13,982
Financial liabilities			
Trade payables	—	1,591	1,591
Other payables	—	2,558	2,558
	—	4,149	4,149

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 ageing. 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 2020 and 31 December 2019 the Group held no foreign exchange 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.

20. Financial instruments continued

Credit management continued

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.

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.

Liquidity risk

The Group's liquidity risk falls within the following main 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.
- Other payables – the Group's liquidity depends on the ability to fund future operating activities; the Group believes that there is sufficient cash reserves to cover any short and long-term requirements.
- Currency risk – this risk is discussed below.

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

	Between 0 and 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
2020				
Trade payables	934	—	—	—
Other payables	2,715	—	—	—
Lease liabilities	133	402	506	498
	3,782	402	506	498
	Between 0 and 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
2019				
Trade payables	1,591	—	—	—
Other payables	1,447	—	—	—
Lease liabilities	114	343	410	378
	3,182	343	410	378

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

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.

Liquidity risk is not considered as a significant risk to the Group.

Notes to the financial statements continued

20. Financial instruments continued

Currency risk

The Group has exposures to the following currencies: US Dollar, Australian Dollar, Euro, Malaysian Ringgit, Singapore Dollar, Canadian Dollar and South African Rand.

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 2020, the Group had no foreign currency forward contracts (2019: none).

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.

An analysis of trade receivables by currency is included in note 17.

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 2020 and 2019 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.

2020	Net foreign currency financial assets £'000	Increase/decrease in exchange rates	Effect on profit before tax £'000
Euro	397	+20% -20%	(66) 99
Australian Dollar	4,168	+20% -20%	(695) 1,042
US Dollar	3,716	+20% -20%	(619) 929
Canadian Dollar	13	+20% -20%	(2) 3
Malaysian Ringgit	310	+20% -20%	(52) 77
Singapore Dollar	112	+20% -20%	(19) 28
South African Rand	26	+20% -20%	(4) 7

2019	Net foreign currency financial assets £'000	Increase/decrease in exchange rates	Effect on profit before tax £'000
Euro	616	+20% -20%	(103) 154
Australian Dollar	4,646	+20% -20%	(774) 1,162
US Dollar	1,618	+20% -20%	(270) 404
Canadian Dollar	50	+20% -20%	(8) 13
Malaysian Ringgit	223	+20% -20%	(37) 56
Singapore Dollar	112	+20% -20%	(19) 28
South African Rand	26	+20% -20%	(4) 6

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

21. Issued share capital

Ordinary shares allotted, called up and fully paid

	Number	Nominal value £'000
At 1 January 2019	68,089,437	3,404
Exercise of share options (note 22)	167,021	9
At 31 December 2019	68,256,458	3,413
Exercise of share options (note 22)	1,900,000	95
At 31 December 2020	70,156,458	3,508

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

During the year ended 31 December 2020, share options granted under the 2010 Share Option Plans were exercised at a price of 28.05 pence and the Group issued 1,900,000 (2019: 167,021) ordinary shares accordingly (ranking pari passu with existing shares in issue). Share premium of £438,000 was recognised as a result.

At 31 December 2020 and 2019 there were outstanding options granted to acquire ordinary shares in the Company. See note 22 for further details.

There are no preference shares in issue (2019: none).

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

Shares held by Employee Share Ownership Trust ("ESOT")

	£'000	Number
At 1 January 2019	—	—
Purchase of own shares	995	1,029,202
Issue of shares	(50)	(52,606)
At 31 December 2019	945	976,596
Issue of shares	(167)	(144,996)
At 31 December 2020	778	831,600

The shares held by the ESOT are expected to be issued under share option contracts. The shares are held at the average purchase price.

22. Share-based payments

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

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

Share Option Schemes 2010

The Share Option Schemes 2010 were approved by shareholders on 30 December 2010, with amendments subsequently approved by shareholders on May 2012 and February 2015. The schemes consist of:

- the Gresham Technologies plc Enterprise Management ("EMI") 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.

Notes to the financial statements continued

22. Share-based payments continued

Share Option Schemes 2010 continued

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 their options for options over shares in the acquiring company.

At 31 December 2020, 19 participants held awards under this scheme (2019: 22).

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2020, including those noted in the Directors' Remuneration Report, are as follows:

	2020 Number	WAEP (pence)	2019 Number	WAEP (pence)
Share Option Schemes 2010				
Outstanding at 1 January	4,498,000	81	4,740,021	86
Granted during the year	75,000	152	175,000	108
Forfeited during the year	(85,000)	61	(250,000)	(206)
Exercised during the year	(1,900,000)	28	(167,021)	(49)
Outstanding at 31 December	2,588,000	123	4,498,000	81
Exercisable at 31 December	2,138,000	114	3,938,000	68
Weighted average remaining contractual life (years)	4.90		3.68	

During the year 1,900,000 options were exercised during the period when the Company share price was between 109 pence and 130 pence.

No price is payable on award of share options.

Outstanding options and awards to subscribe for ordinary shares of 5 pence at 31 December 2020, 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						
	38,000	05-Aug-11	0.5803	05-Aug-14	05-Aug-21	22,051
	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	1,658,550
	50,000	21-Jun-16	1.0945	21-Jun-19	21-Jun-26	54,725
	140,000	20-Mar-17	1.7352	20-Mar-20	20-Mar-27	242,928
	45,000	28-Nov-17	2.1505	28-Nov-20	28-Nov-27	96,773
	200,000	14-Mar-18	2.2715	14-Mar-21	14-Mar-28	454,300
	100,000	28-Mar-19	0.9720	28-Mar-22	28-Mar-29	97,200
	75,000	25-Oct-19	1.2210	25-Oct-22	25-Oct-29	91,575
	75,000	24-Dec-20	1.5180	24-Dec-23	24-Dec-30	113,850
	2,588,000					3,188,937

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2019, 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						
	1,900,000	31-Dec-10	0.2805	31-Dec-13	31-Dec-20	532,950
	38,000	05-Aug-11	0.5803	05-Aug-14	05-Aug-21	22,051
	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	1,658,550
	50,000	21-Jun-16	1.0945	21-Jun-19	21-Jun-26	54,725
	140,000	20-Mar-17	1.7352	20-Mar-20	20-Mar-27	242,928
	45,000	28-Nov-17	2.1505	28-Nov-20	28-Nov-27	96,773
	200,000	14-Mar-18	2.2715	14-Mar-21	14-Mar-28	454,300
	100,000	28-Mar-19	0.9720	28-Mar-22	28-Mar-29	97,200
	75,000	25-Oct-19	1.2210	25-Oct-22	25-Oct-29	91,575
	4,498,000					3,659,930

22. Share-based payments continued

Share Option Schemes 2010 continued

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

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

Vesting date	24-Mar-23
Expiry date (number of years after grant)	10
Exercise price	£1.518
Share price at valuation	£1.38
Vested options' expected life	5.8 years
Volatility	30%
Dividend yield	0%
Risk free rate	1.0%
Impact of continued employment conditions	0%

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.

Deferred Share Bonus Plan 2017

The Deferred Share Bonus Plan operates in conjunction with the annual cash bonus scheme; 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. On 20 March 2020 150,288 share options were granted at nil cost with two-year and three-year vesting periods; the options expire March 2030.

Share Option Scheme 2020

A new long-term incentive performance share plan was approved by shareholders in December 2020. The plan enables the remuneration committee to grant share options to key employees following the expiry of the Share Option Plan 2010 on 29 December 2020. Any conditional share award will be granted on an ad hoc discretionary basis at nil cost to the participant. The share award will vest on the later of a three-year vesting period and the achievement of objective performance targets which will be specified by the remuneration committee. No share options have been awarded in the year to 31 December 2020 under this share option scheme.

Share-based payments

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

	2020 £'000	2019 £'000
Expense recognised in respect of share-based payments	220	77

Notes to the financial statements continued

23. Business combinations during the period

On 28 July 2020 Gresham Technologies plc acquired the entire ordinary share capital in Inforalgo Information Technology Limited, a specialist in connectivity and intelligent automation solutions for financial services institutions enabling straight-through processing and real-time regulatory reporting.

The initial consideration was £2.3m with contingent consideration dependent upon performance of up to £1.3m payable over an 18-month period post acquisition; therefore the maximum potential consideration is £3.6m.

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

	Book value £'000	Adjustments £'000	Fair value £'000
Intangible assets			
Customer relationships	—	1,192	1,192
Software	—	886	886
Property, plant and equipment	14	—	14
Right-of-use assets	193	—	193
Trade and other receivables	189	—	189
Cash and cash equivalents	142	—	142
Trade and other liabilities	(1,384)	—	(1,384)
Lease liabilities	(193)	—	(193)
Deferred tax liability	—	(395)	(395)
Total net (liabilities)/assets	(1,039)	1,683	644
Satisfied as follows:			
Cash			2,042
Contingent consideration			1,258
Total consideration			3,300
Goodwill (note 13)			2,656
Analysis of cash flows on acquisition:			
Net cash acquired			(142)
Cash paid			2,042
Net cash flow			1,900
Fair value of consideration paid:			
Cash			2,042
Contingent consideration due less than one year			909
Contingent consideration due more than one year			349
Total consideration			3,300

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

Intangible assets were identified on acquisition relating to customer contracts and relationships and software. To determine the fair value of the intangible assets a valuation was performed by an independent external expert.

The customer-related assets were valued using an excess earnings method to assess the present value of expected cash received over the life of customer relationships adjusted by an annual attrition rate calculated based on historical revenue data. The software assets relating to internally developed technology were valued using a replacement cost methodology to estimate the total cost of redeveloping the software.

Acquisition costs of £131,000 were incurred during the year ended 31 December 2020 as a result of the acquisition and integration of Inforalgo. These costs have been recognised within as costs within the income statement.

From the date of acquisition, Inforalgo has contributed revenue of £565,000 to the Group and operating profit of £80,000. If the acquisition had occurred on 1 January 2020, Group revenue would have been £25,549,000 and Group operating profit £479,000.

Contingent consideration

As part of the sale and purchase agreement, contingent consideration is payable up to £1,293,000 with the maximum amount payable if the annual recurring revenues are £1,230,000 18 months after acquisition. The consideration is payable on a straight-line basis with no lower threshold with 72% payable in July 2021 and the balance payable in January 2022. Due to the nature of these payments a fair value calculation has been performed by management to estimate the expected amount of consideration to be paid. As result, contingent consideration of £1,258,000 has been recognised in the statement of financial position, with £909,000 due in less than one year and £349,000 due in more than one year.

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 2020, share options granted under the 2010 Share Option Plans were exercised and the Group issued 1,900,000 (2019: 167,021) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 for further details.

Share premium account

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.

Own share reserve

Weighted average cost of own shares held in trust by the ESOT.

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. In 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 reserve

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) that are not recognised elsewhere.

25. Capital commitments

There were no capital commitments at 31 December 2020 (2019: none).

26. Related party transactions

Key management compensation (including Directors)

	2020 £'000	2019 £'000
Directors' emoluments		
Remuneration	618	581
Social security costs	100	87
Bonuses	180	99
Pension	22	41
Share-based payments	68	38
	988	846

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

During the year the Group received services from Grant Thornton LLP of £226,000 (2019: £218,000) which are related parties by virtue of Ms I Joss holding a position as an independent non-executive on the Grant Thornton partner oversight board and a Director of the Company until resignation on 31 October 2020. At 31 December 2020 the amount owed to Grant Thornton LLP was £77,000 (2019: £59,000).

27. Events after the reporting date

A dividend of 0.75 pence per share has been approved by the Board to propose to shareholders at the Annual General Meeting.

Company balance sheet

	Notes	At 31 December 2020 £'000	At 31 December 2019 £'000
Fixed assets			
Property, plant and equipment	5	—	—
Lease receivable	9	1,134	794
Deferred tax asset	10	18	211
Investments	6	20,466	16,946
		21,618	17,951
Current assets			
Debtors	7	34,756	33,547
Cash at bank and in hand		2,996	4,467
		37,752	38,014
Creditors: amounts falling due within one year	8	(36,798)	(32,056)
Net current assets		954	5,958
Total assets less current liabilities		22,572	23,909
Contingent consideration due more than one year	8	(349)	—
Creditors: amounts falling due more than one year	8	(705)	(424)
Total assets less liabilities		21,518	23,485
Capital and reserves			
Called up share capital	11	3,508	3,413
Share premium	12	4,341	3,903
Own share reserve	11	(778)	(945)
Special reserve	12	313	313
Merger reserve	12	1,583	1,583
Profit and loss account	12	12,551	15,218
Shareholders' funds – equity interests		21,518	23,485

The Company made a retained loss in the year of £2,381,000 (2019: £378,000).

The financial statements were approved by the Board of Directors and authorised for issue on 8 March 2021.

On behalf of the Board

Ian Manocha
Chief Executive
8 March 2021

Tom Mullan
Chief Financial Officer
8 March 2021

Company statement of changes in equity

	Notes	Share capital £'000	Share premium £'000	Own shares £'000	Special reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2019		3,404	3,830	—	313	1,583	15,858	24,988
Exercise of share options	11	9	73	—	—	—	—	82
Share-based payments	15	—	—	—	—	—	77	77
Purchase of own shares	11	—	—	(995)	—	—	—	(995)
Sale of own shares held by Employee Share Ownership Trust	11	—	—	50	—	—	—	50
Dividend paid	4	—	—	—	—	—	(339)	(339)
Retained loss for the year		—	—	—	—	—	(378)	(378)
At 31 December 2019		3,413	3,903	(945)	313	1,583	15,218	23,485
Exercise of share options	11	95	438	—	—	—	—	533
Share-based payments	15	—	—	—	—	—	220	220
Sale of own shares held by Employee Share Ownership Trust	11	—	—	167	—	—	—	167
Dividend paid	4	—	—	—	—	—	(506)	(506)
Retained loss for the year		—	—	—	—	—	(2,381)	(2,381)
At 31 December 2020		3,508	4,341	(778)	313	1,583	12,551	21,518



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 8 March 2021.

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. For the year ended 31 December 2020, the Company recorded a retained loss of £2,381,000 (2019: loss £378,000).

The balance sheet heading relating to the Company's investments in subsidiaries has been amended to "Fixed assets" from "Non-current assets" to be consistent with the Company's presentation of its balance sheet in accordance with the balance sheet formats of the Companies Act 2006. Assets are classified in accordance with the definitions of fixed and current assets in the Companies Act instead of the presentation requirements of IAS 1 "Presentation of Financial Statements".

Going concern

The Group and the Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 6 to 31.

After making enquiries, the Directors have a reasonable expectation that the Company has 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 2020.

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 adopted 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 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 Company's financial assets measured at amortised cost comprise intercompany receivables and cash and cash equivalents in the Consolidated Statement of Financial Position.

Cash and cash equivalents include cash in hand for the purpose of the Consolidated Statement of Cash Flow – 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.

Research and development tax credits are recognised on an accruals basis and recorded as a credit in the taxation line of the income statement.

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

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

1. Accounting policies continued

Taxation continued

Income taxes continued

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 income statement.

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.

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.

Employee Share Ownership Trust ("ESOT")

The Company is deemed to have control of its ESOT; therefore the investment in the Company's shares is deducted from equity. The shares are valued at the average purchase price.

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 44 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 2019 was approved at the Company Annual General Meeting on 10 May 2020 and paid on 21 May 2020 of 0.75 pence per share, equating to a total of £506,000. The Company will be proposing a final dividend for approval at the AGM for the year ended 31 December 2020 of 0.75 pence per share.

5. Property, plant and equipment

	31 December 2020 Total £'000	31 December 2019 Total £'000
Cost		
At 1 January and 31 December	31	31
Depreciation and impairment		
At 1 January and 31 December	(31)	(31)
Net carrying amount		
At 1 January and 31 December	—	—

All fixed assets relate to fixtures and fittings.

Notes to the Company financial statements continued

6. Investments

	Subsidiaries 2020 £'000	Subsidiaries 2019 £'000
Cost		
At 1 January	30,538	30,461
Acquisitions	3,300	—
Capital contribution – share-based payments	220	77
At 31 December	34,058	30,538
Impairment provisions		
At 1 January	13,592	13,592
At 31 December	13,592	13,592
Net book value		
At 31 December	20,466	16,946

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are included within note 16 to the Group financial statements.

7. Debtors

	2020 £'000	2019 £'000
Amounts owed by subsidiary undertakings	34,635	33,455
Other receivables	114	82
Prepayments and accrued income	7	10
	34,756	33,547

All amounts that fall due for repayment within one year are presented within current assets as required by the Companies Act. The loans to Group companies are repayable on demand with no fixed repayment date although it is noted that a significant proportion of the amounts may not be sought for repayment within one year depending on activity in the Group companies.

8. Creditors

Amounts falling due within one year

	2020 £'000	2019 £'000
Amounts owed to subsidiary undertakings	35,320	31,309
Lease liabilities	320	322
Trade creditors	245	422
Contingent consideration	909	—
Other creditors and accruals	4	3
	36,798	32,056

Amounts falling due more than one year

	2020 £'000	2019 £'000
Lease liabilities	705	424
	705	424
	2020 £'000	2019 £'000
Contingent consideration	349	—

9. Leases

The Company holds a number of leases in respect of office buildings which are utilised by subsidiary companies. These leases are disclosed within the Company as a lease receivable, representing the amounts due from the subsidiaries in respect of these leases.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term with the discount rate determined by reference to the Group's incremental external borrowing rate, 3.1%. Subsequent to the initial measurement lease liabilities are increased as a result of interest charged and reduced for lease payments made.

The table below represents the maturity of the lease receivable:

	2020 £'000	2019 £'000
Less than 3 months	77	77
3 to 12 months	238	233
1 to 2 years	309	309
2 to 5 years	510	175
Total	1,134	794

Lease liabilities

	Total £'000
At 1 January 2019	1,034
Cash items:	
Lease payments	(317)
Non-cash items:	
Interest expense	29
At 31 December 2019	746
Cash items:	
Lease payments	(332)
Non-cash items:	
Additions	586
Interest expense	25

At 31 December 2020 1,025

	2020 £'000	2019 £'000
Due between 0 and 3 months	80	80
Due between 3 and 12 months	240	242
Due less than one year	320	322
Due more than one year	705	424
Lease liabilities	1,025	746

10. Deferred tax

The Company has a recognised deferred tax asset as follows:

	2020 £'000	2019 £'000
As at 1 January	211	129
Movement in the period within the income statement	(193)	82
As at 31 December	18	211
Comprising:		
Employee share award schemes	—	195
Tax losses	18	16
	18	211

11. Issued share capital

Ordinary shares allotted, called up and fully paid

	Number	Nominal value £'000
At 1 January 2019	68,089,437	3,404
Exercise of share options	167,021	9
At 31 December 2019	68,256,458	3,413
Exercise of share options	1,900,000	95
At 31 December 2020	70,156,458	3,508

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

During the year ended 31 December 2020, share options granted under the 2010 Share Option Plans were exercised and the Group issued 1,900,000 (2019: 167,021) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

At 31 December 2020 and 2019 there were outstanding options granted to acquire ordinary shares in the Company. See note 22 of the Group financial statements for further details.

There are no preference shares in issue (2019: none).

Shares held by Employee Share Ownership Trust ("ESOT")

	£'000	Number
At 1 January 2019	—	—
Purchase of own shares	995	1,029,202
Issue of shares	(50)	(52,606)
At 31 December 2019	945	976,596
Issue of shares	(167)	(144,996)
At 31 December 2020	778	831,600

The shares held by the ESOT are expected to be issued under share option contracts. The shares are held at the average purchase price.

12. 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 2020, share options granted under the 2010 Share Option Plans were exercised and the Group issued 1,900,000 (2019: 167,021) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

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.

Own share reserve

Weighted average cost of shares held in trust by the ESOT.

Special reserve

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 and in 2018.

Profit and loss account

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

13. Capital commitments

There were no capital commitments at 31 December 2020 (2019: none).

14. Contingent liabilities

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

15. Share-based payments

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

16. Related party transactions

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

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Annual General Meeting

10 May 2021

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