Gresham Technologies plc

Annual Financial Report 2021

Our vision is to bring digital integrity, agility and confidence to the world's financial institutions.

Our values

We Embrace Difference

We Create Together

We Champion Success

People and culture
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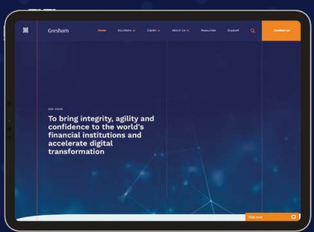

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Reasons to invest in Gresham

Innovative technology

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

50bn+

transactions processed in 2021

CEO's statement
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Significant opportunity

Our addressable market is expanding as systemic data challenges increase.

$1bn

market opportunity in data quality in 2017

CEO's statement
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Strong growth

Our high-margin Clareti solutions are delivering profitable growth in recurring revenues.

95%

growth in Clareti ARR as at 31 December 2021

Financial review
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Talented people

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

200+

total employees as at 31 December 2021

People and culture
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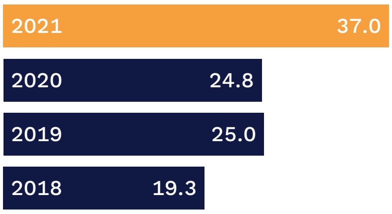
Strong Clareti organic growth and transformational acquisition

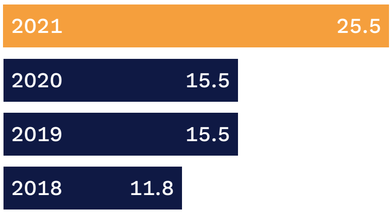
Group revenue

£37.0m +49%



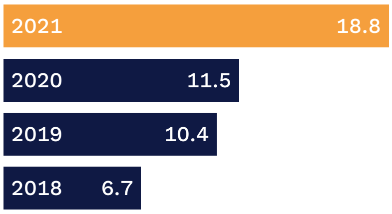
Clareti revenue

£25.5m +65%



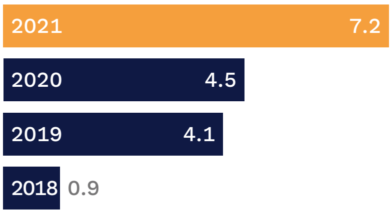
Clareti recurring revenue

£18.8m +63%



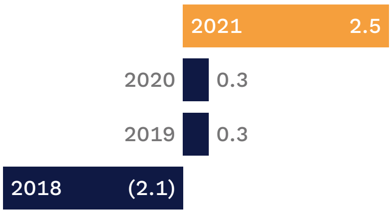
Adjusted EBITDA

£7.2m +60%



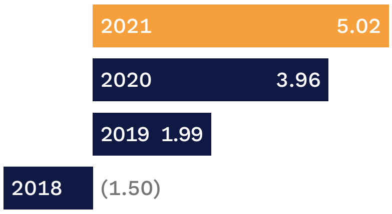
Cash adjusted EBITDA

£2.5m +733%



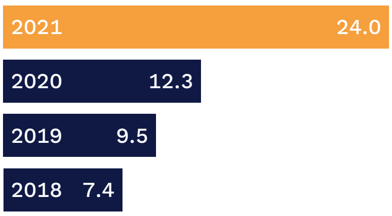
Adjusted diluted earnings per share

5.02p +27%



Clareti ARR

£24.0m +95%



Clareti ARR net retention rate

106% n/a

Cash

£9.1m +2%

Financial

- Forward-looking Clareti Annualised Recurring Revenue ("ARR") as at 31 December 2021 up 95% to £24.0m, including £9.2m acquired with Electra(5) with strong underlying organic growth of 20%.
- Group revenues up 49% to £37.0m, including a contribution of £5.6m from Electra(5) since acquisition.
- Clareti revenues up 65% to £25.5m, including a contribution of £5.6m from Electra(5) since acquisition.
- Clareti recurring revenues up 63% to £18.8m (2020: £11.5m), including £5.3m from Electra(6) since acquisition.
- Adjusted EBITDA(1) up 60% to £7.2m (2020: £4.5m).
- Cash adjusted EBITDA(2) of £2.5m, an increase of £2.2m on the prior year (2020: £0.3m).
- Profit before tax as reported at £0.4m (2020: £0.3m), including expenses adjusted in EBITDA metrics above of £3.5m (2020: £1.5m).
- Adjusted diluted earnings per share(3) up 26% at 5.0 pence (2020: 4.0 pence).
- Cash at 31 December 2021 of £9.1m and no debt drawn upon (2020: £8.9m and no debt)(4).
- Final dividend proposed at 0.75 pence per share (2020: 0.75 pence).
- Year closed ahead of market expectations for revenue, profits and cash generation.

Operational

- Transformational acquisition of Electra in June 2021 providing scale in US market. Integration materially complete.
- Customer base expanded to 270+ Clareti customers across 30 countries.
- Strong organic underlying growth of recurring revenues and related services within the Clareti business.
- Net ARR retention for the year of 106%, including annualised and apportioned rate from Electra(5) since acquisition, highlighting growth within existing customers and new customer wins throughout COVID-19 pandemic.
- Continued growth and development of key accounts. Net ARR retention rate for top 6 key accounts of 121%.
- Major deployment milestones with global banks, with legacy software vendors being decommissioned.
- Digital corporate banking partnership with Australia and New Zealand Banking Group continuing to deliver to plan.
- Larger, more resilient Group with more than £37m of FY22 revenues under contract, providing significant visibility and a robust platform to execute growth strategy.
- Management confident about the prospects for the Group.

(1) Adjusted EBITDA refers to earnings before interest, tax, depreciation and amortisation, adjusted for one-off exceptional charges and share-based payments. (see note 5 of the Group financial statements).

(2) Adjusted EBITDA less capitalised development spend and any IFRS16 lease-related cash payments.

(3) Diluted earnings per share, adjusted to add back share-based payment charges, deferred tax charge on the inter-group sale of IP, exceptional items and amortisation from acquired intangible assets.

(4) Excludes any IFRS16 lease-related payables.

(5) The Electra acquisition completed on 22 June 2021.

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

Building a global fintech champion

200+ Employees

270+ Customers

106% Clareti ARR net retention

10 Offices

UK & EMEA

Bristol
- Innovation Lab
- 24/7 Customer Support Hub

London
- HQ
- Sales & Service Delivery

Luxembourg
- Innovation Hub
- Cloud Delivery + Sales

Solihull
- Innovation Hub
- 24/7 Customer Support Hub

Southampton
- Internal Services

Americas

New York
- Innovation Hub
- 24/7 Customer Support Hub
- Sales & Service Delivery

Florida
- Service Delivery

Asia Pacific

Singapore
- Sales & Service Delivery

Australia
- 24/7 Customer Support Hub
- Service Delivery

New Zealand
- Service Delivery

SaaS solutions for control and automation in financial services

Our solutions are designed to enable financial institutions to digitise their operations and have complete confidence in their data in order to improve their competitiveness and manage risk and reputation.

What we do

Reconciliation
Simplify the complexity of buy-side and sell-side reconciliations and scale to growth with end-to-end automation, intelligent matching, and accelerated onboarding.

Regulatory Reporting
Deliver accurate, on-time reports through connectivity with multiple trading and reporting venues, real-time matching, and consolidation across multiple regulatory regimes.

Connectivity
Dynamically connect to trading and regulatory venues, clients and partners across the financial services ecosystem through 350+ industry connections and data transformation services in the cloud.

Data Aggregation
Access normalised, validated data on securities, cash positions, transactions, and trade fail investigations from 1500+ global sources to feed reconciliations and other post-trade workflows.

Our products

Control
Automate all the process and data validation, reconciliation and reporting services you need to build operations and data confidence with speed and ease.

Connect
Seamlessly manage all your connectivity, data migration and integration with trading partners, venues, clients and regulators across the financial services ecosystem.

Data Services
Access normalised, validated data on securities, cash positions, transactions, and trade fail investigations from 1500+ global sources to feed reconciliation and other post-trade workflows.

Managed Services
Reduce the strain on your people, processes and technology infrastructures while achieving greater flexibility, efficiency and scale.

Our industries

- Capital markets
- Banking & payments
- Investment management
- Energy & commodities
- Insurance
- Corporates

“Control and Connect have enabled the bank to change outdated and cumbersome processes, ditch legacy solutions that were preventing us from achieving our business and customer growth goals, and ensuring we remain on the right side of the regulators. Across the bank, we have introduced a level of data automation and integrity that we didn’t think existed from any vendor out there.”

Head of Change
TIER ONE GLOBAL BANK

Building a valuable business in a substantial growing market

> Following a year of transformation, there is now great momentum in the business and I am pleased to say we have ended the financial year as a more robust company. We have delivered against the strategic priorities the Board approved in December 2020 to strengthen our position in the market."

Dear shareholder

I am pleased to present this 2021 Annual Financial Report.

Overview

I am delighted to be able to report on a period of strong progress for Gresham Technologies. Our core products continue to gain traction in a vast and growing market and play an integral role in some of the world's largest financial organisations. We have built a strong reputation and are now benefitting from the significant investment made in our software solutions in line with our strategic roadmap. Our success is due to great leadership, innovative expanding solutions and our talented and committed team of employees globally.

Throughout the year, we continued to execute effectively against our growth strategy, securing 16 new Clareti customers and growing our relationships with existing customers, reflecting the investment in our solutions and people. COVID-19 has accelerated the rate in which businesses are automating their service platforms and we have taken advantage of these opportunities by investing to drive organic growth in the business as well as integrating carefully selected complementary acquisitions. During the year, we completed our largest acquisition to date, with the purchase of Electra in June 2021 for up to USD $38.6m. As well as expanding our product offering and client base, it provides us with a strong operational foothold in North America, from which we will look to drive our growth in this key market. As part of the acquisition, we raised £21m (gross) by way of a placing and welcomed a number of new shareholders to the register and I would like to thank them and our existing shareholders for their support.

Overall, our revenue for the year was significantly up at £37.0m (2020: £24.8m), with adjusted EBITDA also significantly up at £7.2m (2020: £4.5m). In a year that was still affected by COVID-19 related challenges, this is an excellent achievement for the Group.

We enter the new financial year with positive market tailwinds and high levels of confidence in our business, our people and our ability to continue on our profitable growth trajectory.

Based on the overall financial performance and the cash within the business, the Board will be recommending a final dividend of 0.75 pence per share (2020: 0.75 pence) at the forthcoming AGM.

Delivery against our strategic vision

2021 saw strong progress against the major strategic goals identified by the Board, including:

- the Electra acquisition has brought additional sticky ARR and significantly widens our addressable market;
- revenues from subscriptions reached 63% of Group revenue in the period, providing high levels of visibility and increased certainty for future years' revenue; and
- we continued to invest in our underlying business systems to increase our scalability.

People and culture

I am delighted to report that, once again, we improved our result in our annual employee engagement survey, scoring 78% overall (2020: 76%), and thereby continuing our trend of annually increasing our engagement score since 2017. This is the clear result of the investments and efforts that the Company has made to develop a brilliant culture and create opportunities for our people to thrive.

On behalf of the Board, I would like to take this opportunity to thank all members of staff for the dedication and commitment to making Gresham what it is today. Employees globally have worked extremely hard to create the right working environment for Gresham to succeed in the future.

Despite the ongoing disturbances caused by COVID-19, our staff have adapted well to a hybrid way of working with little interruption. Although we are a technology driven business, we are also a people-led company and I am proud of the way in which staff at Gresham have responded whilst also helping the business to succeed.

ESG

As Gresham continues to grow, we are committed to ensuring we do so responsibly, to enhance the long-term value generated by our business. Following a review of Gresham's Environmental, Social and Governance priorities in 2021, we have established a three-pillar ESG strategy as part of our approach to continually improve in these areas.

Scaling responsibly is built across the following three pillars:

- our customers: leveraging our growth to improve customer outcomes;
- our people: fostering positive and productive communities in our business and our industry; and
- our world: managing our impact on the environment and being a force for good in our world.

The strategy is underpinned by a strong culture and good governance across the Group and we are confident about executing on our strategic vision in the coming year and beyond.

Looking ahead

Following a year of transformation, there is now great momentum in the business and I am pleased to say we have ended the financial year as a more robust company. We have delivered against the strategic priorities the Board approved in December 2020 to strengthen our position in the market:

- 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 the new financial year with a focus on expanding our existing client base and securing new customer wins through investments in our technology, and on completing the integration of Electra into the business. We have £37m of 2022 revenues under contract, which gives us confidence to continue with our investments, and we have a strong pipeline of demand for our products as the digital transformation era continues to accelerate for many businesses. We are excited about the future opportunities this will create.

Our management team have built a rare business with a very exciting future in a substantial, growing market. We have the benefit of a track record with an innovative, well invested product set which has been designed for today's complexities. I believe that the scale of our opportunity is as large as our ambition allows.

Peter Simmonds
NON-EXECUTIVE CHAIRMAN
7 March 2022

Creating value from innovation and recurring revenues

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 10

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.

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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.

People and culture
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Our business

Distribution
Our global team of sales professionals sells directly to customers in our primary target markets. In addition, our bank, financial market infrastructure and technology partners provide indirect sales channels. We are developing a global alliances network with like-minded firms to build distribution capacity. Our regional sales activities are supported by a global marketing team.

Charging model
We licence our software on a subscription basis, which generates higher levels of recurring revenue for the Group than traditional licensing models, and also provides a more reliable platform for growth and decision-making. Implementation services are charged on a time and materials basis or at a fixed fee for a fixed scope of works, and we are growing a portfolio of software related cloud and managed services chargeable on a recurring basis.

Our business model is to earn high-margin, recurring revenues by providing innovative software solutions for reconciliations, regulatory reporting, connectivity and data aggregation services.

Customer success

Our customer success team are focused on delivering the best possible service and outcomes for our customers throughout the entire lifecycle, which promotes loyalty, advocacy and account growth. We have professional services consultants in all our key locations. Our global support and managed services teams are available 24/7.

Operations

We have a mature and highly effective global business platform, which supports our rapid growth and entrepreneurial decision-making within an appropriate governance framework. Our regional go-to-market teams are supported by centralised systems and processes for all key operational areas such as finance, people & culture, IT, information security and legal.

Creating value

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*:

37%

* Measured by the share price as at 31 December 2021 plus dividends paid since 1 January 2017, 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 customers:

270+

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:

200+

A year of significant strategic, operational and financial progress

"The Group delivered revenue, profits and cash ahead of market expectations, whilst completing its largest acquisition to date, cementing its leadership position as a trusted software partner in financial markets."

Dear shareholder

Strategic review

2021 was a significant year of strategic, operational and financial progress for Gresham Technologies. We further strengthened our position as the leading player in reconciliations software to the financial sector as a result of the successful transformational acquisition of Electra in June 2021, and delivered a strong, high quality, underlying financial performance. We are pleased to close the year ahead of market expectations.

Our Clareti technology solutions provide major banking and investment management clients with the tools to connect, reconcile and control their data enabling them to automate their business processes and have confidence in their digital operations. In the year we signed 16 new clients to reach more than 270 across 30 countries by 31 December 2021, adding to our roster of long-standing relationships including many the world's top 100 investment banks. In addition, we have flagship customers using our technology in retail and commercial banking, asset management, insurance, energy and commodities.

We support the boards of some of the largest companies in the world to improve operational efficiency, manage risk and regulation, accelerate their digital transformation initiatives, and provide a key part of the data intelligence platform that ensures they remain agile, competitive and compliant. We supply mission-critical technology to our customers and are building a reputation as a trusted industry partner.

Our success reflects the investment and the efforts of our talented team in delivering differentiated solutions that are proven at scale and backed by a high-quality global service capability. This, together with our product roadmap, provides a platform for growth by expanding within our existing clients and winning new ones, and delivering scalable high margin recurring revenues.

As a result of strong trading in the year together with acquisitive contribution, the Group delivered a year of significant growth in revenue and profits as well as cash generation well ahead of both 2020 and market expectations. Underpinning this is the Group's growing base of subscription revenue contributing to a 95% increase in Clareti ARR to £24.0m and providing enhanced visibility into future periods. Notwithstanding strategic acquisition contributions in the year, the Group saw double-digit underlying organic growth of 20% in ARR driven by new sales momentum and ARR net retention levels well in excess of 100%.

The global pandemic over the last two years has accelerated the need for all businesses to invest their core processing systems and data platforms to create more intelligent and automated solutions that reduce the need for manual interventions and the risk of error. Over the past 18 months, we have successfully capitalised on this opportunity with two important acquisitions, as well as investing to drive organic growth.

Our success reflects our research, planning and focus on delivering value to our clients. Our significant investments in people and infrastructure have put in place the building blocks of a scalable fintech platform with a market-leading product portfolio, highly invested cloud architecture, established blue-chip global customer base, and an ambitious, proven management team. The opportunity in front of us is large and we are ideally placed to pursue our growth ambitions, underpinned by a repeatable, high margin business model.

Business Review

Bringing digital integrity, agility and confidence to the world's financial institutions

The shift to digital within the financial services sector over the past ten years has been compounded by growing regulatory pressures and scrutiny increasing our customers' needs for timely and accurate processing coupled with greater transparency and accountability. This means our customers need to have complete confidence in their data and processes in order to make good decisions and ensure optimal outcomes, including protecting their reputations. Our software helps market participants connect, reconcile and control the many disparate sources of transaction, finance, risk and regulatory data that exist in modern trading ecosystems.

Markets

Digital transformation of financial services continues at pace

Four key drivers continue to support growth in our market and the need for our clients to invest in their systems and reporting.

Managing risk and regulation

Every day, we help boards of some of the largest companies in the world manage their financial, operational and reputational risk by providing timely insight into their data and processes.

This is compounded by ever greater regulatory pressures which increases their need for oversight and accurate reporting. The global market for regulatory reporting solutions is expected to reach USD $1.16bn by the end of 2026, with a CAGR of 19.5%. Over the last five years, we have secured a significant number of sales in the regulatory area and our recent acquisitions have further strengthened our position.

Digital automation

Aligned with the above, we are part of our clients' investment to digitise their processes, reduce their operating costs through automation, and serve their customers better. We are part of programmes globally aimed at improving the quality, connectivity and exploitation of data to deliver more intelligent business outcomes.

Underpinning business success

Our software not only enables businesses to survive in the modern era, but importantly to become more competitive through access to information and agile decision-making, all underpinning the launch of new products and innovative customer propositions.

Expanding market

The overall size of the addressable market for Clareti software, and the competitiveness of our offerings is continually expanding and we are well placed to participate in a growing market opportunity.

Product portfolio: platform and solutions

During the first half of the year, we re-packaged our Clareti platform capabilities into two product lines, Control and Connect, and, in the second half of the year, we strengthened the portfolio with complementary offerings acquired with Electra. Our products can be combined to quickly deliver real-time digital solutions for customers into environments where generic solutions are inadequate. They are available in the customers' data centres or in a Gresham hosted cloud on a software-as-a-service basis along with optional subscriptions for the collection and aggregation of external data and/or the provision of managed services.

Control

Clareti Control is an enterprise-grade business self-service platform for the reconciliation and control of "any and all" transaction data in financial markets. Clareti Control is now well established in the market for "non-standardised" problems such as inter-systems reconciliations with dozens of successful implementations. Our investment into additional cash and securities processing functionality over the last three years means we are now the only vendor in the market that can offer "standardised" and "non-standardised" data reconciliations and controls on a single modern self-service platform that has been proven at scale. This is a "holy grail" for the operations functions within large capital markets institutions and we expect to further capitalise on this opportunity in the market over the next few years. Over time, we will bring Electra's reconciliation offering onto the same platform to offer "out of the box" capabilities for handling buy-side nostro/depot as well as leveraging their patented capabilities for combining cash/stock/transaction into a single view (the NAV).

Connect and Data

Our Connect and Data solutions allow customers to participate in the complex inter-connected global financial system without needing to be concerned with third party data access, integration risk, cost and time to market. Our Connect solutions enable customers to interact with their bank partners, trading venues, regulatory reporting venues, and other industry applications and provide intelligent control over complex data flows. Our Data solution is focused on the needs of the buy-side community and is used by fund managers and service providers alike to collect and aggregate data from third parties such as custodians. These mission-critical services are delivered in the cloud from our secure data centres and operated with exceptionally high levels of service and support. In 2021, we went live with the first customer on our next generation cloud-native architecture Connect 2.0, and we are continuing the migration of customers and, ultimately, we plan to bring together the Electra Data and Clareti Connect services onto a common cloud Connect platform.

I am pleased to say the development work on these two offerings has progressed successfully throughout the financial year and our new messaging and simplified Clareti product story and collateral have been well received in the market.

We also have a third development team working on Digital Banking products driven by our innovation partnership with ANZ which progressed extremely well during the year. In December, our software was formally accepted into testing ahead of deployment with ANZ's first customers during 2022. As a result of achieving this important milestone, ANZ increased their investment into Clareti software, and a further increase is expected upon customer go-live in FY22.

Growth Strategy

Building blocks to £100m ARR

The overall size of the addressable market for Clareti software, and the competitiveness of our offerings, provides an opportunity for us to build a £100m ARR SaaS business with a best-in-class sales, cost and delivery model with high quality, high growth recurring revenues.

Grow customer footprint in core markets

We remain focused on winning a meaningful share of the global market for reconciliations, data integrity and control software in financial services before turning our attention to other industries and use cases. We are focused on winning new names through direct sales teams in the key geographies of UK, Europe, North America, Asia and Australia. Our newly appointed sales hires in Luxembourg and Asia Pacific both secured new name customers during the course of the year giving us further confidence in our ability to scale.

Highlights during the year include:

- a new Clareti contract win with a fast-growing global financial group which is expected to generate total software subscription fees of EUR 1.4m over a committed five-year term, with additional services revenues to deploy the solution;
- a contract win with one of the world's largest professional services firms to provide advanced technology to its financial services audit practice in the US. This new contract is expected to generate total software subscription fees of USD $2.8m over a committed five-year term, with the annual subscription fee starting at USD $0.25m and committed to rise to USD $0.7m from the third year of the term, in addition to services revenue to deploy the solution; and
- a contract with a leading provider of retirement investment services in the US to replace a legacy reconciliation platform with USD $0.6m software subscriptions over three years.

Expand engagement across existing substantial customer base

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. Winning and growing large "key account" customers is an important aspect of our strategy, the success of which is demonstrated by the Group's consistently strong customer retention levels, with ARR net retention increasing to 106% on an annualised basis across all customers, and even higher for our Key Accounts. Notable successes in the period include:

- Australia and New Zealand Banking Group, our largest customer, signed contracts totalling over AUD $21m, which combined with existing agreements provide contractual certainty over the renewal of all existing Clareti and non-Clareti licences, as well as securing new incremental revenues from recurring software, recurring managed services, consulting services and contracting services;
- we successfully executed a five-year subscription with a global Tier 1 bank customer to extend and upgrade its investment in the Clareti software;
- a five-year subscription with a global Tier 1 bank customer to extend its current investment in Clareti software. The contract value totals £2.8m for the ongoing use of the technology and follows the successful migration of the bank's global legacy "core reconciliations" to Clareti Control; and
- securing a multi-year renewal with the largest customer acquired through Electra, providing greater certainty over future years.

Provide incremental growth opportunities through focused innovation programme

The Board and management team are focused on fostering a culture of innovation, supported by investment in our products, people and client relationships to ensure we continue to deliver market-leading solutions to some of the largest companies in the world. This commitment is demonstrated by the improved matching results and economic performance being seen by the Tier 1 bank development partner for our cash and stock reconciliation offering. Economic benefits are substantially ahead of the displaced legacy transaction lifecycle management product and provides an indicative business case for other institutions.

Our Control software is now a clear leader in the market in terms of functionality and scalability, and the priority for our R&D team has shifted towards ease of adoption and provision of greater business self-service capability. During 2022, we will introduce new web-based interfaces for our Control solutions and progressively upgrade the underlying architectural components such that the Electra and Clareti offerings ultimately operate on a common "micro-service" based cloud-native Control 2.0 platform.

Our Connect 2.0 platform, which brings together our data access and transformation technology assets across the domains of trading STP, regulatory, payments and messaging, has also reached a market level of functional maturity. We will continue to enhance this service for newer industry requirements such as ISO20022, add connectivity to additional industry platforms, and make the technology more accessible through adoption of natural language processing (NLP) and enhanced reporting. Our Connect offering is a powerful capability and extremely relevant to today's global financial markets and we intend to ramp up our marketing during the year.

In addition to the continued enhancement of our product portfolio, a proportion of the R&D team is dedicated to developing and incubating new corporate banking and payments software in partnership with ANZ. After three years of work, the new technologies are being deployed into production-use cases and offer a potentially significant break-out opportunity for the Group in the coming years.

M&A

We look to supplement our organic growth opportunities through strategic M&A

Alongside our strategic pillars, we look to supplement our organic growth opportunities through strategic M&A. We are proud of our successful M&A strategy which has expanded our portfolio of products, deepened our relationships with key clients, and broadened our footprint internationally. Whilst we continue to explore investment opportunities to further scale the business, our priority is to leverage the combined assets and enlarged global business to sustain high levels of profitable organic growth. With that in mind, I am pleased to report that Inforalgo has delivered a very strong performance in its first full year with the Group. The acquisition has brought additional sticky ARR and widened Gresham's customer footprint in North America.

Electra

This transformational acquisition opens the door to the next stage of development at Gresham

The standout event of the year was the USD $38.6m acquisition of Electra in June 2021, which not only reinforced our leadership position for reconciliation software in financial markets but also strengthened our market share and portfolio of products for the investment management market. The deal also accelerates our opportunity in the major North American market and creates a truly global platform for the Group from which to deliver strong, long-term growth.

This transformational acquisition opens the door to the next stage of development at Gresham. We are now able to leverage the combined investments in product development, distribution and customer support infrastructure to compete more effectively and ultimately to realise the high margins, strong cash generation, and attractive valuation multiples typical of large mature enterprise software firms.

The acquisition of Electra has been a catalyst for change within the business. We have reviewed our processes for scalability, and made rapid progress with integration work, enabling us to operate as a single global company internally as well as externally in the marketplace.

Electra
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Current Trading and Outlook

Today's Gresham has the financial strength and trusted partner client relationships to drive further expansion

As a result of our acquisitions and the successful transition to subscription revenues in the Clareti business, Gresham now benefits from high levels of recurring revenues. We ended the financial year as a larger, more resilient company, with more than £37m of 2022 Group revenues already under contract (which represents 100% of 2021 Group revenue) in the current year, providing significant visibility and a robust platform to execute our growth strategy.

Today's Gresham has the financial strength and trusted partner client relationships to drive further expansion in the medium-term. We are already regarded as an innovative partner to many of the world's largest financial institutions and our aim is to deepen those key account relationships as well as win new names.

There are now strong indications that financial firms are planning for greater investment in FY22, with digital transformation and automation remaining a priority. During 2021, we saw increasing levels of management ambition and associated budget allocations for change projects in our target markets and our pipeline is much improved over the same period last year. Several large opportunities are moving through competitive tender processes and Gresham is in 'proof of concept' with a number of new "key accounts".

Given the continuing market demand for data and process automation, connectivity and control, we also have a significant opportunity to grow with our existing installed base of 270+ customers by expanding across their operational infrastructures, resulting in a regular beat rate of upgrade contracts. We believe there is the opportunity to double revenues with our existing clients as they expand across business lines and geographies.

In addition to securing new key accounts and growing with existing customers, we are investing in the productisation and repeatability of our software to accelerate our scale-up in the mid-market in order to attack a total addressable market comprising over 500 banks globally and more than 1000 investment managers.

At the time of writing, the devastating situation in Ukraine is worsening and, as a Group, we condemn the abhorrent actions of the Russian and Belarusian leadership in the strongest possible terms. Whilst Gresham has limited direct exposure to Russian or Belarusian firms, and we have no operations in the region, we are committed to playing our part by adhering to the governmental sanctions, assessing our operations and relationships to ensure they are legally and morally correct, and supporting the relief effort to the extent possible.

With your support, and the hard work of our talented global team, we have created the foundations for success and benefit from a focused strategy, strong balance sheet and growing market opportunity. The Board remains confident in its ambition to build a £100m ARR SaaS business with best-in-class performance metrics expected of a valuable global financial technology company of substantial scale.

Ian Manocha
CHIEF EXECUTIVE
7 March 2022

Transforming our business

A strong deal rationale and a significant step towards our strategic goals

Our transformative acquisition of Electra in June 2021 was underpinned by strong investment case with both shorter term and strategic benefits. It constitutes a key step in our ambition to deliver a £100m ARR global business. The acquisition provides the enlarged Group with a highly complementary suite of products and solutions, as well as significant opportunity for revenue, investment and cost synergies, which we are securing through our integration and globalisation programme.

Market share

1 Leadership position in buy-side industry

2 Strengthen positioning in US market segment

Scale

Growth

3 Globalise the business

4 Cross-sell offerings

Opportunity

Financials

5 Recurring revenues & earnings quality

6 Greater ability to compete, invest & innovate

Strength

Globalising our combined business

Since the acquisition completed in June 2021, we have been undertaking a major programme of integration and globalisation work to create one company and secure the expected benefits of the acquisition. The overriding aim of the programme is to create a global platform for growth in order to deliver on our vision, innovate faster and win in the market.

Our globalisation blueprint is based on the following principles:

Operate globally, engage personally

We will deliver a personalised service to our customers, supported by a truly global organisation

Our go to market strategy

Unified Go to Market and strategy plan

Our service delivery model

Globally consistent delivery model servicing all of our clients to high service levels

Our people

Our employees share same values and have the same experience no matter where they work

Our business operations

Flexible global business operations, that can support the commercial activity in a consistent way, anywhere in the world

Our products and services

An innovative suite of products and services, delivered using common architectures, technologies and processes

Our FY21 priorities for globalisation included:

- securing our customers and our people;
- corporate re-branding;
- consolidation of sales and marketing platforms;
- integration of internal operations;
- first phase of globalisation for product and customer success functions; and
- global go-to-market plans for FY22.

Having successfully completed the priority workstreams referred to above in 2021, our globalisation efforts in 2022 are focused on:

- building out the global sales platform to achieve revenue synergies;
- offering our solutions and services in all locations;
- accelerating our innovation and delivery using common architectures, technologies and processes;
- executing our consolidated cloud strategy and achieving cost synergies; and
- standardising our IT systems and processes and thereby achieving further cost and operational synergies.

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 2021

We increased Clareti annualised recurring revenues (ARR) by 95% (including Electra) (see KPIs, page 20). Clareti ARR now represents more than 85% of Group ARR (2020: 78%). Following the acquisition of Electra in June 2021, 57% of our Clareti ARR is now generated from cloud solutions.

Key priorities for 2022

We will invest in sales and marketing capacity and globalise our distribution operations to capitalise on our expanded product offerings. We will also expand our managed service offerings to expand our footprint in existing and new customers and grow our share of wallet.

2

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

Key achievements in 2021

We acquired Electra in June 2021, which substantially extends our business, particularly in North America. This increases our target addressable market and provides more upsell and cross-sell opportunities.

Key priorities for 2022

We will complete the integration of Electra to maximise the opportunities for revenue, cost and operational synergies. We will deliver organic Clareti growth. We will continue to explore appropriate acquisition opportunities.

3

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

Key achievements in 2021

We delivered demand generation campaigns; thought leadership, integrated go-to-market programmes and customer events across all key target markets via a host of digital and online channels. We won two key industry awards in 2021: Chartis RiskTech 100 category award-winner for sell-side reconciliations and FTF best reconciliation provider.

Key priorities for 2022

We are focused on driving brand awareness and market understanding of our leading Control, Connect, Data Services & Managed Services capabilities across our priority markets. We will execute enterprise solution-set campaigns to cross-sell and up-sell to our enlarged customer portfolio.

4

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

Key achievements in 2021

We delivered major new features for market-facing reconciliations, allowing key customers to go live with our next-generation solution. We enhanced our cloud solutions and product integration capabilities to meet the growing demand. We delivered sophisticated solutions through combining Connect and Control to enable our customers to innovate their market offerings.

Key priorities for 2022

We will release major new versions of our Control and Connect solutions containing new features and capabilities to enhance our propositions. We will expand our managed service offerings and excite our customers and prospects with a compelling innovation roadmap. We will further exploit the synergies in Connect and Control to deliver solutions that are beyond the reach of our competitors.

5

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

Key achievements in 2021

Our non-Clareti revenues were ahead of our original expectations. Specifically, the contracting services business we provide to ANZ continues to be productive. Our legacy products were managed effectively and profitably.

Key priorities for 2022

We will continue to provide contracting services to ANZ. We will re-evaluate the viability and business risks of the individual legacy products to ensure they can remain profitable and serviceable, or discontinue them if not.

Putting stakeholders in control of their data, operations and growth

CONTROL

Efficiently automating, validating and reconciling our customers data, workflows and reporting

Enterprise-grade platform for matching, reconciliation, exception management and control of "any and all" transaction data. Highly flexible and customisable, data agnostic and proven at massive scale.

Of the partners we considered to transform our control framework, Gresham's Control for intersystems gave us the greatest flexibility in terms of data sources. We were able to leverage technology without rebuilding or reconfiguring our core infrastructure which allowed us to build controls on a scale and complexity we were previously unable to consider."

Richard Draper
HEAD OF CONTROL - PAYMENTS, CORPORATE & BUSINESS BANKING
SANTANDER UK

50%
Typical reduction in exception handling by firms using Control

97%
Reduction in time to onboard new controls for a global clearer

CONNECT

Dynamically optimising all our customers enterprise messaging and data connectivity

Technology and service that enables firms to rapidly connect disparate applications, access, control and transform data and real-time process flows.

Extensive library of supported services including banking, payments, trading STP, accounting, regulatory reporting and other common industry applications and data platforms.

The truly data agnostic capabilities, proven agility, and flexibility of Connect and Control will enable us to grow at speed, meet regulatory requirements with confidence, and ultimately continue to address the rising demand for innovative cross-border payments solutions across Europe and beyond."

Marcel Leeflang
HEAD OF OPERATIONS PAYMENTS
BRINK'S SOLUTIONS NEDERLAND

42
Countries using Connect and Control at one multi-national corporation

350+
Adapters and transformations, for out-of-the-box connectivity

DATA SERVICES

Increase business value and operational efficiency with timely, high-quality data

A complete source for accurate, reliable data that consolidates securities, cash position and transaction information for buy-side firms and service providers alike.

Through their knowledge of post-trade and working with so many custodians and other industry suppliers, the team are clearly experts in data and reconciliation workflow. Understanding our process, the custodians we work with and the data each provides is a key advantage for us."

Andrew Wiechert
OPERATIONS MANAGER
WCM INVESTMENT MANAGEMENT

1,500+
Global data sources

4,500
Unique data feeds

MANAGED SERVICES

Remove the burden of managing technology while achieving greater flexibility, efficiency and scale

Flexible service options, cloud deployment, operations and technical services supporting our Connect and Control solutions, giving you the ability to simplify, streamline and scale multiple workflows and platforms through one trusted provider.

Gresham's Managed Service positions us for growth by providing the flexibility to handle only the part of the process we want outsourced and on a gradual basis, rather than taking a big-bang approach to full outsourcing, potentially increasing our operational risk."

HEAD OF OPERATIONS
LARGE INVESTMENT MANAGEMENT FIRM

£20tn
in assets moved daily by our solutions

£3m
in yearly savings delivered for a tier one investment bank

Key performance indicators

Measuring our progress

Strategy key

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.

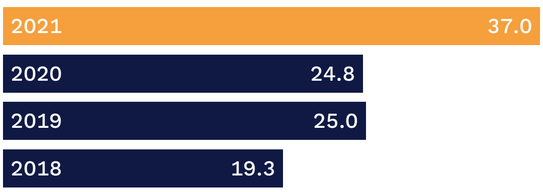
5 Retain strategic non-Clareti revenues to support Clareti-led growth.

Financial KPIs

The following key performance indicators ("KPIs") have been selected as the most appropriate financial 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.

Group revenue

£37.0m +49%



Links to strategy

1 2 5

Description

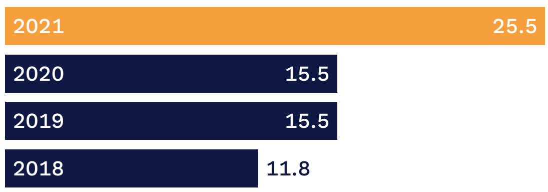
Total revenue generated and recognised in the year from all operations, including Clareti Solutions and Other Solutions.

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

£25.5m +65%



Links to strategy

1 2 3 4

Description

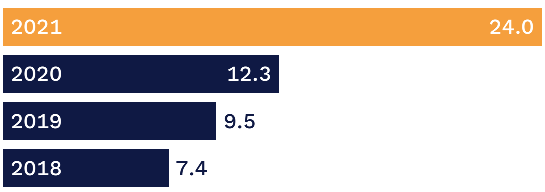
Total revenue generated and recognised in the year from Clareti Solutions.

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")

£24.0m +95%



Links to strategy

1 2 3 4

Description

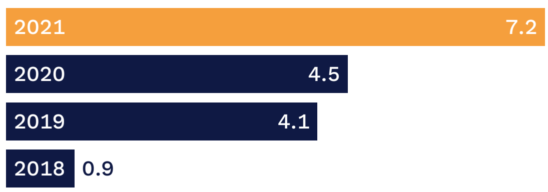
Aggregate value of all recurring revenues from Clareti Solutions that are either fully or partially contracted for the next twelve months and/or are highly expected to renew in the next twelve months. The value stated is given as at 31 December 2021.

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.

Adjusted EBITDA[3]

£7.2m +60%



Links to strategy

1 2 4 5

Description

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

Why is it a KPI?

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

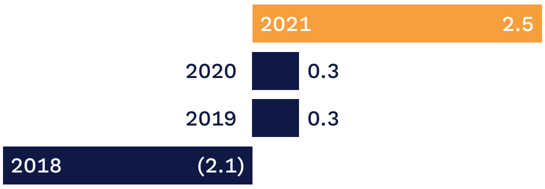
(1) All KPI data excludes discontinued operations, except for profit before tax which includes discontinued operations and exceptional items.

(2) Values stated for 2021 include the impact of the acquisition of Electra. See note 23 for details.

(3) 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 5).

Cash adjusted EBITDA[3]

£2.5m +733%



Links to strategy

1 2 4 5

Description

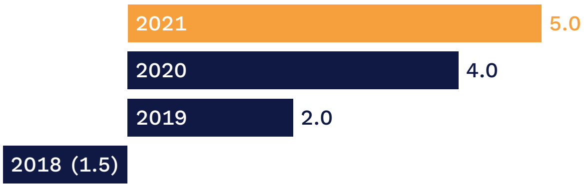
Adjusted EBITDA less capitalised development spend and any IFRS16 lease-related cash payments.

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 share[3]

5.0p +27%



Links to strategy

1 2 4 5

Description

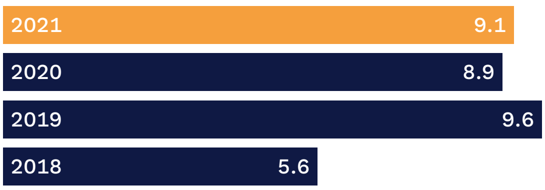
Earnings per individual share, taking into account changes in capital structure and issued equity on a fully diluted basis, adjusted for share-based payment charges, deferred tax charge on inter-group sale of IP, exceptional items and amortisation from acquired intangible assets.

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

£9.1m +2%



Links to strategy

1 2 5

Description

Aggregate net cash balance (including bank deposits/restricted cash) as at 31 December 2021 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.

Non-financial KPIs

The following KPIs have been selected as the most appropriate non-financial 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. The Group tracks a number of other non-financial performance indicators operationally that are not considered to be individually relevant as measures of overall strategy execution success. This is reviewed annually.

Number of Clareti customers

270+ (2020: 120+)

Links to strategy

1 2 3 4

Description

Total number of Clareti customers as at 31 December 2021.

Why is it a KPI?

Growing the customer base provides additional revenue as well as opportunities for future expansion.

Clareti ARR net retention rate

106%

Links to strategy

1 2 3 4

Description

The rate of Clareti ARR growth in the previous twelve months based exclusively on contracts in place at the start of the twelve month period. Includes annualised and apportioned rate from Electra since acquisition.

Why is it a KPI?

This measure provides the Clareti ARR growth rate of a specific customer cohort from start to end of the year, which enables the Group to analyse and address causes of Clareti ARR attrition and forecast more reliably.

People engagement score

78% +2%

Links to strategy

1 2 3 4 5

Description

The overall score derived from the Group's annual employee engagement survey.

Why is it a KPI?

A highly engaged workforce tends to be more productive, so this measure provides an assessment of the overall engagement. The detailed survey results enable the Group to take targeted action to increase engagement levels as appropriate.

Our stakeholders

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.

Investors

Why engagement is important

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.

How management and/or Directors engage

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.

Strategic decisions in the year

We acquired Electra in June 2021 which significantly enhanced the Company's value proposition and provides further growth opportunities. We consulted with investors and gained shareholder approval for the transaction in general meeting.

We appointed Alma PR to advise us on financial messaging and to develop and deliver a compelling investor communications programme.

We conducted an ESG review and committed to developing an ESG strategy.

For further information, see Statement of Corporate Governance, Page 40, **and ESG,** Page 24

Workforce

Why engagement is important

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.

How management and/or Directors engage

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.

Strategic decisions in the year

We continued to offer flexible working in light of the COVID-19 pandemic and operated all our offices in line with governmental guidelines.

We introduced a new benefits provider in the UK and we aligned benefits and terms and conditions for all US employees following the acquisition of Electra.

We introduced an additional birthday leave policy for all employees globally.

For further information, see People and Culture, Page 25, **and share schemes,** Page 99

Customers

Why engagement is important

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.

How management and/or Directors engage

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.

Strategic decisions in the year

We invested heavily in developing new features and capabilities for cash and stock reconciliations, directly aligned to customer requirements.

We conducted an ESG review and committed to developing an ESG strategy.

For further information, see CEO's statement, Page 10, **and ESG,** Page 24

Suppliers

Why engagement is important

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.

How management and/or Directors engage

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.

Strategic decisions in the year

We did not make any strategic decisions in the year affecting suppliers.

Scaling up responsibly

Gresham is growing and globalising. As we do, we are committed to ensuring that we're "*Scaling up responsibly*."

Having completed a review of environment, social and governance ("ESG") considerations in 2021, we are now developing a strategic direction to sustainability. During the review, we learned a great deal about the macrotrends, industry trends, regulatory and policy directions, and employee and senior team member thoughts and perceptions of ESG and sustainability. These insights have enabled us to develop a three-pillar ESG strategic direction for Gresham, under the umbrella proposition of Scaling up responsibly.

The strategy is underpinned by culture and governance as the existing foundations for our success.

We are excited about developing and executing our ESG strategy over the coming months and years.

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 continue 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 careers 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.

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.

Environment, social and governance continued

Community

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

We are proud to be Business Class members of 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 believe we have an important role to play in supporting the work of charities, both corporately and individually. We encourage our people to support charitable causes and, as a company, we often provide assistance (such as guidance and insights) or resources (such as surplus IT equipment) to charities.

Every year, we pledge to donate £1 to charity for every customer who completes our single-click customer satisfaction survey. Since inception of this scheme several years ago, we have collected £3,316 and will be donating this sum to charities selected by ballot of our global customer success team.

We also operate a policy whereby employees can purchase their corporate device (laptop or mobile phone) from Gresham when it is due for upgrade, with 100% of proceeds donated to charity. Not only does this raise funds for charity, but it also promotes recycling and device longevity. We are pleased to have raised £3,200 for charity from our employees from the sale of used corporate devices in 2021.

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 2021, the Group had the following split of gender of staff:

	Female	Male	Total
Executive Directors	—	2	**2**
Senior managers	2	6	**8**
Staff	42	156	**198**
	44	164	**208**
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; and
- seeking to influence its supply chain by preferring suppliers who uphold industry-leading environmental standards over those who do not.

Climate change

The Board is responsible for the Group's climate change policy, and the matter is discussed at Board meetings as appropriate. The Board has commissioned a review of the Group's ESG credentials and has determined a high-level strategic direction under the theme of "scaling up responsibly" (see page 24 for further details).

The Group does not consider that there are any significant risks associated with climate change impacting the Gresham Group. As Gresham is currently defining its climate change strategy as part of its broader ESG strategy, no significant climate targets have been identified to date. The risk management process for identifying, assessing and managing climate-related risks is currently being defined as part of the wider review of our ESG strategy. Therefore we are currently not in full compliance with the TCFD guidance.

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 2021. 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 2021, the following disclosure is made:

	UK		Group	
Emissions from	**31 December 2021**	31 December 2020	**31 December 2021**	31 December 2020
Electricity, heat, steam and cooling purchased for own use – tonnes of CO_2e	**19**	24	**40**	37
Group's chosen intensity measurement Emissions reported above normalised to tonnes of CO_2e per total £1,000,000 revenue	**1.8**	2.3	**1.1**	1.5

The Group's total energy consumption for the year ended 31 December 2021 was 186,000 kWh (2020: 158,000 kWh).

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

Effective risk management systems

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 43.

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

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 become and remain 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 performance in 2021 and the notable sales successes achieved, despite the challenging market conditions.

Product and service delivery failures

Links to strategy

1 2 3 4

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.

Misdirected product, operational or strategic investments

Links to strategy

2 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 2021, we continued our significant investments in delivering production-ready market-differentiating features for key customers to enable us to target the large market currently dominated by legacy reconciliation providers. We also continued to invest in our strategic cash management solution with ANZ, which we believe has strong growth prospects over the medium to long-term. The Electra business, acquired in June 2021, has been materially integrated and is performing as expected.

Accelerated decline in non-Clareti revenues

Links to strategy

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 broadly expect this to remain the case in 2022. However, we regularly review individual portfolio risks and will consider strategic options such as discontinuations or disposals in mitigation where risk reaches unacceptable levels. Specifically, our ability to support the EDT portfolio is becoming increasingly challenging and, given its steady decline over the last few years, we are actively considering a discontinuation of this portfolio in the short-term.

Economic, international trade and market conditions

Links to strategy

1 2 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 light of the ongoing COVID-19 pandemic, we continued to manage our business prudently and in accordance with our incident response plans. Having adjusted to this situation in 2020, we did not suffer any business interruption during 2021, and trading conditions were generally settled during 2021, although the pandemic continues to hinder sales efforts as customers are more difficult to engage and their budgets are under greater scrutiny. We expect these risks to continue in 2022. Furthermore, Russia's invasion of Ukraine and the sanctions imposed upon Russia by the UK, the EU and the USA (amongst others) could have a significant detrimental effect on the global economy and trading conditions generally.

IP, data and cyber risks

Links to strategy

2 3

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 made considerable investments in 2021 to enhance the security of our systems and processes. We believe these are necessary investments for our customers and intend to make further investments in 2022. Specifically, we are working towards achieving internationally recognised security accreditations during 2022 and 2023. At the time of writing, we are on a heightened state of alert regarding cyber attacks from bad actors as a result of the sanctions imposed by the UK and other states in relation to the situation in Ukraine.

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 generally stable in the year, although market factors are driving salary inflation and we are experiencing higher staff turnover than normal. This is particularly affecting the technical departments, such as product development, where there appears to be a skills shortage in the UK. Consequently, we are focusing significantly on people-retention strategies, as well as using our expanded global footprint to recruit into the most suitable and cost-effective geographies. These risks are expected to continue in 2022.

Governance, regulatory and compliance risks

Links to strategy

2

Description

The Group is subject to rules, laws and regulations pertaining to its business operations in the various territories in which it operates (particularly the UK, the EU and the US), and also in relation to its status as a premium-listed publicly traded company on the London Stock Exchange. A breach of these rules, laws and regulations could lead to public censure, fines, or other enforcement action by governmental or regulatory authorities, all of which could cause reputational and/or financial loss, and could significantly threaten the Group's performance and prospects.

Commentary

This risk was introduced in the course of 2021 in order to recognise the Group's key role in supporting financial services firms in their operational resilience and affirm its commitment to do so, particularly in light of the Group's expanded global footprint and more diverse customer base following the acquisition of Electra in 2021. Governance, regulatory and compliance risks are generally overseen and managed by the Group's internal legal function. This risk is considered stable.

Positive trends across all Group financial metrics

"Through continued organic growth and the Electra acquisition we have further increased levels of revenue predictability throughout the Group. In addition to the significantly increased Clareti recurring revenue base, high levels of contracted backlog for Clareti implementation and innovation services are in place, and a high portion of the non-Clareti portfolio is already under contract for 2022."

Transformative acquisition of Electra

We were delighted to complete the transformative acquisition of Electra on 22 June 2021 and are grateful for the support provided by our new and existing shareholders for the transaction. We are also pleased to confirm that since the acquisition Electra has been integrated to become part of the Clareti business segment, thus will be reported as such.

Electra was acquired on a debt free, cash free basis with an upfront consideration of USD $28.95m. Subject to the achievement of performance criteria based on the retention of acquired customer recurring revenues, a maximum of USD $9.65m (£7.2m) in contingent consideration will be due, payable in two instalments after the first and second anniversaries of completion.

Upon acquisition, Electra had £9.2m of forward-looking ARR and the following significant balance sheet items: intangible fixed assets consisting of customer relationships with a fair value of £11.8m and software of £5.0m; right of use assets of £0.3m; trade and other receivables of £1.6m; cash and cash equivalents of £0.1m; trade, lease and other liabilities of £2.3m and a deferred tax liability (generated on acquisition) of £4.1m.

Subsequent to the acquisition, we are also pleased to report that Electra as a standalone business has performed slightly ahead of management's plans.

Forward-looking annualised recurring revenue "ARR"

Our ARR is an aggregated value of all recurring revenues that are either fully or partially contracted for the next twelve months and/or are highly expected to renew in the next twelve months. Future uplifts in variable usage or contingent recurring fees are not included in ARR unless they are contractually certain with all deliverables having already been met.

				2021	2020	Variance	%
Clareti ARR	Clareti ARR at start of year		£m	**12.3**	9.5	N/a	
	Acquired with Electra/Inforalgo		£m	**9.2**	1.2	N/a	
	Organic increase in ARR		£m	**2.5**	1.6	0.9	56%
	Clareti ARR at end of year	**KPI**	**£m**	**24.0**	12.3	11.7	95%
Other ARR	Other ARR		£m	**4.1**	3.5	0.6	17%
Group ARR	Group ARR		£m	**28.1**	15.8	12.3	78%

Our ARR from our strategic growth business, Clareti, is a critical KPI for the Group as it provides a forward-looking view of the minimum expected revenues in the next twelve months which gives confidence to business planning and investment decisions. Whilst the Electra acquisition, completed in June 2021, was transformative to our Clareti ARR, it is pleasing to also have seen strong organic growth of £2.5m or 20% on the ARR brought forward at the start of the year. Our retention and upsell measures remain strong, with the trailing twelve month net Clareti ARR retention rate being 106%, including the annualised Electra rate since acquisition. We calculate our net ARR retention rate as ARR from end of period from customers existing at the start of the period divided by ARR at the start of the period. There remains a significant market opportunity to both upsell and cross-sell to our continually growing existing customer base that we're strategically investing in capturing.

ARR from our Other businesses has also grown by £0.6m to £4.1m in 2021, although it should be noted that the growth has come from increased end customer usage in the lower margin software reselling business as ARR from our own high-margin legacy solutions continues to decline as planned. It remains encouraging to see the ongoing longevity of these business lines continuing to provide predictability and further ability to invest with confidence in the Clareti business.

In addition to Group ARR of £28.1m, expected revenues from non-recurring contracts in place as at 31 December 2021 total £9.1m, thus giving near contractual certainty over £37.2m of revenue for 2022 before any new or incremental contracts are won.

Income Statement

Revenues

Our income is analysed between revenues from Clareti Solutions and from our 'Other' non-strategic solutions and services, revenues from each business of these business segments are then broken into:

- recurring revenues – which are generated for software and software-related services such as support, maintenance, and other ongoing managed services all of which are contracted or expected to continue for the foreseeable future; and
- non-recurring revenues – which include professional services, contracting, training and other services that are expected to be one-off periodic in nature.

Given the transformational nature of the Electra acquisition, we have also broken out the Clareti business to show the Electra revenues (and gross margin in the Earnings section below) as individual line items within the Clareti business.

				2021	2020	Variance	%
Clareti solutions	Recurring		£m	**13.5**	11.5	2.0	18%
	Recurring – Electra		£m	**5.3**	—	N/a	N/a
	Recurring – Clareti total	KPI	£m	**18.8**	11.5	7.3	63%
	Non-recurring			**6.4**	4.0	2.4	60%
	Non-recurring – Electra			**0.3**	—	N/a	N/a
	Non-recurring – Clareti total		£m	**6.7**	4.0	2.7	68%
	Total Clareti revenues	**KPI**	**£m**	**25.5**	15.5	10.0	65%
Other solutions & services	Recurring		£m	**4.6**	3.7	0.9	24%
	Non-recurring		£m	**6.9**	5.6	1.3	23%
	Total		£m	**11.5**	9.3	2.2	23%
Group	**Total**	**KPI**	**£m**	**37.0**	24.8	12.2	49%

Clareti solutions

Clareti recurring revenues increased by 63%, up £7.3m on 2020, this included a contribution of £5.3m from Electra since the acquisition late in June 2021. Excluding the impact of Electra, Clareti recurring revenues increased by 18%, or £2.0m since the prior year. These increases were as a result of new recurring revenue sales, increased consumption of Clareti solutions from our existing customers and a full year's contribution from our 2020 acquisition, Inforalgo.

Clareti non-recurring revenues increased by 68%, up £2.7m on the prior year, with a relatively small services contribution from Electra. Excluding the impact of Electra the increase was 60%. This increase is being driven by new implementations associated with the increase in Clareti recurring revenues, step ups in ongoing client support that was delayed during the 2020 lock-down, and a significant pull through of additional services with key customer ANZ. ANZ are transitioning towards go-live with our new digital banking products and we are building out the ongoing support and managed service capability, part of which will begin being recognised as a recurring revenue.

Financial review continued

Income Statement continued

Revenues continued

Other Solutions and services

Total revenues from Other solutions and services increased by 23% to £11.5m, exceeding our original expectations. This business line includes revenues from: a legacy partner relationship where we act as a reseller of third party software; our sole remaining, own IP, legacy software product; and our contracting services business where we provide fixed margin services at a margin of 13% under twelve-month contractual terms.

Recurring revenues within the Other solutions and services portfolio increased by 24% to £4.6m as a result of increased end-user consumption fees from existing customers of our reseller arrangement. As expected we saw lower revenues from our own-IP software, however, these revenue reductions were more than offset by increases in reselling and contracting revenues, albeit at lower margins. The mix of revenues within the Other solutions and services portfolio continues to evolve, and we continue to manage the portfolio carefully benefitting from good visibility of customer intentions.

Earnings

				2021	2020	Variance	%
Clareti Solutions	Gross margin		£m	**16.6**	14.3	2.3	16%
	Gross margin – Electra		£m	**4.9**	—	N/a	N/a
	Gross margin – Clareti total		£m	**21.5**	14.3	7.2	50%
	Gross margin		%	**83%**	92%	(9%)	N/a
	Gross margin – Electra		%	**88%**	—	N/a	N/a
	Gross margin – Clareti total		%	**84%**	92%	(8%)	N/a
Other solutions and services	Gross margin (*)		£m	**3.7**	3.4	0.3	9%
	Gross margin (*)		%	**32%**	37%	(5%)	N/a
Group	**Gross margin (*)**		**£m**	**25.2**	17.7	7.5	42%
	Gross margin (*)		**%**	**68%**	71%	(3%)	N/a
	Adjusted EBITDA	**KPI**	**£m**	**7.2**	4.5	2.7	60%
	Adjusted EBITDA	**KPI**	**%**	**19%**	18%	1%	N/a
	Cash Adjusted EBITDA	**KPI**	**£m**	**2.5**	0.3	2.2	733%
	Cash Adjusted EBITDA	**KPI**	**%**	**7%**	1%	6%	N/a
	Statutory profit/(loss) after tax		£m	**(1.0)**	1.3	(2.3)	(177%)
	Adjusted diluted EPS	**KPI**	**pence**	**5.02**	3.96	1.06	27%

Gross margin and reporting reclassification (*)

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; (ii) third party contractor costs incurred by our contracting services business; and (iii) in this report we have reclassified fixed-term payrolled employees that provide fixed margin contracting/recruitment services to ANZ from operating expenses to cost of sales as we consider this a better reflection of our gross margin. The 2020 comparative has also been restated, the value of this reclassification in the current year is £2.6m (2020: £3.1m).

The acquisition of Electra has accelerated the growth of our high gross margin Clareti business, which in line with long standing Group strategy, offsets the continued and expected decline in gross margin being generated from the legacy Other solutions and services businesses. At a group level, including the impact of the Electra acquisition, gross margins have reduced slightly from 71% to 68%, this is as a result of an increased usage of contractors throughout all areas of the business.

The gross margin within the existing Clareti business has reduced from 92% to 83%, this is due to an increased use of contractors to assist with project delivery and an increasing proportion of business being hosted in one of our cloud infrastructures. The acquired Electra business is carrying another very high gross margin of 88%. The combination of these is driving a gross margin of 84% for 2021.

As planned and described in the revenue section above, the Other solutions and services business mix has continued to move in balance towards the lower margin software reselling and contracting services business lines from our higher margin legacy owned IP which remains in structural decline.

Adjusted EBITDA

Adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) 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. We also consider this to be consistent with the manner in which similar small-cap LSE (or AIM) listed companies present their results and how we understand the global investment community assesses performance, with this particularly being the case for growth shares in which the recurring cash performance is considered important. However, whilst we consider them consistent and appropriate, this EBITDA measure and the cash adjusted EBITDA measure below are not necessarily directly comparable to other companies as they are not strictly governed IFRS accounting measures, nor should they be considered as a substitute for, or superior to, any IFRS measures.

Group adjusted EBITDA has improved by £2.7m or 60% since the prior year with the margin improving by 1% to 19% in 2021. This is as a result of the existing higher margin Clareti business continuing to grow and beginning to drive improved operational leverage as it scales along with the impact of the Electra acquisition, which offset the continued reducing margin of the Other solutions and services business lines. Whilst we will ensure that we maximise the current market opportunity through appropriate strategic investments, we do expect to continue to see improvements to these margins in future years.

Cash Adjusted EBITDA

Cash adjusted EBITDA, refers to adjusted EBITDA reduced by the value of capitalised development spend and any IFRS16 lease-related cash expenses classified as depreciation and interest. We consider this a good measure of cash profitability for modern SaaS business who continue to invest in product development to ensure they remain market leading.

Group cash adjusted EBITDA has also improved since the prior year, with £2.2m of the £2.7m improvement in adjusted EBITDA (mentioned above) dropping through to improvement cash EBITDA. The £0.5m difference between the improvements in the two EBITDA measures is as a result of capitalised development spend and IFRS-16 lease-related cash expenses in the acquired Electra business. This has resulted in a cash adjusted EBITDA margin of 7%, an improvement of 6% from a margin of 1% in the prior year. Like adjusted EBITDA, we expect to see continued improvements in these margins in future years.

Statutory profit/(loss) after tax and Adjusted diluted EPS

There has been a reduction in statutory profit after tax to a loss of £1.0m from a prior year profit of £1.3m. This reduction of £2.3m is due to the combination of: improved adjusted operating profit of £2.2m as a result of the growth and improved profitability of the Group; offset by; increased exceptional expenses of £1.1m (see below); increased share-based payment charges of £0.2m; increased amortisation on acquired intangibles largely due to the Electra acquisition of £0.8m; and an increased tax charge of £2.4m (see below).

Adjusted diluted EPS has improved by 27% to 5.02 pence per share. Adjusted earnings used in this calculation adjust the statutory result after tax for: exceptional items; amortisation of acquired intangibles, share-based payments and the deferred tax charge in relation to the sale of the IP acquired with Electra from the US to the UK business (see taxation below).

Exceptional items

During the year, the Group recognised exceptional costs of £1.8m, of which: (i) £1.3m were acquisition costs in relation to the acquisition of Electra Information Systems, Inc on 22 June 2021; and (ii) £0.5m related to various integration expenses in relation to the same acquisition. The prior year exceptional costs of £0.4m were in relation to the July 2020 acquisition of Inforalgo and various restructuring costs upon the July 2020 expiry of the earn-out period relating to the acquisition of the B2 Group in July 2018. Offsetting the exceptional costs in the year was exceptional income of £0.3m, which occurred from currency hedging activities taking place to fund the USD denominated Electra acquisition. There was no such exceptional income in the prior year.

Taxation

For the year ended 31 December 2021, the Group has recorded a net tax charge of £1.4m (2020: credit of £1.0m). The material drivers for the variance from the prior year being: an increase in overseas current tax charges of £0.5m as a result of the increased profits from our US and Australian operations as those businesses continue to grow, with US taxes also increasing as a result of the Electra acquisition; a one-off deferred US tax charge of £1.4m has also been incurred in the year as a result of the Group's long-term global tax planning, part of which included the sale of the IP acquired in the Electra acquisition from our US business to our UK business to ensure the UK remains the centralised IP generating entrepreneur within the Group; and the surrender of tax losses in relation to UK R&D activities being £0.3m lower than the prior year which included the surrender of two years worth of qualifying R&D.

Cash flow

The Group's financial position remained very strong throughout 2021, at a headline level the cash balance at the year end of £9.1m remained fairly consistent with that of the prior year end of £8.9m, however there were a number of significant movements beneath the headline balances which are described below. There continues to be no debt in the business, the USD $15m revolving credit facility, put in place at the time of the Electra acquisition as an insurance policy to fund the contingent consideration payments which coincide with the annual low point in cash, has not been drawn upon.

Operating cash flow excluding working capital and exceptional items has increased by £3.0m to £7.5m in the year as a result of the improved cash EBITDA of the Group in existence prior to the Electra acquisition and the cash generative impact of the operations of Electra post acquisition.

Operating cash outflow from exceptional items has increased by £1.4m since the prior year to £1.8m. This increase is one-off in nature with the significant majority being advisory and integration fees in respect of the Electra acquisition.

Cash flow continued

The movement in working capital has increased by £0.7m to £1.3m at the end of the year. The increase in the movement in working capital is as a result of the inclusion of Electra working capital in the Group balance sheet since acquisition which was offset by a reduction relating to the unwinding of an initial three-year prepayment of £3.0m from a £1.0m per annum subscription licence that became non-contingent in March 2019.

Net tax payments of £1.1m were made during the year (2020: net tax receipts of £0.8m). Gross tax payments were made in the year of £1.1m (2020: £0.5m), the increase on the prior year largely as a result of increased profitability in the US and Australia. In the prior year the Group also received gross tax receipts of £1.3m in the year as a result of research and development activities performed during 2018 and 2019 where enhanced relief was available, an equivalent gross tax reclaim was made during 2021 totalling £1.1m, however, this was not received from HMRC until January 2022.

The capitalised development expenditure of £4.2m has increased by £0.7m from the prior year, the vast majority of the increase being in relation to such expenditure within the acquired Electra business.

During the year the Group paid £0.9m of contingent consideration in relation to the July 2020 Inforalgo acquisition, in the prior year the initial consideration of £1.9m was paid. The Group is delighted to report that the contingent consideration payment of £0.9m was paid in full shortly after the first anniversary of the acquisition as the target metrics agreed with the sellers were met in full. Subsequent to the year end, the final contingent consideration payment of £0.4m was also paid in full during February 2022.

The group paid £19.6m (net of cash acquired) of initial consideration during the year to acquire Electra in June 2021. This was funded through the capital raised of £20.2m (net of costs) in June 2021.

The Group received £0.1m upon the exercise of share options during the year (2020: £0.5m).

As was the case in the prior year, with increasing Clareti sales (now including Electra) from the growing annuity base and new customer wins, coupled with carefully selected and controlled 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.

			2021	2020	Variance	%
Opening cash and cash equivalents at 1 January		£m	**8.9**	9.6	(0.7)	(7%)
Operating cash flow excluding exceptional items		£m	**7.2**	4.5	2.7	60%
Operating cash flow from exceptional items		£m	**(1.5)**	(0.4)	(1.1)	(275%)
Total operating cash flow excluding working capital		**£m**	**5.7**	4.1	1.6	39%
Movement in working capital		£m	**1.3**	0.6	0.7	117%
Cash inflow from operations		£m	**7.0**	4.7	2.3	49%
Net tax (payments)/receipts		£m	**(1.1)**	0.8	(1.9)	(239%)
Capital expenditure – development costs		£m	**(4.2)**	(3.5)	(0.7)	19%
Capital expenditure – other		£m	**(0.1)**	(0.1)	—	—
Principal paid on lease liabilities		£m	**(0.6)**	(0.6)	—	—
Inforalgo acquisition (net of cash acquired)		£m	**(0.9)**	(1.9)	1.0	51%
Electra acquisition (net of cash acquired)		£m	**(19.6)**	—	(19.6)	—
Shares issued – Electra acquisition (net of costs)		£m	**20.2**	—	20.2	—
Shares issued – upon option exercises		£m	**0.1**	0.5	(0.4)	(80%)
Dividend		£m	**(0.5)**	(0.5)	—	—
Other		£m	**(0.1)**	(0.1)	—	—
Net increase/(decrease) in cash and cash equivalents		**£m**	**0.2**	(0.7)	0.9	129%
Closing cash and cash equivalents at 31 December	**KPI**	**£m**	**9.1**	8.9	0.2	2%

Consolidated statement of financial position

Intangible fixed assets have increased from £31.1m to £62.3m, largely as a result of the Electra acquisition in June 2021.

Trade receivables increased from £2.5m to £3.8m and accrued income (a contract asset) have increased from £0.4m to £1.2m both of these increases are aligned with the proportioned increase in revenues from the Electra acquisition and associated billing cycles.

Income tax receivable has increased from nil to £1.1m due to a timing difference in the receipt of funds from HMRC in relation to R&D credits, in which the cash from the 2021 claim in relation to 2020 activity was received in January 2022, whereas the cash from the equivalent claim made in 2020, in relation to 2018 and 2019 was received in December 2020.

Called up equity share capital increased by £0.7m to £4.2m and the share premium account increased by £19.6m to £23.9m. These are both as a result of the capital raise in June 2021 that funded the Electra acquisition.

Deferred tax liabilities have increased by £5.5m to £6.8m as a result of £1.4m deferred tax charge in the year on the IP sale from the US to the UK (see tax section), £3.8m deferred tax generated upon the acquisition of intangibles upon the Electra acquisition (net of subsequent amortisation) and £0.4m in relation to the expected increase in future UK tax rates from 19% to 25%.

Non-current contingent consideration has increased by £3.3m to £3.6m and current contingent consideration has increased by £3.0m to £3.9m. Within non-current contingent consideration during the year, £3.6m was generated on the acquisition of Electra, with the second contingent consideration payment of £0.4m in relation to the Inforalgo acquisition moving from non-current to current contingent consideration since the prior year. Within current contingent consideration during the year £3.6m was generated on the acquisition of Electra, the first contingent consideration payment of £0.9m was paid upon targets being met on the first anniversary of the Inforalgo acquisition and the aforementioned £0.4m in relation to the Inforalgo acquisition moved from non-current to current contingent consideration since the prior year.

Trade payables increased from £0.9m to £1.1m, which is largely aligned with the increased size of the combined business subsequent to the Electra acquisition. Other payables have increased from £3.3m to £6.7m as a result of various other payables related to the Electra acquisition, other payables in relation to regular Electra business activity (e.g. sales tax) and an increase in the bonus provision to all employees and executives reflecting the performance against annual targets. Contract liabilities have increased from £11.0m to £12.0m, the increase is as a result of the proportioned increase in revenues from the Electra acquisition and associated billing cycles; offset by to the unwinding of an initial three-year prepayment of £3.0m from a £1.0m per annum subscription licence that became non-contingent in March 2019.

Financial outlook

Management are very pleased with the financial performance for the year, particularly given that the Group entered 2021 with a weaker pipeline than desired as a result of the COVID-19 challenges of 2020. It is a testament to the Group that we achieved a 20% organic growth rate in Clareti ARR, bolstered to 95% including the Electra acquisition. The Group plans to at least maintain this level of organic Clareti ARR growth going forward.

The other (non-Clareti) software portfolio continues to surpass expectations. Parts of the portfolio are in long-term decline and since the general trend is towards the lower margin products and services, we continue to plan for a declining contribution to Group earnings. We expect our contracting services business to remain relatively stable in 2022.

Overall, through continued organic growth and the Electra acquisition we have further increased levels of revenue predictability throughout the Group. In addition to the significantly increased Clareti recurring revenue base, high levels of contracted backlog for Clareti implementation and innovation services are in place, and a high portion of the non-Clareti portfolio is already under contract for 2022. This was the case as we entered 2020 and 2021 and is the case to an even greater degree as we enter 2022. With this in mind, we continue to invest for growth, including the re-investment of cost synergies generated through the scale that the combined Clareti and Electra provides the Group. This net investment will be focussed on distribution, product and customer success, to drive revenue synergies to ensure that we are best placed to take advantage of the significant market opportunities.

Tom Mullan
CHIEF FINANCIAL OFFICER
7 March 2022

The Strategic Report was approved by the Board of Directors on 7 March 2022.

On behalf of the Board.

Ian Manocha	**Tom Mullan**
CHIEF EXECUTIVE	CHIEF FINANCIAL OFFICER
7 March 2022	7 March 2022

Corporate governance

Contents

Chairman's introduction to governance

“

The Board acknowledges its role in leading and overseeing the Group's environmental, social and governance ("ESG") strategy. To this end, the Board commissioned a review of the Group's ESG credentials in 2021 and has formulated a high-level ESG strategy (see page 24), which will be refined and implemented over the coming months and years."

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.

Specifically, the Board acknowledges its role in leading and overseeing the Group's environmental, social and governance ("ESG") strategy. To this end, the Board commissioned a review of the Group's ESG credentials in 2021 and has formulated a high-level ESG strategy (see page 24), which will be refined and implemented over the coming months and years.

The Board's aim is to operate as effectively as possible, in line with the governing principles of the UK Corporate Governance Code. A description of the Group's application of the principles set out therein for 2021 is set out in the Statement of Corporate Governance, and I am pleased to report that the Company has complied with all relevant provisions of the Code in 2021. A Board effectiveness evaluation was carried out in the year with constructive input from all directors and productive outcomes.

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 28), 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. The Board challenges management to ensure appropriate risk mitigation measures are in place and is planning to formalise certain aspects of risk management and reporting in 2022.

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 any necessary COVID-19 precautions.

Peter Simmonds
NON-EXECUTIVE CHAIRMAN
7 March 2022

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 appointed to the Board as a Non-Executive Director in August 2020 and became Non-Executive Chairman in September 2020. 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 since 2015 and, until January 2022, of Cloudcall plc. Peter is FCCA qualified and has more than 40 years of senior management and board-level experience, principally in software, banking, insurance, finance and outsourcing. Peter is an advocate of high standards of corporate governance, and has been deputy chair of the Quoted Companies Alliance since 2019.

Committee membership

N R

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.

Committee membership

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

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 a 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

He 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

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 Panel and a partner at Gauss Ventures, as well as holding non-executive director positions at Permanent TSB (Ireland) and Digital Identity Net. 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 Group.

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.

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.

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 restrictions, shareholders were requested not to attend the 2021 AGM. Subject to COVID-19 precautions, the Chairman will aim to ensure that all members of the Board will be available at the forthcoming AGM, whether it is operated as an in-person or electronic meeting.

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 2021.

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 on pages 38 to 39. 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 43.

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
P Simmonds	12/12	—	5/5	1/1
A Balchin	11/12	3/3	4/5	1/1
J Knott	12/12	3/3	5/5	1/1
R Wandhöfer	12/12	3/3	—	1/1
I Manocha	12/12	—	—	—
T Mullan	12/12	—	—	—

Composition, succession and evaluation

Nomination committee

A report from the chair of the nomination committee is set out on page 46.

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 Board has undertaken a formal review encompassing the performance of the Board as a whole, its committees and each Director. In performing these reviews, criteria that are taken into account include the ability of the Director to take the perspective of creating shareholder value; to contribute to the development of strategy and identification of risks; to provide clarity of direction to management; to be a source of wise counsel; to bring a broad perspective to discussions and an understanding of key issues; to commit the time required to fulfil the role; and to listen to and respect the ideas of others Directors and management. This review included a Board effectiveness survey, with responses collected anonymously by the Company Secretary and compared against the results of the previous Board effectiveness survey.

The Chairman has formally reviewed the performance of the Non-Executive Directors and satisfied himself that they remain committed to the role and their performance continues to be effective. Mr A Balchin has evaluated the performance of the Chairman taking into account the views of other Directors and is satisfied that he remains committed to the role and his performance continues to be effective.

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.

Statement of corporate governance continued

Audit, risk and internal control

Audit committee

A report from the chair of the audit committee is set out on page 43.

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 59.

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 28.

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 56.

Viability statement

The Directors confirm that they have assessed the prospects of the Group over a three-year period commencing 1 January 2022 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, with Clareti software 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 28 on the Group's business model, future performance, solvency or liquidity, taking account of severe but reasonable scenarios and the effectiveness of any mitigating actions, and have performed stress test 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 47.

Audit committee members and attendance

Member	Meetings
Andy Balchin (committee chair)	3/3
Jenny Knott	3/3
Ruth Wandhöfer	3/3

Dear shareholder

As chair of the audit committee, I am pleased to present the committee's report for the year ended 31 December 2021. 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 consists of me, as chair, Ms J Knott and Ms R Wandhöfer as members.

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 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.

In the year, the committee specifically considered and challenged management on the impact and potential risks associated with the financing, acquisition and integration of Electra Information Systems, Inc., ensuring a robust approach to the related processes, including due diligence, risk management, internal controls and financial reporting. This included paying significant attention to KPIs and segmental reporting including alternative performance measures of the enlarged Group, ensuring that reporting was reflective of the continued weighting of Group towards that of a subscription software business.

The committee has continued to pay 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 10 and 28. 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 2022, as well as the impact of the geopolitical and economic instability caused by the deplorable actions of the Russian and Belarusian leadership in Ukraine.

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;
- challenging and monitoring the appropriateness, relevance and integrity the Group's alternative performance measures (APMs), including their selection, measurement and presentation;
- reviewing and assessing the process which management has put in place to support the Board when giving its assurance that the Annual Financial Report 2021, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy;
- reviewing the Group's internal financial controls and reviewing the Group's internal control and risk management systems;
- reviewing the Group's speak-up (whistle-blowing) arrangements;
- reviewing the need for a separate internal audit function;
- making recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- ensuring an appropriate relationship with the external auditor to include the reviewing and monitoring of its independence and objectivity, and the effectiveness of the audit process, based on a sound plan to ensure it delivers a high-quality effective audit;
- developing and implementing policy on engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- reporting to the Board, identifying any matters for which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

Audit committee report continued

Significant judgements in relation to financial statements

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

Significant issue and explanation	Work undertaken by the committee in forming an opinion
Capitalised development costs Development costs are accounted for in accordance with IAS 38 "Intangible Assets", and costs that meet the qualifying criteria are capitalised and systematically amortised over the useful economic life of the intangible asset. Determining whether development costs qualify for capitalisation as intangible assets requires judgement, including estimates of the technical and commercial viability of the asset created and its applicable useful economic life. These estimates are continually reviewed and updated by management based on past experience and reviews of competitor products available in the market.	The committee has reviewed reports from management identifying the development costs capitalised, the technical and commercial feasibility of the product being produced and whether further costs continue to fulfil the required IAS 38 criteria. The committee's review encompasses direct discussion with executive and operational management, in addition to reviewing monthly formal reporting to the Board on development and associated sales and implementation activity. The treatment of development costs is an area of focus for the external auditor, which reported its findings to us. We concluded that management's key assumptions, judgements, estimates and disclosures were reasonable and appropriate.
Revenue and profit recognition Revenue and the associated profit are recognised from sale of software licences, rendering of services, subscriptions and maintenance and solution sales. Whilst in most cases performance obligations clearly follow the commercial and contractual arrangement agreed with the customer, in some cases the revenue streams are combined within an overall commercial arrangement. Such bundling requires judgement to assess performance obligations associated with each revenue stream and further judgement as to when and how such performance obligations have been discharged in order to recognise the associated revenue. The estimation of the stage of completion, along with the unbundling of multi-element solution sales, represents a risk of incorrect revenue recognition.	The committee has reviewed management's descriptions and status reports on material new deals and on project work-in-progress through the year, both through direct discussion and formal month-end reporting to the Board. The committee has furthermore considered management's assessments made on percentage of completion of material work-in-progress, and other judgements such as bundling or unbundling of revenue streams, and the resulting impact on revenue and profit recognition. Revenue recognition is an area of focus for the external auditor, which reported its findings to us. We considered whether the accounting treatment for revenue and profit recognition was in accordance with agreed methodology, 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 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.
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.	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.

As reported last year, BDO LLP was reappointed as the Company's auditor in 2020, notwithstanding its previous ten-year tenure, and remains the Company's auditor for the current year. Refer to last year's report and the Independent Auditor's Report on page 60 for further information.

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[1] (2020: nil).

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

Andy Balchin
CHAIR OF THE AUDIT COMMITTEE
7 March 2022

(1) This excludes fees for the historical financial audit carried out by BDO LLP in connection with the acquisition of Electra Information Systems Inc, which are exempt.

Nomination committee report

Nomination committee members and attendance

Member	Meetings
Peter Simmonds (committee chair)	1/1
Andy Balchin	1/1
Jenny Knott	1/1
Ruth Wandhöfer	1/1

Dear shareholder

I am pleased to present the report of the nomination committee for the year ended 31 December 2021.

As Chairman of the Board, I also chair the nomination committee. All of the other Non-Executive Directors are also members of the committee. Following the Board transitions in 2020, there were no changes to the Board and this gave the committee the opportunity to focus on other priorities such as succession planning and diversity and inclusion.

Regarding 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.

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. See page 26 for gender balance data across the Group.

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
7 March 2022

Remuneration committee members and attendance

Member	Meetings
Jenny Knott (committee chair)	5/5
Andy Balchin	4/5
Peter Simmonds	5/5

Dear shareholder

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2021.

The remuneration committee has met several times during the financial year to formally oversee the compensation matters for the Company. The committee consists of me, as chair, and Mr P Simmonds and Mr A Balchin as members. All of these meetings were attended, at the committee's invitation, by the Executive Directors, except that they were not present in any discussions affecting their own remuneration.

For 2021, the committee has continued to operate a remuneration structure made up of basic salary, performance-related bonuses, share options, benefits and pensions. 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:

- implemented a one-off "acquisition success" bonus in relation to the acquisition of Electra. The committee recommended that this be awarded in stages; the first award made is to reflect the long lead-time of significant effort invested over many years to deliver the transaction and to successfully secure the strong financial performance of the acquired business in the critical first six months of ownership; the second, and smaller component, is to carry forward into financial year 2022 to ensure certain success criteria are achieved relating to the retention and integration of clients, staff and technology. Details of this "acquisition success" bonus in relation to 2021, and how it was calculated, are set out in the following pages;
- assessed that Chief Executive and Chief Financial Officer basic pay should increase by 1.25% for the year commencing 1 April 2021;
- determined the performance measures and targets for variable pay awards under the Annual Bonus Scheme in respect of 2021;
- determined the performance measures and targets for calculation of matching awards under the LTIP in respect of the three financial years 2021 – 2023;
- assessed the performance of Executive Directors for 2021 against the determined targets (which excluded the acquisition of Electra) under the Annual Bonus Scheme. Details of performance-related pay awards in respect of 2021 and how they were calculated are set out in the following pages; and
- reviewed and approved the grant of inaugural awards under the ten-year Performance Share Plan ("PSP") which we introduced in December 2020 to replace the expiring 2010 discretionary Share Option Plan 2010. Awards made in 2021 under the PSP, and how they were calculated, are set out in the following pages.

As regards salary reviews in 2022, the extraordinary circumstances in today's inflationary market mean that we have adjusted our approach to optimise retention and fairness across roles and geographies. Previously, the system has seen individuals receive a percentage of salary increase with the reward weighted by their individual performance rating. However, in 2022, employees will receive a cost-of-living rise as a fixed amount, plus a performance-related increment as a percentage of salary. This ensures that junior and lower earning members of the Group receive proportionately greater rises than our top earners. Applying this approach, the committee has assessed that Chief Executive and Chief Financial Officer basic pay should increase by 0.7% and 1.2% respectively, effective 1 April 2022. The average rise across the global population is expected to be 5%.

In addition, the committee has determined performance measures and targets for variable pay awards under the Annual Bonus Scheme for 2022 and under the LTIP in respect of the three financial years 2022 – 2024, 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
7 March 2022

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 2019, the provisions of the UK Corporate Governance Code (2018) 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 2021 and how the Company intends for the remuneration policy to apply for the year ended 31 December 2022. The Directors' Remuneration Report will be put to an advisory shareholder vote at the forthcoming AGM.

Directors' remuneration policy

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 2022 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.

Link to strategy	Operation	Framework
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 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 committee determines the relevant performance targets at the start of each financial year. The committee also determines the annual bonus split between cash and shares, which by default is 50:50. Targets are set predominantly (at least 75%) in relation to financial measures, with the balance based on non-financial objectives. The annual bonus for performance significantly ahead of target is up to 100% of base salary. On-target performance will result in an annual bonus of 50% of base salary. Performance below a threshold set by the committee will result in no bonus being paid. The committee has final discretion in determining the value of the bonus payment (and, where the committee deems it appropriate in the circumstances, to adjust the mix between cash and deferred shares), based on its assessment of performance against the set targets and as a whole. Payments and awards are subject to malus and clawback. The maximum annual bonus payable in respect of a year is 100% of base salary.
Long-Term Share Incentive Plan		
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.

Directors' remuneration policy 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

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.

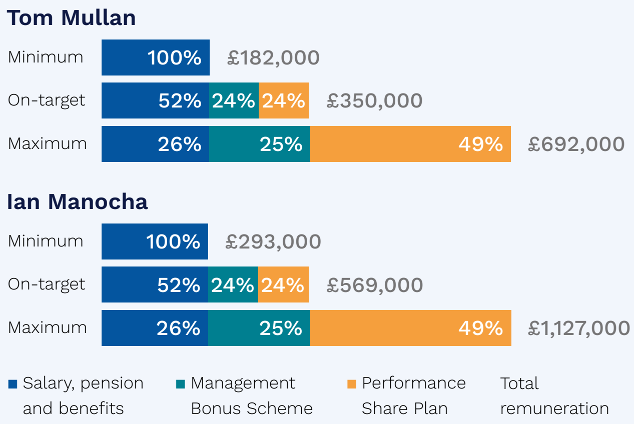
Remuneration scenarios

The following graphs set out an illustration of Executive Director pay for 2022. The potential reward opportunities for 2022 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 2022 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.

Executive proposed 2022 remuneration



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 motive 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 2021

Mr I Manocha and Mr T Mullan received a base salary increase of 1.25% in 2021. The average increase across Group employees in 2021 was 2%. There is no link between base salary and the Company's share price.

Variable pay in 2021

The variable element of Director pay in 2021 comprises a performance-based bonus under the Annual Bonus Scheme, an equity award under the Long-Term Share Incentive Plan and an equity award under the Performance Share Plan. In addition, Directors holding share options under the now-expired Share Option Plan 2010 (see page 54 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).

Directors' remuneration report continued

Variable pay in 2021 continued

Performance-based bonus under the Annual Bonus Scheme

The annual bonus awards in respect of 2021 for Executive Directors are set out in the table below. These awards have been initially assessed by the committee by reference to predetermined annual performance targets linked to Group objectives and individual performance objectives.

Measure	Weighting	Attainment (CEO)	Attainment (CFO)
Clareti ARR	30%	94%	94%
Group revenue	15%	110%	110%
Clareti cash EBITDA	15%	105%	105%
Group adjusted EBITDA	15%	118%	118%
Personal objectives	25%	84%	86%
Bonus Outcome (% of base)		**49.6**	**49.8**
Bonus Payment (£)		**135,057**	**83,173**

One-off discretionary bonus relating to the Electra acquisition

In light of the successful and highly strategic acquisition of Electra in the year, the remuneration committee considered that it was appropriate to exceptionally award a one-off bonus to Executive Directors and a small number of other senior employees of the Company who were instrumental to the success of the acquisition (and the associated fundraise) and financial performance in the period from acquisition until year end. In making this determination, the committee recognised the importance of exercising pay restraint whilst also providing fair reward for the exceptional progress towards strategic and financial goals delivered by the acquisition. Details of the one-off discretionary bonus in 2021 to Executive Directors are set out in the table below.

Measure	CEO £	CFO £
Electra acquisition and fundraise	100,000	25,000
Electra FY21 financial performance	30,000	28,000
Total	**130,000**	**53,000**

In 2022, the remuneration committee intends to award an exceptional bonus to Executive Directors and a small number of other employees based on and subject to successful achievement of certain key integration deliverables. Details of any such awards in 2022 to Executive Directors will be disclosed in next year's report.

Equity awards under the Long-Term Share Incentive Plan

Awards were made under the Long-Term Share Incentive Plan in 2021 in respect of performance in financial year 2020, details of which are set out on page 53. Awards were granted in accordance with the rules of the plan and the remuneration policy.

Equity awards under the Performance Share Plan

Awards were made under Performance Share Plan in 2021. These were the first awards under this plan, which was adopted by shareholders in December 2020. Details of the awards are set out on page 53. Awards were granted in accordance with the rules of the plan and the remuneration policy.

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 2021 and 2020:

31 December 2021	Base salary/fees £	Benefits in kind £	Performance-related cash bonus £	Discretionary bonus relating to acquisition £	Pension £	IFRS 2 share-based payment charge £	Performance-related share bonus £	Total 2021 £
Executive Directors								
I Manocha	271,717	1,887	67,529	130,000	13,574	64,813	67,528	617,048
T Mullan	166,595	3,103	41,587	53,000	8,317	51,367	41,586	365,555
Non-Executive Directors								
P Simmonds	80,000	—	—	—	—	—	—	
A Balchin	45,000	—	—	—	—	—	—	80,000
J Knott	45,000	—	—	—	—	—	—	45,000
R Wandhöfer	40,000	—	—	—	—	—	—	45,000
	648,312	4,990	109,116	183,000[1]	21,891	116,180	109,114	1,192,603

(1) Paid 100% in cash bonus.

(2) Included within total remuneration are fixed payments of £675,193 and variable payments of £517,410.

31 December 2020	Base salary/fees £	Benefits in kind £	Performance-related bonus £	Discretionary bonus relating to acquisition £	Pension £	IFRS 2 share-based payment charge £	Performance-related share bonus £	Total 2020 £
Executive Directors								
I Manocha	267,114	2,327	55,899	—	13,350	25,789	55,898	420,377
T Mullan	163,850	2,840	34,226	—	8,180	42,506	34,226	285,828
Non-Executive Directors								
P Simmonds (appointed 1 Aug 2020)	33,333	—	—	—	—	—	—	33,333
A Balchin	41,102	—	—	—	—	—	—	41,102
J Knott (appointed 12 Oct 2020)	10,096	—	—	—	—	—	—	10,096
R Wandhöfer (appointed 12 Oct 2020)	8,974	—	—	—	—	—	—	8,974
K Archer (resigned 30 Sept 2020)	60,000	—	—	—	—	—	—	60,000
I Joss (resigned 31 Oct 2020)	33,333	—	—	—	—	—	—	33,333
	617,802	5,167	90,125	—	21,530	68,295	90,124	893,043

(1) Included within total remuneration are fixed payments of £644,499 and variable payments of £248,544.

IFRS 2 share-based payment charges referred to in the table above are accounting charges that are calculated in accordance with applicable accounting rules as set out in note 23 of the Group financial statements. These charges do not represent cash payments. Benefits in kind include provision of private healthcare and death-in-service insurance.

Interests in options and conditional share awards (audited information)

The Group operated the Long-Term Share Incentive Plan and the Performance Share Plan (as shown in the remuneration policy) during the year, as well as the Share Option Plan 2010 (which is closed for new awards). 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 23 of the Group financial statements.

Long-Term Share Incentive Plan

The following table sets out the outstanding awards to Directors pursuant to the Long-Term Share Incentive Plan. Vesting is subject to performance and retention conditions in accordance with the rules of the plan. No awards are made to Non-Executive Directors.

	Awards at 1 January 2021	Granted	Cancelled	Exercised	**Awards at 31 December 2021**	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
I Manocha(1) (2)	—	137,937	—	—	**137,937**	31.03.21	nil	31.03.24	31.03.31
T Mullan(1) (2)	67,532	—	—	—	**67,532**	20.03.20	nil	20.03.23	20.03.30
T Mullan(1) (2)	—	84,456	—	—	**84,456**	31.03.21	nil	31.03.24	31.03.31
	171,540	222,393	—	—	**393,933**				

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

(2) Yet to vest.

Performance Share Plan 2020

The following table sets out the number of outstanding awards granted to Directors pursuant to the Performance Share Plan 2020. Vesting is subject to performance conditions in accordance with the rules of the plan. There are no outstanding awards to Non-Executive Directors.

	Awards at 1 January 2021	Granted	Cancelled	Exercised	**Awards at 31 December 2021**	Date of grant	Exercise price	Date first exercisable	Expiry date
Executive Directors									
I Manocha(1) (2) (3)	—	203,000	—	—	**203,000**	21.10.21	nil	21.10.24	21.10.31
T Mullan(1) (3)	—	75,000	—	—	**75,000**	21.10.21	nil	21.10.24	21.10.31
	—	278,000	—	—	**278,000**				

(1) Awards over which the Director has agreed to pay any employer's National Insurance arising upon vesting.

(2) The share award includes a base award of 135,000 shares and an additional potential award of up to 68,000 shares in the event of exceptional performance.

(3) Yet to vest.

Directors' remuneration report continued

Interests in options and conditional share awards (audited information) continued

Share Option Plan 2010

The following table sets out the number of outstanding options granted to Directors pursuant to the Share Option Plan 2010. Vesting is subject to performance conditions in accordance with the rules of the plan. There are no outstanding awards to Non-Executive Directors.

	Options at 1 January 2021	Granted	Cancelled	Exercised	**Options at 31 December 2021**	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) (2)	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
	1,800,000	—	—	—	**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.

Payments for loss of office (audited information)

No payments for loss of office were made during the year ended 31 December 2021 (2020: £nil).

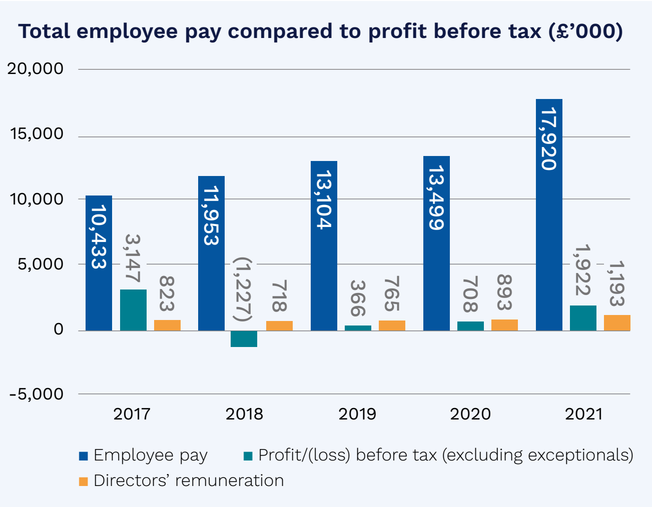
Percentage change in CEO remuneration

The table below sets out the increase in the total remuneration of the CEO and our staff (excluding promotions where relevant) in 2021. 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 2021)	2021 bonus payment (% of base salary)
CEO (I Manocha)	1.25%	97.5%
All staff	2%	10%

Relative importance of spend on pay

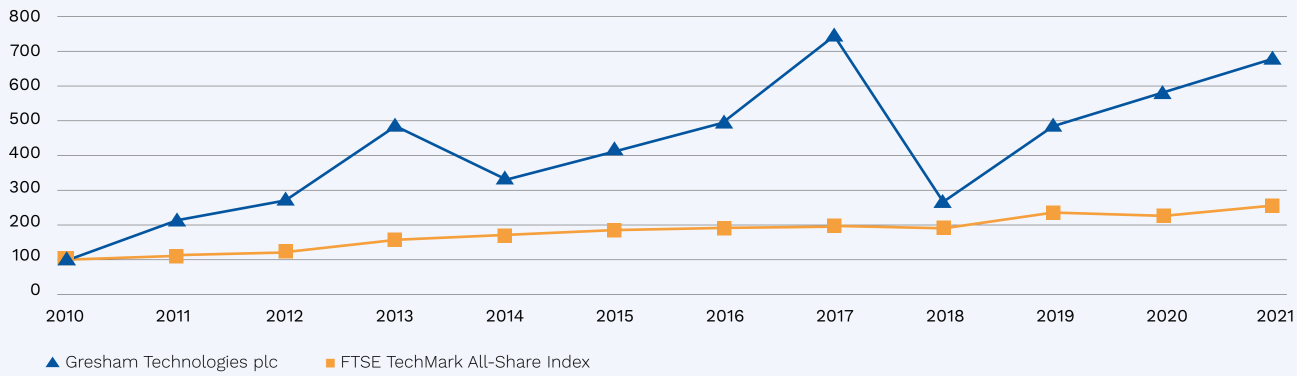
The chart below shows the total Directors' remuneration compared to total employee pay cost and profit before tax (for continuing operations and before exceptional items but including distributions) for the five years ended 31 December 2021. There were no share buy backs in the year.



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.

Total shareholder return including dividend reinvestment (£)

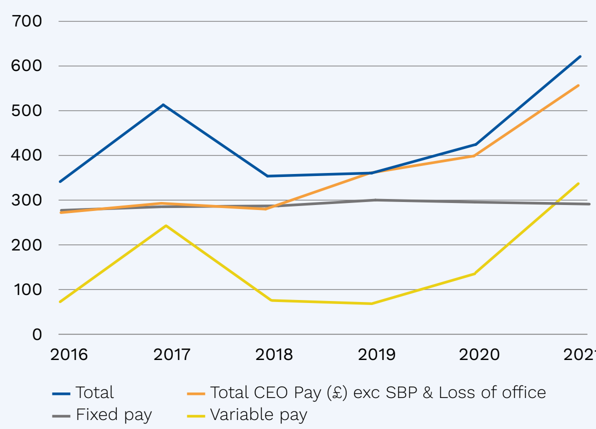


This graph shows the value, by the end of 2021, of £100 invested in Gresham Technologies plc on 31 December 2010 compared with the value of £100 invested in the FTSE TechMark All-Share Index. The other points are values at intervening financial year ends.

Change in CEO pay

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

Total CEO pay (£'000)



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

	2016	2017	2018	2019	2020	**2021**
I Manocha						
Base salary	250,000	254,000	259,840	261,245	267,114	**271,717**
Benefits in kind	1,983	1,491	2,882	2,223	2,327	**1,887**
Bonus	—	20,400	—	59,806	111,797	**265,057**
Pension	12,500	12,765	12,980	33,056	13,350	**13,574**
IFRS 2 share-based payment charges	75,441	220,233	73,744	—	25,789	**64,813**
Total	339,924	508,889	349,446	356,330	420,377	**617,048**

Service contracts

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

Each of the Non-Executive Directors has a letter of appointment. Appointments are for three-year terms, which may be renewed by mutual agreement, subject always to termination by either party at any time on three months' notice.

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

Remuneration resolutions at the last AGM

At the last AGM, held on 10 May 2021, the following resolution was moved:

Resolution	For[1]	Against	Withheld
Remuneration Report	95.26%	4.74%	0.00%

(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 continued to engage Grant Thornton on the implementation of the new Performance Share Plan 2020 with total fees paid in the year of £7,000 (2020: £24,000).

Jenny Knott
CHAIR OF THE REMUNERATION COMMITTEE
7 March 2022

Directors' report

Registered number 01072032

The Directors present their report and the Group financial statements for the year ended 31 December 2021.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out within the Strategic Report. Disclosures in respect of principal risks and uncertainties, people (including employees and disabled employees), global greenhouse gas emissions and product development (incorporating research and development activities) are included within the Strategic Report under section 414(c) of the Companies Act 2006. In addition, note 21 to the financial statements includes: the Group's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and, if any, hedging activities; and its exposures to credit risk and liquidity risk. The Statement of Corporate Governance beginning on page 40 forms part of the Directors' Report.

Directors and officers

The Directors who served on the Board during the year are set out on pages 38 to 39. Mr J Cathie served as Company Secretary throughout the year.

Results and dividends

The Group's loss for the year, after taxation, attributable to equity shareholders amounted to £1,012,000 (2020: profit £1,261,000). A final dividend of 0.75 pence per ordinary share (2020: 0.75 pence) has been recommended by the Directors. There has been no interim dividend (2020: £nil).

If approved by the passing of a resolution at the forthcoming Annual General Meeting, it is intended to pay the final dividend on 19 May 2022 to all shareholders on the register at close of business on 22 April 2022. The ex-dividend date will be 21 April 2022.

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 2021.

Refer to page 42 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 28 to the financial statements.

Significant relationships

In 2021, 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 2021. In the opinion of the Directors, the Group does not have any other individually significant relationships.

Fostering relationships with stakeholders

Refer to page 22 for details of the Company's engagement with stakeholders.

Directors and their interests

The Directors at 31 December 2021 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 Dec 2021	1 Jan 2021
P Simmonds	**92,500**	30,000
A Balchin	**17,608**	8,233
J Knott	**31,250**	—
R Wandhöfer	**19,653**	13,403
I Manocha	**113,034**	88,685
T Mullan	**34,063**	19,826

There have been no further changes in the Directors' interests disclosed above from 31 December 2021 to 4 March 2022.

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 25 February 2022:

	Ordinary shares of 5 pence each	Percentage held (%)
Kestrel Investment Partners	16,084,580	19.29
Tellworth Investments	8,305,526	9.96
Canaccord Genuity Wealth Management	7,528,288	9.03
Schroder Investment Management	7,098,000	8.51
JO Hambro Capital Management	5,593,250	6.71
Amati Global Investors	4,512,500	5.41
Herald Investment Management	3,471,274	4.16
Mrs M A Green	3,073,290	3.69
Jupiter Asset Management	3,036,000	3.64
EFG Harris Allday	2,578,005	3.09

Political donations

No donations were made in 2021 or 2020.

Social and community

No social or community review has been performed for 2021 or 2020.

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 £1,389,407 representing one-third of the issued ordinary share capital as at 4 March 2022 and to allot and grant rights over shares for cash up to a maximum nominal amount of £208,411, representing 5% of the issued ordinary share capital as at 4 March 2022, 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 8,336,446 ordinary shares which represents 10% of the issued ordinary share capital of the Company as at 4 March 2022; 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 2021, the Company's issued share capital comprised:

	Number	Nominal value £	% of total share capital
Ordinary shares of 5 pence each	83,364,458	4,168,223	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 2021, certain share options granted under the Share Option Scheme 2010 were exercised and as a result the Company issued 83,000 ordinary shares (2020: 1,900,000), such shares ranking pari passu with ordinary shares then in issue.

In June 2021, the Company issued 13,125,000 ordinary shares at a price of 160 pence (ranking pari passu with existing shares in issue) in connection with the acquisition of Electra.

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 56. Major interests (being those greater than 3%) of which the Company has been notified are shown on page 56.

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 23 to the Group financial statements.

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

Power of Directors to issue or buy back shares

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

Directors' report continued

Registered number 01072032

Information to be included in the Annual Financial Report 2021

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 2021:

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 99
(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 56
(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 38 to 39. 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
7 March 2022

Statement of Directors' responsibilities

Directors' responsibilities

The Directors are responsible for preparing the Annual Financial Report 2021 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 2021, 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 2021 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 2021 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
7 March 2022

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gresham Technologies Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 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 Cashflow, notes to the Consolidated financial statements, the Company Balance Sheet, the Company Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 3 to the Group financial statements, the Group in addition to complying with its legal obligation to apply UK adopted international accounting standards, 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 2021 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, we were reappointed by the directors on 14 December 2021 to audit the financial statements for the year ending 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 12 years, covering the years ending 31 December 2010 to 31 December 2021. 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:

- assessed 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. Our work included stress testing the revenue growth assumptions downwards within the Groups forecasts, and concluded that such assumptions were remote;
- reviewing the Directors' plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances;
- assessing the appropriateness of the Directors' stress-testing of the forecasts to the extent of reasonable worst-case scenarios comparing to our own sensitivity analysis performed also considering the likelihood of these scenarios occurring; and
- reviewing the adequacy and appropriateness of disclosures in the financial statements relative to the going concern assessment.

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 Group and the Parent Company'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	100% (2020: 100%) of Group revenue 84% (2020: 84%) of Group total assets		
Key audit matters		2021	2020
	Development Costs	✓	✓
	Goodwill and intangible asset impairment risk	✓	✓
	Revenue recognition	✓	✓
	Acquisition of Electra Information Systems Inc	✓	X
	Acquisition of Inforalgo Information Technology Limited*	X	✓
	* The Acquisition of Inforalgo Information Technology Limited was a once off event occurring in the prior year and therefore no longer a key audit matter.		
Materiality	Group financial statements as a whole £277,000 (2020: £180,000) based on 0.75% (2020: 0.75%) of revenue.		

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.

The Group engagement team performed full scope audits of the significant components in the UK, comprising 52% of group revenue and 90% of group total assets. The audit of the Asia Pacific region significant component, comprising 48% of group revenue and 10% of group total assets, was performed by a BDO member firm in Australia.

In respect of insignificant components, the Group engagement team carried out specific procedures in respect of the revenue and profit recognition key audit matter as noted in the key audit matters section of this report.

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

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 Refer the accounting policies on page 72, and significant estimates and judgements on page 71. During the year, developments costs of £4,105k (2020: £3,561k) have been capitalised. Development costs are recognised as an intangible asset if specific capitalisation criteria as set out in the applicable accounting standards have been met. Judgement is required in determining whether the capitalisation criteria has been met and the allocation of the development costs to particular Clareti Control and Clareti Connect products. There is also a risk that development costs 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 the applicable accounting standards. 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 applicable accounting standard, had been met and that the costs were not maintenance by nature. 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 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; checked that the enhancements did not supersede existing development costs; and determined whether such enhancements met each of the five criteria for capitalisation under the applicable accounting standard. This included discussions with the Group's software developers to understand the roadmap for software products to which the development costs relate, and specifically where enhancements were made to existing products. In respect of enhancements to established software, we assessed the nature of the new releases - and resultant sales opportunities - to determine 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	How the scope of our audit addressed the key audit matter
Goodwill and intangible asset impairment risk As detailed in the accounting policies on page 72, and significant estimates and judgements on page 71. Goodwill, capitalised costs during development and other intangible assets 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. There is considered to be a significant risk due to the level of judgement involved relating to forecasted growth of annual recurring revenues and associated margins, the opportunity for management bias within the impairment model assumptions and impairment indicators for particular intangible assets not being identified.	We performed a review of the Group's goodwill, development costs and other intangible assets and examined for indicators of impairment. We assessed the impairment reviews prepared by management, specifically the integrity of management's value-in-use model and, with the assistance of our internal valuation experts, we challenged the key inputs - being forecast growth rates, operating cash flows and the discount rate. Our procedures for the review of operating cash flows and forecast growth rates included, comparing the forecast to recent financial performance and budgets approved by the Board. We also ensured the forecasts were consistent with those used in the Group's going concern assumptions. We used market data to independently calculate a discount rate and compared to that used by management. We also performed a sensitivity analysis on the key valuation inputs. **Key observations** Based on the procedures performed, we did not identify any matters to indicate that the judgement made by management in their impairment assessment was inappropriate.
Revenue recognition As detailed in the accounting policies on page 72. 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 therefore presents a revenue recognition existence risk. In line with the requirements of applicable accounting standards Management continue to exercise judgement in determining whether performance obligations of solution sales, such as software licences and support and maintenance contracts, are considered distinct; the level of consideration to be allocated to the performance obligations based on standalone selling prices; and whether the revenue in respect of the performance obligations is recognised at a point in time or overtime. 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.	We reviewed the revenue recognition principles applied to significant new contracts written and performed during the year and ensured that the revenue recognition policies were in accordance with the applicable accounting standards and the Group's 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 the unbundling judgement through benchmarking with reference to historic contracts executed by the Group and external sources in relation to the sector. For the licence revenue 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 with the licence fee being recognised up front on installation. For the licence element 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. For fixed price service contracts, we assessed managements judgement applied in determining the estimated hours, stage of completion and projected project losses to underlying contracts, statement of works and time costs. **Key observations** Based on the work performed, we consider that revenue has been recognised appropriately and in accordance with the applicable accounting standards and the Group's revenue recognition accounting policy.

Key audit matters continued

Key audit matter	How the scope of our audit addressed the key audit matter
Acquisition of Electra Information Systems Inc Refer to note 24 to the financial statements on page 102, and significant estimates and judgements on page 71. As detailed in note 24 of the Annual Financial Report, the Group undertook an acquisition during the financial year. The acquisition resulted in the recognition of intangible assets at fair value of £16.8m and goodwill of £14.3m. 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 expert was commissioned by Management to assist with the purchase price allocation. 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.	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. Our procedures on the forecasts included agreeing to pipeline, new contract wins post year end and post year end trading activity. We ensured that the acquisition accounting exercise had been carried out in accordance with the applicable accounting standards, and reviewed and substantially audited Management's workings relating to the estimates in respect of the fair value of the assets and liabilities acquired to supporting third party evidence, were applicable. We also assessed the competence, capability, independence and objectivity of the Management's expert who performed the purchase price allocation exercise. 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 experts who reviewed the mechanics and methodology inherent in the model, which include ensuring the sensitivities within were appropriate. 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 Electra Information Systems Inc, 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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Materiality	277	180	150	105
Basis for determining materiality	0.75% of revenue		56% of Group materiality	58% of 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 lower levels of profitability in the current environment and revenues being an increasing basis of business valuation in the sector.		Capped at 56% (2020: 58%) of Group materiality given the assessment of the components aggregation risk.	
Basis for determining performance materiality	On the basis of our risk assessment, together with our assessment of the Group and Parent Company's control environment and a history of minimal errors, our judgement is that performance materiality for the financial statements should be 65%.			

FINANCIAL STATEMENTS

Independent auditor's report continued

Our application of materiality continued

	Group financial statements		Parent Company financial statements	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Performance materiality	180	117	97.5	68

Component materiality

We set materiality for each component of the Group based on a percentage of between 30% 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 £83,100 to £207,750. 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 £5,540 (2020: £3,600). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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 Code 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 the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 56. ▪ The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate as set out on page 56.
Other Code provisions	▪ Directors' statement on fair, balanced and understandable as set out on page 59. ▪ Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 28. ▪ The section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 45. ▪ The section describing the work of the audit committee as set out on page 43.

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.
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.

Other Companies Act 2006 reporting continued

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.

Based on our understanding of the Group and sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations relate to The Corporate Governance Code, Corporate and VAT legislation, Employment Taxes and Health and Safety, and the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations which have a direct impact on the preparation of the financial statements such as the Companies Act 2006 and the applicable accounting frameworks.

As a result of performing the above we identified the principal risks were related to bias in accounting estimates, with the most significant considered to relate to revenue recognition and capitalisation of development costs. The Group audit engagement team shared this risk assessment with the component auditors to ensure that appropriate audit procedures were applied in response to these risks. Our procedures 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;
- ensuring all audit team and component team members were cognizant of relevant laws and regulations through engagement discussions and the issuing of specific audit instructions;
- obtaining and understanding 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
- testing journal entries made to accounts that are considered to carry a greater risk of fraud as part of our planned audit approach by agreeing to supporting documentation.

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
7 March 2022

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

Consolidated income statement

	Notes	Year ended 31 December 2021 £'000	As restated Year ended 31 December 2020 £'000
Revenue	4,5	**37,026**	24,752
Cost of sales		**(11,799)**	(7,003)
Gross profit		**25,227**	17,749
Adjusted administrative expenses		**(21,146)**	(15,911)
Adjusted operating profit		**4,081**	1,838
Adjusting administrative items:			
Exceptional costs	5	**(1,821)**	(400)
Exceptional income	5	**330**	—
Amortisation on acquired intangibles	14	**(1,673)**	(893)
Share-based payments	23	**(369)**	(220)
		(3,533)	(1,513)
Total administrative expenses		**(24,679)**	(17,424)
Operating profit	5,6	**548**	325
Finance revenue	4,9	**4**	37
Finance costs	9	**(121)**	(54)
Profit before taxation		**431**	308
Taxation	10	**(1,443)**	953
(Loss)/profit after taxation attributable to the equity holders of the Parent		**(1,012)**	1,261
Earnings per share			
Statutory		**pence**	pence
Basic earnings per share	11	**(1.31)**	1.84
Diluted earnings per share	11	**(1.31)**	1.80
Adjusted			
Basic earnings per share	11	**5.08**	4.04
Diluted earnings per share	11	**5.02**	3.96

Consolidated statement of comprehensive income

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
(Loss)/profit after taxation attributable to the equity holders of the Parent	**(1,012)**	1,261
Other comprehensive expenses		
Items that will or may be re-classified into profit or loss:		
Exchange differences on translating foreign operations	**(184)**	(113)
Total other comprehensive expenses	**(184)**	(113)
Total comprehensive (expense)/income for the year	**(1,196)**	1,148

Consolidated statement of financial position

	Notes	At 31 December 2021 £'000	At 31 December 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	**218**	243
Right-of-use assets	16	**1,466**	1,646
Intangible assets	14	**62,267**	31,108
Deferred tax assets	10	**232**	552
		64,183	33,549
Current assets			
Trade and other receivables	18	**5,403**	3,497
Contract assets	18	**1,665**	923
Income tax receivable	18	**1,204**	—
Cash and cash equivalents	19	**9,139**	8,876
		17,411	13,296
Total assets		**81,594**	46,845
Equity and liabilities			
Equity attributable to owners of the Parent			
Called up equity share capital	22	**4,168**	3,508
Share premium account	25	**23,876**	4,341
Own share reserve	22	**(609)**	(778)
Other reserves	25	**536**	536
Foreign currency translation reserve	25	**(378)**	(194)
Retained earnings	25	**18,288**	19,453
Total equity attributable to owners of the Parent		**45,881**	26,866
Non-current liabilities			
Contract liabilities	20	**60**	66
Lease liabilities	16	**770**	1,004
Deferred tax liability	10	**6,831**	1,289
Provisions	20	**144**	146
Contingent consideration	20	**3,575**	349
		11,380	2,854
Current liabilities			
Trade and other payables	20	**19,616**	15,303
Lease liabilities	16	**642**	535
Income tax payable	20	**131**	378
Contingent consideration	20	**3,944**	909
		24,333	17,125
Total liabilities		**35,713**	19,979
Total equity and liabilities		**81,594**	46,845

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2022.

On behalf of the Board.

Ian Manocha
CHIEF EXECUTIVE
7 March 2022

Tom Mullan
CHIEF FINANCIAL OFFICER
7 March 2022

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 2020		3,413	3,903	(945)	536	(81)	18,478	25,304
Attributable profit for the period		—	—	—	—	—	1,261	1,261
Other comprehensive expenses		—	—	—	—	(113)	—	(113)
Total comprehensive (expenses)/income		—	—	—	—	(113)	1,261	1,148
Exercise of share options	22	95	438	—	—	—	—	533
Transfer of own shares held by Employee Share Ownership Trust to employees	22	—	—	167	—	—	—	167
Share-based payments	23	—	—	—	—	—	220	220
Dividend paid		—	—	—	—	—	(506)	(506)
At 31 December 2020		3,508	4,341	(778)	536	(194)	19,453	26,866
Attributable loss for the period		—	—	—	—	—	(1,012)	(1,012)
Other comprehensive expenses		—	—	—	—	(184)	—	(184)
Total comprehensive expenses		—	—	—	—	(184)	(1,012)	(1,196)
Issue of equity shares	22	656	20,344	—	—	—	—	21,000
Share issue costs	22	—	(870)	—	—	—	—	(870)
Exercise of share options	22	4	61	—	—	—	—	65
Transfer of own shares held by Employee Share Ownership Trust to employees	22	—	—	169	—	—	—	169
Share-based payments	23	—	—	—	—	—	369	369
Dividend paid	12	—	—	—	—	—	(522)	(522)
At 31 December 2021		**4,168**	**23,876**	**(609)**	**536**	**(378)**	**18,288**	**45,881**

Consolidated statement of cash flow

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash flows from operating activities			
(Loss)/profit after taxation		**(1,012)**	1,261
Depreciation of property, plant and equipment	13	**175**	245
Amortisation of intangible assets	14	**4,042**	2,810
Amortisation of right-of-use assets	16	**581**	496
Share-based payments	23	**369**	220
(Increase)/decrease in trade and other receivables		**(776)**	1,060
Increase in contract assets		**(220)**	(312)
Increase in trade and other payables		**1,996**	1,111
Increase/(decrease) in contract liabilities		**256**	(1,263)
Taxation	10	**1,443**	(953)
Exchange gain on financial instrument	5	**(330)**	—
Net finance costs	9	**117**	17
Cash inflow from operations		**6,641**	4,692
Income taxes received		**—**	1,307
Income taxes paid		**(1,114)**	(510)
Net cash inflow from operating activities		**5,527**	5,489
Cash flows from investing activities			
Interest received	9	**4**	37
Exchange gain on financial instrument	5	**330**	—
Purchase of property, plant and equipment	13	**(145)**	(87)
Payments to acquire subsidiary undertaking (net of cash)	24	**(19,639)**	(1,900)
Payment of contingent consideration on acquisition of Inforalgo	20	**(923)**	—
Payments to acquire intangible fixed assets	14	**(4,150)**	(3,565)
Net cash used in investing activities		**(24,523)**	(5,515)
Cash flows from financing activities			
Interest paid	9	**(39)**	(16)
Principal paid on lease liabilities	16	**(590)**	(576)
Dividends paid	12	**(522)**	(506)
Share issue proceeds (net of costs)	22	**20,195**	533
Net cash from/(used in) financing activities		**19,044**	(565)
Net increase/(decrease) in cash and cash equivalents		**48**	(591)
Cash and cash equivalents at beginning of year		**8,876**	9,605
Effect of foreign exchange rate changes		**215**	(138)
Cash and cash equivalents at end of year	19	**9,139**	8,876

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 2021 were authorised for issue by the Board of Directors on 7 March 2022 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 2021.

2. Accounting judgements and 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.

Judgements

The key judgements 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.

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, 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 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.

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.

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 24 to the financial statements.

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 sue 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.

2. Accounting judgements and estimation uncertainty continued

Estimates and assumptions continued

Capitalised development costs continued

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 £115,000, if the useful economic life was increased by one year the amortisation charge is reduced by £443,000.

The capitalised development cost is disclosed in note 14.

Impairment reviews

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

The intangible asset impairment reviews are disclosed in note 15.

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 15.

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 14 and note 24 for further details.

3. 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 and international accounting standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs). The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

The Group's financial statements have been prepared on a historical cost basis, except for the following items:

- contingent consideration; and
- cash settled share-based payment liabilities.

The Group financial statements are presented in Sterling, which is also the Group's functional currency. 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 3 to 40. 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 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 2021.

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

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.

3. Accounting policies continued

Foreign currency translation continued

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.

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 twelve 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 twelve 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 two and twelve 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 range 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.

3. Accounting policies continued

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.

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.

3. Accounting policies continued

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.

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 statement of cash flows – 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.

3. Accounting policies continued

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.

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

Data services

Revenue related to providing data services is based on a consumption basis whereby revenue is recognised based on the customer utilisation of such services.

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.

3. Accounting policies continued

Revenue recognition continued

Solution sales continued

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.

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.

Financial instruments

The Group, outside of normal business operations, enters into forward currency contracts. Forward currency contracts are valued at fair value through profit or loss.

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.

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.

Cost of sales

Costs of sales comprise costs incurred to achieve the financial years revenue and are recognised within the Income statement primarily consisting of the following costs:

- customer specific third party costs incurred in providing our cloud hosted cloud solutions;
- third party contractor costs incurred by our contracting services business; and
- payrolled employees that provide fixed margin contracting services.

Administrative expenses

Administrative expenses are recognised within the Income Statement in the period that they are incurred and primarily consist of the following costs:

- staff costs including salaries, bonuses and commissions excluding payrolled employees provided fixed margin contracting services which are within costs of sale;
- marketing costs including travel and entertainment costs;
- property costs excluding any costs disclosed as amortisation under IFRS 16;
- IT and communication costs;
- professional advisory fees and general administration costs; and
- depreciation and amortisation.

Changes in accounting policies

New standards, interpretations and amendments effective from 1 January 2021

A number of new standards, interpretations and amendments are effective for the year ended 31 December 2021, which have been listed below, these have had no impact on the Group's accounting policies and disclosures in these financial statements.

- IBOR reform and its Effects on Financial reporting – phase 2
- COVID-19 related rent concessions (Amendment to IFRS 16)

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 2022 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 2022 which have been adopted in these financial statements.

3. Accounting policies continued

Prior year restatement

For the year ending 31 December 2020 the Group's fixed margin contracting services disclosed third party contractor costs within costs of sale, with fixed term contractors that were paid through the Group's payrolls being disclosed as administrative expenses. To provide more relevant and reliable information for the year ended 31 December 2021 all contractor costs incurred under the Group's contracting business have been disclosed within costs of sales regardless of how the contractors have been paid.

As a result of the change in accounting treatment, costs incurred of £3,143,000 previously disclosed within administrative expenses in the year ended 31 December 2020 have been reclassified as costs of sale. This is disclosed within the restated Income Statement. The overall effect of this change is to increase costs of sale by £3,143,000 from £3,860,000 as previously reported to £7,003,000 and reduce total administrative expenses by £3,143,000 from £20,567,000 to £17,424,000. There was no impact to retained earnings for the year ended 31 December 2020 and to the Statement of Financial Position at 31 December 2020.

4. Revenue

Revenue disclosed in the income statement is analysed as follows:

	Note	**2021 £'000**	2020 £'000
Provision of software and services		**37,026**	24,752
Finance revenue	9	**4**	37
Total revenue		**37,030**	24,789

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 5.

2021	**Clareti Solutions £'000**	**Other Solutions £'000**	**Contracting Services £'000**	**Total £'000**
Non-recurring software revenue (software licences)	**137**	**73**	**—**	**210**
Recurring software revenue (annually recurring software licences, support and maintenance and managed services)	**18,800**	**4,581**	**—**	**23,381**
Rendering of services	**6,532**	**569**	**6,334**	**13,435**
	25,469	**5,223**	**6,334**	**37,026**

Timing of revenue recognition	**£'000**	**£'000**	**£'000**	**£'000**
Non-annually recurring – at a point in time	**137**	**73**	**—**	**210**
Annually recurring – at a point in time	**3,286**	**—**	**—**	**3,286**
Rateably recognised – over contract period	**22,046**	**5,150**	**6,334**	**33,530**
	25,469	**5,223**	**6,334**	**37,026**

2020	Clareti Solutions £'000	Other Solutions £'000	Contracting Services £'000	Total £'000
Non-recurring software revenue (software licences)	—	—	—	—
Recurring software revenue (annually recurring software licences, support and maintenance and managed services)	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

4. Revenue continued

Contract balances

	Contract assets 2021 £'000	Contract assets 2020 £'000	**Contract liabilities 2021 £'000**	Contract liabilities 2020 £'000
At 1 January	**3,431**	3,829	**(11,096)**	(10,156)
Amounts included in contract liabilities that were recognised as revenue during the period	**—**	—	**11,030**	9,983
Acquisitions	**1,447**	93	**(756)**	(655)
Excess of revenue recognised over cash (or rights to cash) being recognised during the period	**581**	(491)	**—**	—
Cash received in advance of performance and not recognised as revenue during the period	**—**	—	**(11,286)**	(10,268)
At 31 December	**5,460**	3,431	**(12,108)**	(11,096)

Contract assets, including trade receivables, 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 the 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 £60,000 (2020: £66,000). Trade receivables included in the above as at 1 January 2020 were £3,344,000.

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 18 for further details.

5. 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 (which now includes the acquired Electra 'Reconciliation' products)
  - Clareti Connect products (which now includes the acquired Electra products except for 'Reconciliation')
- 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.

5. Segment information continued

			Other			
2021	Notes	**Clareti Solutions £'000**	**Solutions £'000**	**Contracting Services £'000**	**Adjustments, central overheads and elimination £'000**	**Consolidated £'000**
Revenue	4	25,470	5,222	6,334	—	37,026
Cost of sales		(3,978)	(2,338)	(5,483)	—	(11,799)
Gross profit		21,492	2,884	851	—	25,227
Gross profit %		84%	55%	13%		68%
Adjusted administrative expenses		(20,996)	(150)	—	—	(21,146)
Adjusted operating profit		496	2,734	851	—	4,081
Adjusting items:						
Exceptional costs	5				(1,491)	(1,491)
Amortisation of acquired intangibles	14				(1,673)	(1,673)
Share-based payments	23				(369)	(369)
Adjusting administrative expenses					(3,533)	(3,533)
Operating profit						548
Finance revenue	9					4
Finance costs	9					(121)
Profit before taxation						431
Taxation	10					(1,443)
Loss after taxation						(1,012)
Adjusted operating profit						4,081
Amortisation of intangibles	14					2,369
Depreciation of property, plant and equipment	13					175
Amortisation of right-of-use assets	16					581
Adjusted EBITDA						7,206
Development costs capitalised	14					(4,105)
Principal paid on lease liabilities	16					(590)
Adjusted cash EBITDA						2,511
Segment assets						81,594
Segment liabilities						(35,713)

5. Segment information continued

2020 (restated)	Notes	Clareti Solutions £'000	Other: Solutions £'000	Other: Contracting Services £'000	Adjustments, central overheads and elimination £'000	Consolidated £'000
Revenue	4	15,453	4,395	4,904	—	24,752
Cost of sales		(1,126)	(1,605)	(4,272)	—	(7,003)
Gross profit after contracting fully costed		14,327	2,790	632	—	17,749
		93%	63%	13%		72%
Adjusted administrative expenses		(15,752)	(159)	—	—	(15,911)
Adjusted operating (loss)/profit		(1,425)	2,631	632	—	1,838
Adjusting items:						
Exceptional costs	5				(400)	(400)
Amortisation of acquired intangibles	14				(893)	(893)
Share-based payments	23				(220)	(220)
Adjusting administrative expenses					(1,513)	(1,513)
Operating profit						325
Finance revenue	9					37
Finance costs	9					(54)
Profit before taxation						308
Taxation	10					953
Profit after taxation						1,261
Adjusted operating profit						1,838
Amortisation of intangibles	14					1,917
Depreciation of property, plant and equipment	13					213
Amortisation of right-of-use assets	16					496
Bank charges	9					(13)
Adjusted EBITDA						4,451
Development costs capitalised	14					(3,561)
Principal paid on lease liabilities	16					(576)
Adjusted cash EBITDA						314
Segment assets						46,845
Segment liabilities						(19,979)

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 £17,618,000 (2020: £11,388,000) which includes low-margin contracting revenue of £8,442,000 (2020: £5,115,000).

5. Segment information continued

Adjusting administrative items

Operating performance is analysed excluding exceptional items, share-based payment charges and amortisation from acquired intangibles which is consistent in with the way in which the Board and most stakeholders review the financial performance of the Group. These adjusting items are all either non-cash or non-recurring IFRS expenses (or income) that do not reflect the underlying performance of the business. In the case of share-based payment charges, management acknowledge that these awards are potentially paid 'in-lieu' of cash salary or bonuses and therefore there is a value to these. However, the IFRS valuation methodology applied to these charges does not represent a cash cost to the business or a value that is representative of any the actual cost to the Company, its shareholders or any other Group stakeholder, nor is it representative of the ultimate value to the award beneficiary. Adjusting for these items is also consistent with the manner in which similar small and mid cap LSE (or AIM) listed present their results and how we understand the investment community to assess performance, where, for growth shares the recurring cash performance of the business is considered most important. In addition, these adjustments are also aligned with the performance methodology used by the panel of debt providers that tendered for the revolving credit facility established during the year in order to assess and continually monitor credit worthiness, risk and upon which covenants are set.

The adjusting administrative items are:

	2021 £'000	2020 £'000
Acquisition and associated integration costs	**1,814**	423
Advisory fees for new share option scheme	**7**	33
Exceptional costs	**1,821**	456
Exceptional income	**(330)**	(56)
Total exceptional items	**1,491**	400
Amortisation on acquired intangibles	**1,673**	893
Share-based payments	**369**	220
Total adjusting administrative items	**3,533**	1,513

During the year the Group incurred £1,814,000 (2020: £423,000) exceptional costs relating to legal, due diligence and professional fees for the acquisition of Electra Information Systems and associated integration costs.

Exceptional legal and tax advisory costs were incurred in the year of £7,000 (2020: £33,000) associated with implementation of a new ten-year share option incentive scheme. These costs are not expected to occur for a further ten years.

Exceptional income of £330,000 was recognised in the year on realising a gain on the completion of a contract to forward purchase US dollars. The contract was entered into to minimise the currency risk on the acquisition of Electra Information Systems. £56,000 was received during 2020 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.

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

Adjusted EBITDA 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	2021 £'000	2020 £'000
Profit before taxation		**431**	308
Adjusting items:			
Amortisation of intangibles	14	**4,042**	2,810
Depreciation of property, plant and equipment	13	**175**	213
Amortisation of right-to-use assets	16	**581**	496
Notional interest on lease liabilities	9	**43**	38
Finance revenue	9	**(4)**	(37)
Interest payable	9	**78**	3
EBITDA		**5,346**	3,831
Exceptional items	5	**1,491**	400
Share-based payments	23	**369**	220
Adjusted EBITDA		**7,206**	4,451

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.

5. Segment information continued

Geographic information

	2021 £'000	2020 £'000
Revenues from external customers (by destination)		
UK	**5,998**	6,719
EMEA	**3,151**	2,593
United States	**9,096**	3,038
Americas	**517**	494
Australia	**17,738**	11,413
Asia Pacific	**526**	495
	37,026	24,752

EMEA includes revenue from external customers located primarily in the Netherlands, Luxembourg, Germany, Belgium and South Africa. Asia Pacific includes revenue from external customers located primarily in Malaysia and Singapore.

	2021 £'000	2020 £'000
Non-current assets		
UK	**62,777**	32,269
EMEA	**448**	588
North America	**396**	9
Asia Pacific	**562**	683
	64,183	33,549

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

6. Group operating profit

The Group operating profit is stated after charging:

	Notes	2021 £'000	2020 £'000
Research and development costs written off		**1,721**	1,049
Amortisation of deferred development costs recognised in administration expenses	14	**2,326**	1,863
Total research and development costs		**4,047**	2,912
Depreciation of property, plant and equipment	13	**175**	245
Amortisation of right to use assets	16	**581**	496
Amortisation of intangible assets (excluding development costs)	14	**1,716**	947
Total depreciation, impairment and amortisation expense		**2,472**	1,688
Employee benefit expenses	8	**20,521**	16,641
Net foreign currency differences losses/(gains)		**69**	(7)

7. 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.

	2021 £'000	2020 £'000
Audit fees		
Audit of the Group financial statements and associated company	**29**	27
Other fees to the auditor		
– Auditing the accounts of subsidiaries	**111**	84
– Audit of acquisition	**14**	10
	154	121
Non-audit fees		
Accountants report on historical financial information	**160**	—
Audit of bank covenant certificates	**6**	—
	166	—

8. Staff costs and Directors' emoluments

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

Staff and Director costs

31 December 2021	Income statement £'000	Capitalised development costs £'000	Total excluding contracting £'000	Contracting costs expensed £'000	Total £'000
Wages and salaries	13,120	3,031	16,151	2,250	18,401
Social security costs	833	246	1,079	131	1,210
Other pension costs	581	109	690	220	910
	14,534	3,386	17,920	2,601	20,521

31 December 2020	Income statement £'000	Capitalised development £'000	Total excluding contracting £'000	Contracting costs expensed £'000	Total £'000
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

Included in wages and salaries is a total expense of share-based payments of £369,000 (2020: £220,000) 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:

	2021	2020
Management	12	11
Sales and administration	42	32
Technical	128	107
Total	182	150
Contracting services	33	20

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

9. Finance revenue and costs

	2021 £'000	2020 £'000
Finance revenue		
Bank interest receivable	4	37
Finance costs		
Notional interest on lease liabilities	43	38
Other interest payable	1	3
Other bank charges	77	13
Total finance costs	121	54

10. Taxation

Tax on profit on ordinary activities

Tax charge in the income statement

	2021 £'000	2020 £'000
Current income tax		
Overseas tax credit – adjustment to previous years	**(93)**	(124)
Overseas tax charge – current year	**1,118**	599
UK corporation tax credit – adjustment to previous years	**(1,045)**	(1,307)
Total current income tax	**(20)**	(832)
Deferred income tax		
Movement in net deferred tax asset	**1,231**	(202)
Tax rate change adjustments	**232**	81
Total deferred income tax	**1,463**	(121)
Total charge/(credit) in the income statement	**1,443**	(953)

Reconciliation of the total tax charge

The tax charge in the income statement for the year is higher (2020: lower) than the standard rate of corporation tax in the UK of 19.0% (2020: 19.0%). The differences are reconciled below:

	2021 £'000	2020 £'000
Profit before taxation	**431**	308
Profit before taxation multiplied by the UK standard rate of corporation tax of 19.0% (2020: 19.0%)	**82**	59
Expenses not deductible for tax purposes	**288**	137
Differences in tax rates	**785**	168
Overseas tax credit – adjustment to previous years	**(93)**	(124)
Research and development credit – adjustment to previous year	**(1,045)**	(1,307)
Research and development enhanced relief	**(1,703)**	(1,424)
Movement in unrecognised losses carried forward	**1,371**	1,359
Recognition of deferred tax liability on the inter-group sale of intellectual property	**1,398**	—
Movement in unrecognised temporary differences	**254**	211
Movement in unrecognised fixed asset temporary differences	**253**	(16)
Temporary difference on share-based payments	**(61)**	73
Temporary movement on acquired intangibles	**(318)**	(170)
Tax rate change adjustments	**232**	81
Total tax charge/(credit) reported in the income statement	**1,443**	(953)

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 £35,000 (2020: £21,000).

Temporary differences associated with Group investments

At 31 December 2021, there was no recognised deferred tax liability (2020: £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.

10. Taxation continued

Deferred tax

Deferred tax assets/(liabilities)

2021	Asset £'000	Liability £'000	Net £'000
1 January	**552**	**(1,289)**	**(737)**
Movement in the period:			
– Tax losses	**(24)**	**—**	**(24)**
– Employee share award schemes	**119**	**—**	**119**
– Qualifying research and development expenditure	**(494)**	**—**	**(494)**
– Fixed asset timing differences	**(96)**	**—**	**(96)**
– Acquired intangibles	**—**	**318**	**318**
– Inter-group sale of intellectual property	**—**	**(1,398)**	**(1,398)**
Acquisition of intangibles in subsidiaries	**—**	**(4,055)**	**(4,055)**
Impact of change in tax rate	**175**	**(407)**	**(232)**
31 December	**232**	**(6,831)**	**(6,599)**

2020	Asset £'000	Liability £'000	Net £'000
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)

Comprising: **Asset**	**2021 £'000**	2020 £'000
Tax losses	**3,639**	2,784
Employee share award schemes	**310**	145
Qualifying research and development expenditure	**(4,545)**	(3,079)
Fixed asset timing differences	**828**	702
31 December	**232**	552

Liability	**2021 £'000**	2020 £'000
Inter-group sale of intellectual property	**(1,398)**	—
Acquired intangibles	**(5,433)**	(1,289)
31 December	**(6,831)**	(1,289)

Unrecognised potential deferred tax assets

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

	2021 £'000	2020 £'000
Gresham Technologies (Luxembourg) S.A.	**816**	429
Gresham Technologies (Holdings) SARL	**103**	604
Inforalgo Information Technology Limited	**243**	205
Gresham Technologies (Singapore) Limited	**125**	129
Gresham Technologies (TDI) Limited	**116**	91
Tax losses	**1,403**	1,458
Gross tax losses unrecognised	**5,857**	6,459

10. Taxation continued

Deferred tax continued

Future tax rates

The main UK corporation tax rate is due to increase to 25% from 1 April 2023 as substantively enacted by the Finance Act 2021. Therefore, the rate used to calculate deferred tax balances at 31 December 2021 has increased from 19% to 25%.

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.

	2021 %	2020 %
UK	**25**	19
Luxembourg	**25**	25
Australia	**30**	30
US	**27**	27

11. Earnings

Earnings per share

Basic earnings per share amounts are calculated by dividing 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 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:

	2021	2020
Basic weighted average number of shares	**77,132,796**	68,697,828
Employee share options – weighted (note 23)	**890,100**	1,414,549
Diluted weighted average number of shares	**78,022,896**	70,112,377

	Notes	2021 £'000	2020 £'000
Adjusted earnings attributable to owners of the Parent		**3,919**	2,774
Adjusting items:			
Exceptional items	5	**(1,491)**	(400)
Amortisation of acquired intangibles	14	**(1,673)**	(893)
Deferred tax charge on inter-group sale of intellectual property	10	**(1,398)**	—
Share-based payments	23	**(369)**	(220)
Statutory earnings attributable to owners of the Parent		**(1,012)**	1,261

Earnings per share

Statutory	Pence	Pence
Basic earnings per share	**(1.31)**	1.84
Diluted earnings per share	**(1.31)**	1.80
Adjusted		
Basic earnings per share	**5.08**	4.04
Diluted earnings per share	**5.02**	3.96

During the year ended 31 December 2021, share options granted under share option schemes were exercised and the Group issued 83,000 (2020: 1,900,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 for further details.

In June 2021 the Company issued 13,125,000 ordinary shares at a price of 160 pence (ranking pari passu with existing shares in issue). See note 22 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 2021.

12. Dividends paid and proposed

The final dividend for the year ended 31 December 2020 was approved at the Company Annual General Meeting on 10 May 2021 and paid on 20 May 2021 of 0.75 pence per share, equating to a total of £522,000. The Company will be proposing a final dividend for approval at the AGM for the year ended 31 December 2021 of 0.75 pence per share.

Notes to the financial statements continued

13. Property, plant and equipment

2021	**Fixtures and fittings £'000**	**Property, plant and equipment £'000**	**Total £'000**
Cost			
At 1 January	**756**	**1,009**	**1,765**
Additions	**1**	**144**	**145**
Additions acquired as part of a business combination	**—**	**9**	**9**
Disposals	**—**	**(83)**	**(83)**
Exchange adjustment	**(12)**	**(6)**	**(18)**
At 31 December	**745**	**1,073**	**1,818**
Depreciation and impairment			
At 1 January	**(691)**	**(831)**	**(1,522)**
Charge for year	**(43)**	**(132)**	**(175)**
Disposals	**—**	**83**	**83**
Exchange adjustment	**11**	**3**	**14**
At 31 December	**(723)**	**(877)**	**(1,600)**
Net carrying amount			
At 31 December	**22**	**196**	**218**
At 1 January	**65**	**178**	**243**

2020	Fixtures and fittings £'000	Property, plant and equipment £'000	Total £'000
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

14. Intangible assets

2021	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition: Software £'000	Separately identified intangibles on acquisition: Customer relationships £'000	Goodwill £'000	Total £'000
Cost						
At 1 January	**26,996**	**832**	**7,161**	**2,410**	**5,625**	**43,024**
Additions	**4,105**	**45**	**4,959**	**11,800**	**14,279**	**35,188**
Disposals	**—**	**(6)**	**—**	**—**	**—**	**(6)**
Exchange adjustment	**(29)**	**(13)**	**—**	**—**	**(56)**	**(98)**
At 31 December	**31,072**	**858**	**12,120**	**14,210**	**19,848**	**78,108**
Amortisation and impairment						
At 1 January	**(8,117)**	**(739)**	**(2,141)**	**(669)**	**(250)**	**(11,916)**
Charge for year	**(2,326)**	**(43)**	**(964)**	**(709)**	**—**	**(4,042)**
Eliminated on disposal	**—**	**6**	**—**	**—**	**—**	**6**
Exchange adjustment	**65**	**13**	**—**	**—**	**33**	**111**
At 31 December	**(10,378)**	**(763)**	**(3,105)**	**(1,378)**	**(217)**	**(15,841)**
Net carrying amount						
At 31 December	**20,694**	**95**	**9,015**	**12,832**	**19,631**	**62,267**
At 1 January	**18,879**	**93**	**5,020**	**1,741**	**5,375**	**31,108**

2020	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition: Software £'000	Separately identified intangibles on acquisition: Customer relationships £'000	Goodwill £'000	Total £'000
Cost						
At 1 January	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

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 eleven 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 2021 and 31 December 2020 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 eleven 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 eleven 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.

14. 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, B2 Group, Inforalgo and Electra Information Systems.

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 twelve years for the Electra acquisition, 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, Inforalgo and Electra Information Systems. It is assessed as having an indefinite life and is assessed for impairment at least annually.

15. 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

	2021 £'000	2020 £'000
Clareti Solutions CGU	**19,631**	5,375

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:

	2021 £'000	2020 £'000
Clareti Solutions CGU	**20,694**	18,879

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 2022 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% (2020: 15%) and cash flows beyond the five-year period are extrapolated using a 2% growth rate (2020: 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 2022 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 23%
Growth rate beyond year 5	Reduction from 2% to -15%
Revenue growth	Reduction from 18% average over five years to 8% 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.

16. 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 (2020: £nil). 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

2021	Property £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 January	3,183	99	3,282
Additions	232	—	232
Acquisition	293	—	293
Disposals	(810)	(31)	(841)
Exchange adjustment	(52)	(6)	(58)
At 31 December	2,846	62	2,908
Amortisation			
At 1 January	(1,570)	(66)	(1,636)
Charge for year	(556)	(25)	(581)
Disposals	704	31	735
Exchange adjustment	38	2	40
At 31 December	(1,384)	(58)	(1,442)
Net carrying amount			
At 31 December	1,462	4	1,466
At 1 January	1,613	33	1,646

2020	Property £'000	Motor vehicles £'000	Total £'000
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

16. Leases continued

Lease liabilities

	Land and buildings £'000	Motor vehicles £'000	Total £'000
At 1 January 2021	1,510	29	1,539
Cash items:			
Lease payments	(566)	(24)	(590)
Non-cash items:			
Additions	125	—	125
Acquisitions	306	—	306
Interest expense	42	1	43
Foreign exchange movements	(11)	—	(11)
At 31 December 2021	**1,406**	**6**	**1,412**
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

	2021 £'000	2020 £'000
Due between 0–3 months	**161**	133
Due between 3–12 months	**481**	402
Due less than one year	**642**	535
Due more than one year	**770**	1,004
Lease liabilities	**1,412**	1,539

17. 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	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (Solutions) Limited	Aldermary House, London, England	Ordinary	100%	Software solutions
C24 Technologies Limited[4]	Aldermary 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[1,4]	Aldermary 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]	381 Park Ave S, New York, US	Ordinary	100%	Software solutions
Gresham Enterprise Storage Inc[1,3]	381 Park Ave S, New York, US	Ordinary	100%	Software solutions
Electra Information Services Inc[1,3]	381 Park Ave S, New York, US	Ordinary	100%	Software solutions
Electra Solutions Inc.[1,3]	381 Park Ave S, New York, US	Ordinary	100%	Software solutions
Electra Information Services Limited[1,4]	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Technologies (International) Limited[4]	Aldermary House, London, England	Ordinary	100%	Holding company
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[4]	Aldermary House, London, England	Ordinary	100%	Software solutions
Inforalgo Information Technology Limited[4]	Aldermary House, London, England	Ordinary	100%	Software solutions
Gresham Consultancy Services Limited[2]	Aldermary House, London, England	Ordinary	100%	Dormant
Gresham Tech Limited[2]	Aldermary House, London, England	Ordinary	100%	Dormant
Gresham Telecomputing Limited[2]	Aldermary House, London, England	Ordinary	100%	Dormant
Circa Business Systems Limited[2]	Aldermary House, London, England	Ordinary	100%	Dormant
Cheerkeep Limited[2]	Aldermary House, London, England	Ordinary	100%	Dormant

(1) Held by a subsidiary undertaking.

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

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

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

18. Current assets

	2021 £'000	2020 £'000
Trade receivables	**3,795**	2,508
Prepayments	**1,032**	796
Other receivables	**576**	193
Trade and other receivables	**5,403**	3,497
Accrued income	**1,234**	447
Prepaid commission	**431**	476
Contract assets	**1,665**	923
Income tax receivable	**1,204**	—

Income tax receivable includes £1,045,000 for a research and development credit expected relating to the surrender of tax losses for the year ending 31 December 2020.

18. Current assets continued

Trade receivables are denominated in the following currencies:

	2021 £'000	2020 £'000
Sterling	**342**	473
Euro	**740**	287
US Dollar	**2,009**	1,036
Singapore Dollar	**—**	85
Canadian Dollar	**10**	—
Australian Dollar	**531**	393
Malaysian Ringgit	**163**	234
Total trade receivables	**3,795**	2,508

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:

			Past due but not impaired				
	Total £'000	Due not impaired £'000	<30 days £'000	30–60 days £'000	60–90 days £'000	90–120 days £'000	>120 days £'000
2021	**3,795**	**1,774**	**1,625**	**122**	**28**	**47**	**199**
2020	2,508	1,462	601	—	445	—	—

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 have not provided for any impairment.

19. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	**9,139**	8,876

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.

20. Trade, other payables, provisions and financial liabilities

Trade and other payables

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

Current

	2021 £'000	2020 £'000
Trade payables	**1,059**	934
Other payables	**6,509**	3,339
Contract liabilities	**12,048**	11,030
	19,616	15,303

	2021 £'000	2020 £'000
Income tax payable	**131**	378

Non-current

	2021 £'000	2020 £'000
Contract liabilities	**60**	66

Provisions

	2021 £'000	2020 £'000
At 1 January		
– Current	**—**	—
– Non-current	**146**	144
	146	144
Foreign exchange movements	**(2)**	2
At 31 December		
– Current	**—**	—
– Non-current	**144**	146
	144	146

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

	2021 £'000	2020 £'000
At 1 January		
– Current	**909**	—
– Non-current	**349**	—
	1,258	—
Payments made during the year	**(923)**	—
Increase in contingent consideration arising on the acquisition of Inforalgo	**34**	—
Arising on the acquisition of Inforalgo	**—**	1,258
Arising on the acquisition of Electra	**6,938**	—
Foreign exchange movements	**212**	—
At 31 December	**7,519**	1,258
– Current	**3,944**	909
– Non-current	**3,575**	349
	7,519	1,258

21. 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.

21. Financial instruments continued

Categories of financial assets and liabilities

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

2021	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
Financial assets			
Trade receivables	**—**	**3,795**	**3,795**
Contract assets	**—**	**1,665**	**1,665**
Cash and cash equivalents	**—**	**9,139**	**9,139**
	—	**14,599**	**14,599**
Financial liabilities			
Trade payables	**—**	**1,059**	**1,059**
Contingent consideration	**—**	**7,519**	**7,519**
Other payables	**—**	**6,509**	**6,509**
	—	**15,087**	**15,087**

2020	Fair value through profit and loss £'000	Amortised cost £'000	Total carrying amount £'000
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
Contingent consideration	—	1,258	1,258
Other payables	—	3,339	3,339
	—	5,531	5,531

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 2021 and 31 December 2020 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.

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.

21. Financial instruments continued

Credit management continued

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 intangible and 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:

2021	**Between 0 and 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**
Trade payables	**1,059**	**—**	**—**	**—**
Other payables	**5,638**	**871**	**—**	**—**
Contingent consideration	**369**	**3,575**	**3,575**	**—**
Lease liabilities	**161**	**481**	**394**	**376**
	7,227	**4,927**	**3,969**	**376**

2020	Between 0 and 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade payables	934	—	—	—
Other payables	2,715	—	—	—
Contingent consideration	—	909	349	—
Lease liabilities	133	402	506	498
	3,782	1,311	855	498

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.

In June 2021 the Group arranged a $10m revolving credit facility with the Bank of Ireland, this facility has not been used during the period and there was no outstanding liability as at 31 December 2021.

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

21. Financial instruments continued

Currency risk

The Group has significant exposures to the following currencies: US Dollar, Australian Dollar, Euro, Malaysian Ringgit, Singapore 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 2021, the Group had no foreign currency forward contracts (2020: 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 18.

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 2021 and 2020 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.

2021	Net foreign currency financial assets £'000	Increase/decrease in exchange rates	Effect on profit before tax £'000
Euro	**1,000**	**+20%**	**(167)**
		-20%	**250**
Australian Dollar	**4,723**	**+20%**	**(787)**
		-20%	**1,181**
US Dollar	**4,492**	**+20%**	**(749)**
		-20%	**1,123**
Malaysian Ringgit	**285**	**+20%**	**(48)**
		-20%	**71**
Singapore Dollar	**31**	**+20%**	**(5)**
		-20%	**8**
South African Rand	**24**	**+20%**	**(4)**
		-20%	**6**

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

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

22. Issued share capital

Ordinary shares allotted, called up and fully paid

	Number	Nominal value £'000
At 1 January 2020	68,256,458	3,413
Exercise of share options (note 23)	1,900,000	95
At 31 December 2020	70,156,458	3,508
Exercise of share options (note 23)	83,000	4
Issue of new shares	13,125,000	656
At 31 December 2021	**83,364,458**	**4,168**

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

During the year ended 31 December 2021, share options granted under share option schemes were exercised at a price of 28.05 pence and the Group issued 83,000 (2020: 1,900,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). Share premium of £61,000 was recognised as a result.

In June 2021 the Company issued 13,125,000 ordinary shares at a price of 160 pence (ranking pari passu with existing shares in issue). Share premium of £19,474,000 was recognised as a result after deduction of £870,000 directly attributable expenses.

At 31 December 2021 and 2020 there were outstanding options granted to acquire ordinary shares in the Company. See note 23 for further details.

There are no preference shares in issue (2020: 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 21.

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

	£'000	Number
At 1 January 2020	945	976,596
Issue of shares	(167)	(144,996)
At 31 December 2020	778	831,600
Issue of shares	(169)	(202,292)
At 31 December 2021	**609**	**629,308**

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

23. Share-based payments

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

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

Share Option Schemes

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 scheme was created for a ten year period and expired in December 2020 replaced by the Share Option Scheme 2020.

No share options have been granted under the 2010 scheme during the year and no options will be granted in the future. The 2010 schemes consisted 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 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.

23. Share-based payments continued

Share Option Schemes continued

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

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

A new long-term incentive performance share plan, the 2020 share option scheme, 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 is 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.

950,500 (2020: nil) share options have been awarded in the year to 31 December 2021 under the 2020 share option scheme.

At 31 December 2021, 48 participants held awards under the share option schemes (2020: 19).

Outstanding options to subscribe for ordinary shares of 5 pence at 31 December 2021, including those noted in the Directors' Remuneration Report, are as follows:

	2021 Number	**WAEP (pence)**	2020 Number	WAEP (pence)
Outstanding at 1 January	**2,588,000**	**123**	4,498,000	81
Granted during the year	**950,500**	**5**	75,000	152
Forfeited during the year	**—**	**—**	(85,000)	(61)
Exercised during the year	**(83,000)**	**(79)**	(1,900,000)	(28)
Outstanding at 31 December	**3,455,500**	**92**	2,588,000	123
Exercisable at 31 December	**2,255,000**	**125**	2,138,000	114
Weighted average remaining contractual life (years)	**6.10**		4.90	

During the year 83,000 options were exercised during the period when the Company share price was between 152 pence and 161 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 2021, 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	45,000	15-Aug-12	0.6850	15-Aug-15	15-Aug-22	30,825
	225,000	01-Aug-13	0.9630	01-Aug-16	01-Aug-23	216,675
	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
Share Option Schemes 2020	950,500	21-Oct-21	0.0500			4,753
	3,455,500					**3,128,304**

23. Share-based payments continued

Share Option Schemes continued

Outstanding options 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

The fair value of equity-settled share options granted by the Share Option Schemes are 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.

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

Vesting date	21-Oct-24
Expiry date (number of years after grant)	10
Exercise price	£0.05
Share price at valuation	£1.72
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 and share price growth.

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 31 March 2021 125,526 share options were granted at nil cost with two-year and three-year vesting periods; the options expire March 2031.

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23. Share-based payments continued

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:

	2021 £'000	2020 £'000
Expense recognised in respect of share-based payments	**369**	220

24. Business combinations during the period

On 22 June 2021 Gresham Technologies plc acquired the entire ordinary share capital in Electra Information Systems, Inc., 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 £17,778,000 with an additional £1,991,000 consideration paid to settle outstanding liabilities. Contingent consideration dependent on performance of up to £6,936,000 is payable over a 24 month period post acquisition. The maximum potential consideration is £26,701,000.

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	—	11,800	11,800
Software	—	4,959	4,959
Property, plant and equipment	10	—	10
Right-of-use assets	285	—	285
Trade and other receivables	1,645	—	1,645
Cash and cash equivalents	130	—	130
Trade and other liabilities	(2,051)	—	(2,051)
Lease liabilities	(297)	—	(297)
Deferred tax liability	—	(4,055)	(4,055)
Total net (liabilities)/assets	**(278)**	**12,704**	**12,426**
Satisfied as follows:			
Cash			19,769
Contingent consideration			6,936
Total consideration			**26,705**
Goodwill (note 14**)**			**14,279**
Analysis of cash flows on acquisition:			
Net cash acquired			(130)
Cash paid			19,769
Net cash flow			19,639
Fair value of consideration paid:			
Cash			19,769
Contingent consideration due less than one year			3,468
Contingent consideration due more than one year			3,468
Total consideration			**26,705**

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

Acquisition costs of £1,579,000 were incurred during the year ended 31 December 2021 as a result of the acquisition of Electra. These costs have been recognised as exceptional costs within the Income Statement.

From the date of acquisition, Electra has contributed revenue of £5,647,000 to the Group and operating profit of £1,352,000. If the acquisition had occurred on 1 January 2021, Group revenue would have been £41,747,000 and Group operating profit £1,345,000.

Contingent consideration

As part of the sale and purchase agreement, contingent consideration is payable up to £6,936,000 with the maximum amount payable if the Annual Recurring Revenues are £9,185,000 24 months after acquisition. The consideration is payable on a straight-line basis with no lower threshold with 50% payable in June 2022 and the balance payable in June 2023. Due to the nature of these payments. Management has performed a review and estimates that the full amount of contingent consideration is expected to be paid. As result, contingent consideration has been recognised in full in the statement of financial position, with £3,468,000 due in less than one year and £3,468,000 due in more than one year.

25. 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 2021, share options granted under the 2010 Share Option Plans were exercised and the Group issued 83,000 (2020: 1,900,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 for further details.

In June 2021 the Company issued 13,125,000 ordinary shares at a price of 160 pence (ranking pari passu with existing shares in issue).

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 £536,000. 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.

26. Capital commitments

There were no capital commitments at 31 December 2021 (2020: none).

27. Related party transactions

Key management compensation (including Directors)

	2021 £'000	2020 £'000
Directors' emoluments		
Remuneration	**648**	618
Social security costs	**145**	100
Bonuses	**401**	180
Pension	**22**	22
Share-based payments	**116**	68
	1,332	988

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

28. 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 2021 £'000	At 31 December 2020 £'000
Fixed assets			
Lease receivable	8	**945**	1,134
Deferred tax asset	9	**—**	18
Investments	5	**41,638**	20,466
		42,583	21,618
Current assets			
Debtors	6	**39,000**	34,756
Cash at bank and in hand		**643**	2,996
		39,643	37,752
Creditors: amounts falling due within one year	7	**(42,253)**	(36,798)
Net current (liabilities)/assets		**(2,610)**	954
Total assets less current liabilities		**39,973**	22,572
Contingent consideration due more than one year	7	**—**	(349)
Creditors: amounts falling due more than one year	7	**(553)**	(705)
Total assets less liabilities		**39,420**	21,518
Capital and reserves			
Called up share capital	10	**4,168**	3,508
Share premium	11	**23,876**	4,341
Own share reserve	10	**(609)**	(778)
Special reserve	11	**313**	313
Merger reserve	11	**1,583**	1,583
Profit and loss account	11	**10,089**	12,551
Shareholders' funds – equity interests		**39,420**	21,518

The Company made a retained loss in the year of £2,309,000 (2020: £2,381,000).

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2022.

On behalf of the Board.

Ian Manocha
CHIEF EXECUTIVE
7 March 2022

Tom Mullan
CHIEF FINANCIAL OFFICER
7 March 2022

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 2020		3,413	3,903	(945)	313	1,583	15,218	23,485
Exercise of share options	10	95	438	—	—	—	—	533
Share-based payments	14	—	—	—	—	—	220	220
Transfer of own shares held by Employee Share Ownership Trust to employees	10	—	—	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
Issue of equity shares		656	20,344	—	—	—	—	21,000
Share issue costs		—	(870)	—	—	—	—	(870)
Exercise of share options	10	4	61	—	—	—	—	65
Share-based payments	14	—	—	—	—	—	369	369
Transfer of own shares held by Employee Share Ownership Trust to employees	10	—	—	169	—	—	—	169
Dividend paid	4	—	—	—	—	—	(522)	(522)
Retained loss for the year		—	—	—	—	—	(2,309)	(2,309)
At 31 December 2021		**4,168**	**23,876**	**(609)**	**313**	**1,583**	**10,089**	**39,420**

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 7 March 2022.

No income statement is presented by the Company as permitted by section 408 of the Companies Act 2006. For the year ended 31 December 2021, the Company recorded a retained loss of £2,309,000 (2020: loss £2,381,000).

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 3 to 40.

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 2021.

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 statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Taxation

Income taxes

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

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 54. 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 2020 was approved at the Company Annual General Meeting on 10 May 2021 and paid on 20 May 2021 of 0.75 pence per share, equating to a total of £522,000. The Company will be proposing a final dividend for approval at the AGM for the year ended 31 December 2021 of 0.75 pence per share.

Notes to the Company financial statements continued

5. Investments

Investment in subsidiaries	2021 £'000	2020 £'000
Cost		
At 1 January	**34,058**	30,538
Acquisitions	**23,866**	3,300
Disposals	**(3,063)**	—
Capital contribution – share-based payments	**369**	220
At 31 December	**55,230**	34,058
Impairment provisions		
At 1 January	**13,592**	13,592
At 31 December	**13,592**	13,592
Net book value		
At 31 December	**41,638**	20,466

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 17 to the Group financial statements.

6. Debtors

	2021 £'000	2020 £'000
Amounts owed by subsidiary undertakings	**38,904**	34,635
Other receivables	**—**	114
Prepayments and accrued income	**96**	7
	39,000	34,756

All amounts that fall due for repayment within one year and 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.

7. Creditors

Amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed to subsidiary undertakings	**41,447**	35,320
Lease liabilities	**313**	320
Trade creditors	**50**	245
Contingent consideration	**379**	909
Other creditors and accruals	**64**	4
	42,253	36,798

Amounts falling due more than one year

	2021 £'000	2020 £'000
Lease liabilities	**553**	705

	2021 £'000	2020 £'000
Contingent consideration	**—**	349

8. 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:

	2021 £'000	2020 £'000
Less than 3 months	**78**	77
3 to 12 months	**233**	238
1 to 2 years	**237**	309
2 to 5 years	**397**	510
Total	**945**	1,134

Lease liabilities

	Total £'000
At 1 January 2020	746
Cash items:	
Lease payments	(332)
Non-cash items:	
Additions	586
Interest expense	25
At 31 December 2020	1,025
Cash items:	
Lease payments	(308)
Non-cash items:	
Additions	232
Disposals	(109)
Interest expense	26
At 31 December 2021	**866**

	2021 £'000	2020 £'000
Due between 0 and 3 months	**73**	80
Due between 3 and 12 months	**240**	240
Due less than one year	**313**	320
Due more than one year	**553**	705
Lease liabilities	**866**	1,025

9. Deferred tax

The Company has a recognised deferred tax asset as follows:

	2021 £'000	2020 £'000
As at 1 January	**18**	211
Movement in the period within the income statement	**(18)**	(193)
As at 31 December	**—**	18
Comprising:		
Tax losses	**—**	18
	—	18

10. Issued share capital

Ordinary shares allotted, called up and fully paid

	Number	Nominal value £'000
At 1 January 2020	68,256,458	3,413
Exercise of share options	1,900,000	95
At 31 December 2020	70,156,458	3,508
Exercise of share options	83,000	4
Issue of new shares	13,125,000	656
At 31 December 2021	**83,364,458**	**4,168**

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

During the year ended 31 December 2021, share options granted under the 2010 Share Option Plans were exercised and the Group issued 83,000 (2020: 1,900,000) 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 2021 and 2020 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 (2020: none).

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

	£'000	Number
At 1 January 2020	945	976,596
Issue of shares	(167)	(144,996)
At 31 December 2020	778	831,600
Issue of shares	(169)	(202,292)
At 31 December 2021	**609**	**629,308**

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

11. Reserves

Share capital

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

During the year ended 31 December 2021, share options granted under the 2010 Share Option Plans were exercised and the Group issued 83,000 (2020: 1,900,000) ordinary shares accordingly (ranking pari passu with existing shares in issue). See note 22 of the Group financial statements for further details.

In June 2021 the Company issued 13,125,000 ordinary shares at a price of 160 pence (ranking pari passu with existing shares in issue).

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.

12. Capital commitments

There were no capital commitments at 31 December 2021 (2020: none).

13. Contingent liabilities

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

14. Share-based payments

Share-based payments in respect of both the Company and the Group are disclosed in note 23 of the consolidated financial statements.

15. Related party transactions

The Company is exempt from disclosing transactions within the wholly owned subsidiaries in the Group. Other related party transactions are included within those given in note 27 of the Group financial statements.

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Annual General Meeting
10 May 2022

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