d4t4 solutions

Unlocking new possibilities

Annual Report and Accounts 2023

Welcome

Welcome to the D4t4 Solutions plc 2023 Annual Report. This report covers the Group strategy, business model, and products, as well as our ESG activities, governance and the financial results for the year ended 31 March 2023.

D4t4 Solutions plc is a UK-founded tech company quoted on the London Stock Exchange (D4t4). For 30 years, D4t4 Solutions has focused on helping companies get the best possible value from all their data assets. With clients in 27 countries, throughout the financial services, healthcare, insurance, retail, travel and telecom sectors, D4t4 Solutions continues to lead data innovation globally.

Whether we are building high-performing analytic environments or capturing and contextualizing the data that becomes the backbone for Marketing and Fraud, our goal is to continue to challenge organizations to think differently about data and ultimately accelerate their digital transformation goals.

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Delivering sustainable value

Financial Highlights

▲9.6%
£19.1m
Software Revenue (£m)

▲8.3%
60.2%
Gross profit margin (%)

▲15.6%
£3.8m
Adjusted PBT (£m)

▲19%
£16.7m
ARR (£m)

▲8.9%
7.74p
Diluted Adjusted EPS (p)

▲3.8%
3.03p
Dividend (p)

For more information **see pages 23**

Financial Highlights

- Annual recurring revenue* (ARR) up 19% to £16.7 million (FY22: £14.0 million).
- Total Revenue down 12.6% to £21.4 million (FY22: £24.5 million), but Software Revenue (excluding third-party hardware) up 9.6% to £19.1 million (FY22: £17.5 million).
- ARR as percentage of Software Revenue increased to 89% (FY22: 80%).
- Gross profit margin of 60.2% (FY22: 51.9%) increased due to a greater proportion of higher margin Celebrus software revenue.
- Adjusted profit before tax** of £3.8 million (FY22: £3.3 million), and statutory profit before tax of £2.4 million (FY22: £1.8 million).
- Diluted adjusted EPS of 7.74p (FY22: 7.11p) and diluted basic EPS of 5.18p (FY22: 4.14p).
- Proposed final dividend of 2.15p (FY22: 2.07p), making a total dividend for the year of 3.03p (FY22: 2.92p), an increase of 3.8%.
- Year-end cash position of £17.2 million (FY22: £11.4 million).

Operational Highlights

- Unified Celebrus brand now offering Marketing and Fraud functionality according to use case providing improved traction.
- The direct sales channel created during the year is performing well, and with the marketing investment, produced sales pipeline growth of 27 percent during the year whilst the value of proposals out with potential and existing customers increased fourfold.
- Addition of several new customers including a healthcare company in the US, a bank in Spain, and an insurer in APAC.
- Strong upsell into existing customers, including additional features for a large US bank, a renewal and consolidation upsell for a large global bank that included a fraud component, and a large renewal for another global bank also incorporating fraud capabilities.
- The Prickly Cactus team performed well, and the earn-out target was achieved six months ahead of schedule which has accelerated our development of a Customer Success team.
- Launch of CX Vault, the first-of-its-kind “no party” cookie-less data solution.
- Launch of CDI for Salesforce offering Salesforce customers rapid deployment of Celebrus technology focused on digital identity verification.
- Enhancement of Celebrus’ Digital Identity Verification capabilities with cross-domain continuance, for multi-brand organisations.

Current trading and Outlook

- In the Marketing world, there is a growing need for better, real-time data, so that brands can improve their customer experience and build better relationships.
- The Group’s goal for the year ahead is to deliver significant growth with a focus on new logo sales.
- Continued investment into sales and marketing activities and product development while focused on the generation of healthy profits and cash for future investment.

* ARR (Annual Recurring Revenue) is the amount of revenue currently contracted at a point in time that is expected to recur within the next twelve months.

** Adjusted profit before tax is calculated before amortisation of intangibles, restructuring costs, acquisition costs, foreign exchange gains/losses and share based payment charges.

Our Company at a glance

We are innovators of exceptional brand-to-consumer experiences.

Improving relationships between brands and consumers.

What we do

D4t4 Solutions plc provides technologies to solve data, identity, and connectivity-related challenges within marketing and fraud.

D4t4 Solutions plc was founded around a passion for helping brands create better relationships with their consumers via better data.

Supporting customers in financial services, retail, travel, healthcare, and telecommunications across 27 countries, D4t4 enables businesses to make smarter, informed decisions via Celebrus, the Company's flagship first-party product suite. Celebrus automatically captures, contextualises, and activates user-based behavioural data in real-time across all digital channels. Through behavioural biometrics and analytics, Celebrus helps companies prevent fraud before it happens. Celebrus Cloud provides an enterprise platform that automates and enables organisations to get better value from the Celebrus software in a more efficient manner.

Key Markets

- Financial Services
- Healthcare
- Insurance
- Retail
- Travel
- Telecoms

What does live-time mean?

Almost all data capture providers collect data within real time; however, they are unable to land that data into business systems so it may be used in real time. D4t4's Celebrus can do that – and we call that live-time.

Our key milestones

"The growth strategy is based on Celebrus being a disruptive data solution that uncovers the deepest digital insights, revealing true customer context and identity, thereby enabling brands to deliver next-level marketing and fraud prevention in live-time."

1985
D4t4 Solutions begins as IS Solutions, a small hardware reseller and facilities management company

1985 to 1999
IS Solutions grows and expands its business into software and the internet

1997
IS Solutions IPOs on to AIM

2000
IS Solutions begins its journey into real-time data

2015
IS Solutions acquires the Celebrus product

2016
In response to the changing business, IS Solutions changes its name to D4t4 Solutions

2021
D4t4 launches new growth strategy

Our products and services

Unlock new possibilities with limitless, compliant first-party data.

Transform experiences with more complete data sets – captured, contextualised, and activated with Celebrus.

Celebrus Solution

Identity graph, tagging free first-party data collection, real-time, data model, 100% data ownership

Consumer Insight

First-party data collection, contextualisation and activation. Built on top of the Celebrus first-party, real-time identity graph.

Fraud

True fraud prevention with advanced data modelling and signals, enhanced by behavioral biometrics.

CDI for Salesforce

Amplifies your tech stack with contextualised, first-party visitor profiles fed to your Salesforce Marketing Cloud instance in real time.

CX Vault

The only no-party data capture, contextualisation, and activation solution built to power engagement regardless of opt in.

Web Analytics

Powerful web analytics platform that gives you 100% data ownership. Available in customer environment or Celebrus Cloud.

Our products and services continued

Celebrus

Celebrus tackles gaps in data capture, consumer context, and connectivity to solve for incomplete consumer insight, latency, and inadequate systems.

The technology elevates first-party, tagless data capture across ALL organisational channels – from web to mobile, digital to in-person experiences – and informs every system within the MarTech stack in live-time, empowering marketing and data teams to make decisions with ALL the data. The ability to interact with consumers while they are interacting with the brand, digitally increases conversions and revenues, and most importantly, drives brand loyalty.

Celebrus empowers privacy AND relevance by leveraging live-time contextual understanding to create relevant, session-specific offers and experiences without risking consumer privacy with the Celebrus CX Vault solution. Celebrus CX Vault enables the delivery of user-specific experiences without cookies, data tracking, or data sharing. The personalised, relevant digital experiences consumers have come to appreciate can be delivered with the rise of the privacy-forward browser and operating system.

Fraud detection and prevention of ALL types of fraud can be achieved with Celebrus through the delivery of necessary live-time context, identity resolution, and activation.

Fraud isn't black and white, and it doesn't happen in a black box – yet most organisations struggle with fraud solutions that do. Celebrus captures ALL interactions across the entire journey and over time to build complete identity profiles, so organisations don't have to wait months for new fraud models that only provide half the story. Celebrus Fraud eliminates delays, reduces friction, and gets ahead of fraud with next-level fraud prevention.

Celebrus Cloud

In response to the growing desire for cloud hosting environments, Celebrus Cloud automates the intake, integration, transformation, and delivery of customer data across relevant data sources to deliver live-time customer and regulatory analytics in the cloud environment. This comprehensive, consolidated, and controlled view of customer data empowers organisations to make data-driven decisions for their business.

"Celebrus immediately ticks that box of first-party data collection for our clients without tying up their internal IT resources. This means that marketing teams can quickly tap into powerful data collection and solve the big challenges being faced in this area by taking advantage of the tailored marketing features and new modules launched this year."

Daniel Guest, rCubed (Partner, UK)

"The Celebrus Customer Data Integration ('CDI') App is a welcome addition to AppExchange, as they power digital transformation for customers by closing a significant data gap. AppExchange is constantly evolving to connect customers with the right apps and experts for their business needs."

Woodson Martin, GM of Salesforce AppExchange

Investment case

Delivering sustainable value

1. Market-leading proprietary software

D4t4 has unique proprietary software and know-how which enables customers around the globe to better use and manage their data.

For more information **see pages 12-21**

2. Blue-chip customer base

D4t4 has a blue-chip international customer base located in 27 countries, with high customer satisfaction, and a very low customer churn rate.

3. Proven management team

The Company has a strong management team with a track record of success in growing software businesses.

For more information **see pages 42-43**

4. Profitable with a strong balance sheet

The Company is profitable, cash generative, and dividend paying. It has a strong balance sheet with ample cash to fund investment into revenue growth.

5. Presence in growth sectors

D4t4 operates in growth sectors:

- **Customer Experience**

  Growth drivers: The deprecation of third-party cookies meaning brands can not store customer data for any length of time.

  Data capabilities: Use of first-party cookies enabling our corporate customers to retain customer data. This enables the provision of the right data and contextualisation to enable organisations to better understand their customers and provide a tailored experience for each customer across all channels and devices to derive more value.

- **Fraud Detection and Prevention**

  Growth drivers: Massive increases in online fraud and a regulatory environment requiring banks and retailers to better manage fraud losses.

  Data capabilities: Providing granular, individual level data and evidence to identify indicators of fraud in real time, to reduce fraud losses within an organisation and protect their customers.

- **Data Activation and Management:**

  Growth drivers: Huge amounts of data being produced requires complex data activation and management infrastructures, across all sectors of business.

  Data capabilities: Building hybrid cloud platforms focused on data ingestion, integration and transformation to provide actionable insights to benefit our customers' business.

Looking forward

Q&A with Bill and Ash

Q What is your vision for D4t4?

Bill: Brands and consumers are struggling to build better relationships. Whether it's on the marketing side or in the fraud world, the answer is better data. My vision is to bring D4t4 into the light so that organisations can become familiar with Celebrus and realise there is a better solution for the many challenges in digital today. We need to transform into a sales organisation that is focused on driving significant increases in new logos and growing those relationships year on year by getting customers excited by the value proposition of our software and IP.

Q How has the business transformation gone in the past year?

Ash: The fun part about a transformation is that you're never done. There is always room for improvement and our industry can literally change from one day to the next. That makes it exciting for us. This past year has been extremely productive in putting the building blocks in place. We've established a better strategy and team for Sales and Marketing. We've evolved how we onboard and work with partners. We've put systems in place to help with practicing what we preach in creating our ability to use data to make decisions. We've also put in place a management team across the business that is aligned and excited about our potential in the market.

Bill Bruno,
Chief Executive Officer

Ash Mehta,
Chief Financial Officer

Q Looking ahead, what would you like to achieve by March of 2024?

Bill: Now that we have put the building blocks in place for Sales and Marketing, I'd like to prove that it works at scale. We've come a long way in our messaging and sales approach. The pipeline for our software continues to build. Partners are being prioritised based upon where the value is being generated. We have an extremely active Marketing strategy and calendar. I would love to be able to sit here in a year and point out how well our sales and customer success initiatives are working to not only convert our pipeline into new logos but to also take these new customers and build a strong value story for our "land and expand" approach.

Q Where are you intending on investing to drive growth?

Ash: We have a set of themes for each of our core divisions in the business as we transform further into becoming a sales-focused organisation. These themes not only help drive our objectives and goals, but also the areas we look to invest in within each department. For example, in Professional Services our focus is on standardising our delivery packages for new customers and onboard our SI partners. In Marketing, we are investing much more in events and content/PR. We will measure each investment and not be afraid to move on to something different if the data tells us a particular investment isn't working.

Q Where do you see the growth coming from?

Bill: We have continued to build out our tip of the spear offerings to support the land and expand approach we are using to sell. Some examples would be our Celebrus CDI for Salesforce offering or CX Vault. Growth will be focused on selling Celebrus and offering fully managed services to ensure organisations get as much value as they can from their investment in us.

Chairman's statement

Strong progress with positive underlying trends

The Group has made strong progress over the last twelve months, and whilst the results fell short of earlier expectations, the underlying trends are very positive with strong growth in ARR and our strongest pipeline ever heading into a new financial year, and our investment into people and systems making the business more robust and scalable for the next stage of growth. Moreover, the market trends against third party cookies, and the massive rise in financial fraud play to our strengths as we continue to increase investment into sales and marketing to further build the pipeline.

In the financial year we recorded increased software revenues and ARR, partly based on some impressive new customer wins in various sectors including banking, insurance, and healthcare. We also had significant upsell into existing customers, including first-time Celebrus Fraud wins, as well as a number of large three-year renewals demonstrating the value-add our products provide and the long-term commitment that customers are prepared to make.

"The market trends against third-party cookies, and the massive rise in financial fraud play to our strengths as we continue to increase investment into sales and marketing to further build the pipeline."

Our acquisition of Prickly Cactus in 2021 has proved to be valuable in helping us strengthen our account management function, and the vendors met their earn-out target six months ahead of the target date, contributing to our Software revenue growth in the year.

Our investment into the product range continued with two updates of our Celebrus platform to enhance functionality, along with the launch of CX Vault, the cookie-less no party solution, and the joint launch of CDI (Customer Data Integration) for Salesforce enabling Salesforce customers to switch on Celebrus features in a matter of hours and have them integrated with the Salesforce Marketing Cloud.

This progress has been made during a period of economic uncertainty, and it is a great testament to our leadership team and all of our employees around the world. We thank them sincerely for their efforts. The work we have put in to create a sales-led organisation with a vibrant culture of empowerment and accountability is showing results.

At the board level, after the year end, we were delighted to have appointed Helen Gilder as a non-executive director and Chair of the Audit Committee. Her previous experience as a tech company CFO as well as currently being NED and audit chair of an AIM tech business made her a strong candidate for the role. Helen takes over the Audit Committee chair role from me, and this is the first step in our search for a new Chair of the board to succeed me when, in line with good corporate governance, I step down towards the end of this calendar year, having served as Chair for almost nine years. A search has commenced, and we will provide further updates in due course. The board now consists of four independent non-executive directors and two executive directors.

Our values

01 **Our business is customer-centric**

For more information see pages 12-20

02 **Sales-driven organisation**

For more information see pages 12-20

03 **A great employer with great employees**

For more information see pages 27, 32-34

04 **ESG is at the heart of all that we do**

For more information see pages 29-36

Outlook

We started the new financial year with a strong pipeline, and a leadership team structured clearly on the delivery of new customer wins, increased revenues and customer satisfaction. The Group has a healthy cash balance to fund necessary investments into growth and I'm delighted to report that the Board is highly confident in the Group's strategy and our ability to deliver growth and create significant shareholder value in the coming years.

Peter Simmonds
Non-Executive Chairman
11 July 2023

Chief Executive Officer’s statement

Building blocks to drive and manage growth

Bill Bruno, Chief Executive Officer

Our transformational journey to becoming a software sales organization continues to progress, and our focus on growing the core business of selling Celebrus software has developed well with further investments into our strategy for Sales and Marketing.

While the financial year ended in a frustrating manner with the delay of two contract signings, I’m pleased to report a good set of financial results for the year ended 31 March 2023 (“FY23”) with Software Revenue up by 9.6% during the year and a healthy growth in ARR of 19%.

> **“This past year, ... on the new logo front, we have added a healthcare company in the US, a bank in Spain, and an insurer in APAC.”**

Our five strategic pillars

For more information **see pages 16-17**

01 **Selling software**

02 **Expand Celebrus Cloud**

03 **Annual Recurring Revenues**

04 **Scale and Efficiency**

05 **Culture**

Chief Executive Officer's statement continued

Strategy and market trends

We have moved into the next phase of execution of the strategy to further drive both new logos and existing client growth. With our focus of selling Celebrus software and functionality for Marketing and Fraud use cases, we have rebranded Celebrus CDM to Celebrus Cloud, and enabled the two functionalities to be used concurrently in a single installation. As we continue this journey, our goal is simple: to build strong relationships between brands and their consumers via better data, for both marketing and fraud. This is evidenced by the numerous conversations we are having with Celebrus marketing customers about utilisation of the fraud functionality.

In the Marketing world, relationships are growing as a result of engaging experiences and those experiences are driven by better, real-time data. Digital challenges for Marketing have continued to expand to three main areas in which Celebrus excels: Digital Identity Verification, Data Contextualisation and Accuracy, and Data Connectivity. Our "Identity Module" provides the ability for brands to compliantly maintain digital profiles of anonymous and authenticated individuals in a way that most other solutions cannot. Our tag-free data capture, ability to provide that data in milliseconds, and our ability to connect that data in any format to any system that a brand may require, further differentiate us from our competitors in the industry.

In the Fraud world, consumers need to be protected by better data in the moment. Fraudsters continue to grow in sophistication, and brands need more data at their fingertips in real-time to have a chance of protecting themselves and their consumers by restricting fraudsters before they can even attempt a fraudulent transaction. Our ability to capture all of that data, combined with our Identity capabilities, sets us apart from our competitors, making Celebrus a significant addition for brands who are trying to do more to counter fraud using their own, first-party datasets. The sophistication and configurable granularity of our solution, combined with the rising level of threat, means that the 'black box' approaches of competitors will no longer be considered adequate protection for consumers'. With millisecond data capture and contextualisation, our Celebrus platform ultimately helps brands catch the fraudster before the fraud.

Products and technologies

We will continue to find opportunities to innovate our Celebrus platform to maintain differentiation in the Marketing and Fraud world. We will do this with our twice-yearly product releases and via the partnerships and integrations we continue to build.

During the year, we brought a significant set of features to the market to enhance the capabilities of Celebrus. We launched the first-of-its-kind "no party" data solution in CX Vault that is truly cookie-less. We also enhanced our Digital Identity Verification with cross-domain continuance, and we developed Celebrus Cloud to create our CDI for Salesforce offering and furthered support for the Google Cloud Platform.

Our technology focus is on innovation and differentiation and the ability to cater for the ever-growing needs of our customers, and we will continue to take input from the field teams and customers to ensure we are delivering upon our promises.

Route to market

This past year had some great wins for our business. On the new logo front, we have added several to the roster including a healthcare company in the US, a bank in Spain, and an insurer in APAC. Amongst existing customers, we also had considerable success including an upsell of features to a large US bank, a renewal and consolidation upsell for a large global bank that included a fraud component, and a renewal for another global bank that is now exploring Fraud as well.

Our pipeline visibility continues to improve and grow such that at the end of this past year the total sales pipeline grew by 27 per cent while the value of proposals out with potential and existing customers increased fourfold, providing strong visibility into performance in the new year, and reflecting the investment into sales, marketing, and customer success.

> **"With our focus on selling Celebrus software and functionality for Marketing and Fraud use cases, we have rebranded Celebrus CDM to Celebrus Cloud."**

Chief Executive Officer's statement continued

Our vertical focus has also expanded. While we continue to drive business in Financial Services, Healthcare, and Insurance as key markets we have also achieved traction in Travel and Retail. Our strong belief is that Celebrus can play a role for any organisation looking to be data-driven, and we will continue to expand our footprint in any verticals where it makes sense and proves to be fruitful. Continued changes to HIPAA[1] compliance in US healthcare resulting in the limitation of usage of tracking technologies including third party cookies, has highlighted the benefits of our Celebrus first-party data solution for that vertical.

We have added Business Development Representatives (BDRs) to our Sales organization to increase further the rate of lead generation.

The acquisition of Prickly Cactus in August 2021 has proven successful in uplifting our customer success capabilities, and they achieved their earnout targets in March 2023, six months ahead of schedule. Consequently, they have now been formally integrated into a newly-established Customer Success team for the International and the US markets. These investments and structural changes will ensure Sales spends their time selling new logos, and not on other areas of the business.

Partners

Our partners will always be important to the business, and we have expanded the roster to now include several consulting partners. This is for scale, but also for business development. These consulting firms are trusted partners of their customers, and they also know the challenges that customers are facing first-hand. This presents a great opportunity to create more potential revenue streams for the business.

We continue to innovate and grow our go-to-market offerings with technology partners such as Teradata, Pegasystems, Salesforce, and others. Each of these presents an opportunity for us to package up a combination of Celebrus features and sell them in a straightforward manner to land and expand in accounts where those partners are already active. The more we simplify that initial offering, the easier it is for these partners to position Celebrus with their customers and internal teams.

Branding

We continually monitor the impact of our marketing, and evolve our positioning based on feedback from events, the sales process and conversations with our customers; we are not afraid to make quick pivots as the market changes and adapts. The 'CDP (Customer Data Platform)' label is one example; as a result of overuse and inappropriate application, it has become a source of confusion and we have moved away from using it to describe what we do. Our objective is for our branding to be accessible to non-specialist readers, to the point, and relevant to the various data-related challenges faced by our current and future customers.

Our employees

We have continued to restructure the business to create opportunities for growth, but to also ensure that we have teams of people working together towards common goals. While we are a global business, we need to ensure that people across the globe are aligned and working with the same level of accountability in the business. We also need to ensure we have strong managers across the business to improve processes and create efficiencies along the way.

We have continued to invest in our Security team and operations, and we take that very seriously. It's important to stay at the forefront of information and cyber security as we continue to grow our Celebrus Cloud business. We have deployed a Security Operations Center (SOC) and we have revamped our policies both internally and externally to protect our employees, our company, and our customers.

I'd like to thank our global team for their contributions in this past year and their diligence as we continue to make changes across the business to set up for scale and growth. Our team has taken that in its stride, and it has been very uplifting to see people rise to the challenge and work together to build a better D4t4.

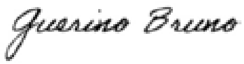
Outlook

Our goal for the year ahead is to deliver ARR growth and shareholder value with a focus on sales. New logos and growing existing accounts are our core area of focus. We are becoming a far more sales-focused organisation, and that culture will drive the winning attitude needed to sustain the growth we know this business can deliver.

We will continue to invest into sales and marketing activities and product development while ensuring we can still generate healthy profits and cash for future investment. Everything we do, from delivery to sales to everything in between will be measured. We will continue to bring that data and transparency to the market whenever appropriate.

While we are focused on growing our own business, we will also continue to monitor the space for potential acquisition opportunities to bring more capabilities into Celebrus.

We have started the new financial year with a strong pipeline and we are confident in our ability to deliver growth in this new financial year.



Bill Bruno
Chief Executive Officer
11 July 2023

[1] The United States Health Insurance Portability and Accountability Act 1996

Market overview

Market size and competitive landscape

Customer data

Market drivers

74% of C-suite executives believe that good quality data gives them a competitive advantage.

60% of organisations drive business innovation based on customer data.

$20bn The consumer data market size by the end of 2027 from $5bn in 2022.

66% believe this growth is due to the deprecation of third-party cookies, and the need for first-party data, as well as consumer expectations for more personalised customer journeys.

Only **43%** of brands currently have a fully-deployed customer data technology.

Consumers continue to demand targeted, personalised digital experiences that closely resemble, or are even more intuitive and engaging than in-person experiences. Data access to achieve these brand-to-consumer experiences is crucial.

Market expectations

53% of organisations define ROI from customer data technology by cost savings.

The most value from customer data technologies prioritised basic goals such as unified customer view, completeness of data, privacy compliance and less time spent on data management.

58% measure ROI from customer data technology by sales and revenue growth.

68% report that data security is the most important criteria when selecting a CDP.

75% stated loading data from all sources was the most important customer data technology capability.

57% noted identity matching as a crucial capability.

Fraud

Market drivers

The global fraud detection and prevention market is estimated to grow to **$65bn** by 2026.

The significant increased usage of digital platforms during the global pandemic has contributed to the substantial increase in revenue projections over the five-year span.

$55 billion lost in scams in 2022.

In retail, an industry formerly concerned mostly with in-person theft and fraud, cyberfraud and cybertheft has caused massive hits to revenue. Banking and insurance sectors note the increased adoption of online applications and mobile banking for the rise of new fraudulent schemes and scams.

40% expected growth rate of online fraud; now the most reported type of crime in most countries.

293 million estimated number of scam reports filed in 2021.

5% of all digital traffic is now an account takeover attack.

1 Source: (Better Decisions in the Age of Unpredictability, February 2022).
2 Source: (New Vantage Partners, 2023).

Market overview continued

Market trends and D4t4's response

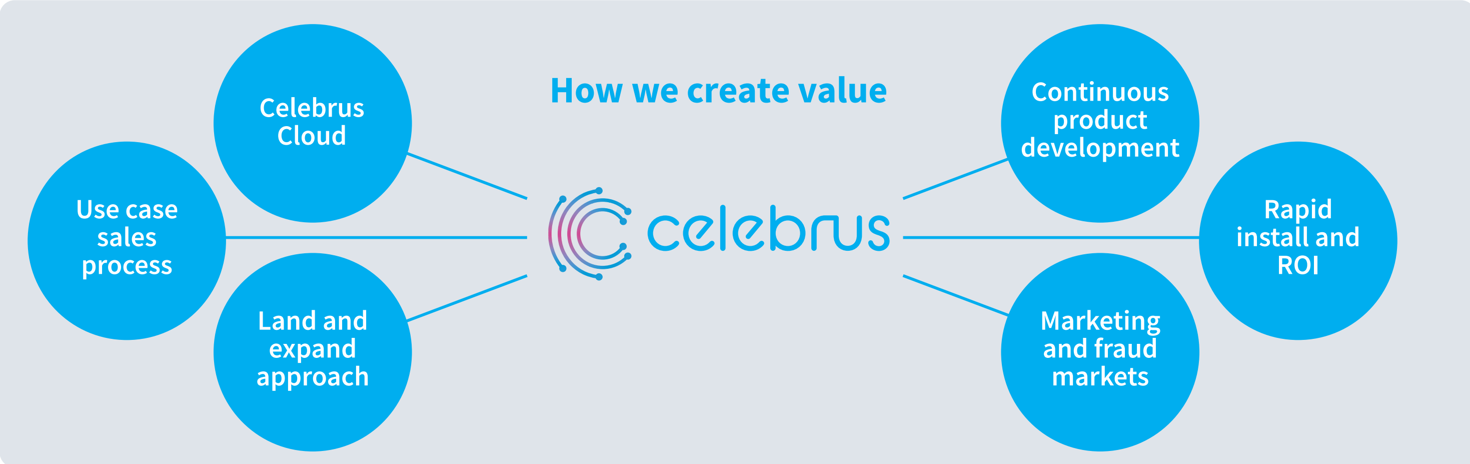
Trend	Response
According to a recent IDC study, "executives openly articulate the need for their organisations to be more data-driven, and to be data companies."	This trend requires organisations to actively collect digital data as soon as brand interactions occur. The Celebrus technologies address this trend by capturing data at first interaction, regardless of the state of user authentication.
AI and Machine Learning technologies are finding increasing roles within business units, responsible for automations and the detection of anomalies.	Celebrus has been embedding machine learning and AI into the platform for years and will continue to innovate upon the models provided to customers to drive quick wins.
"Cloud technology acts as a key trend for fraud detection and prevention. It offers robust processing power, storage space, and access through the internet." (Fortune Business Insights).	D4t4 Solutions has been supporting client systems for years; however, the migration to Celebrus Cloud offering is in alignment with the need to address this growing trend.
ESG initiatives and government regulations are pushing organisations to inspect their data capture and contextualisation methods.	Celebrus does not deploy third-party technologies or systems in the capture of data, ensuring 100% compliance with all government regulations globally, as well as internal specifications for the capture and handling of data. All data is owned solely by the organisation deploying the technology and data does not change hands within the capture process as it does with many competing vendors.

Business model

Creating better relationships between brands and their consumers with better data

Key inputs & drivers of success

- Building a sales-focused organisation.
- Focused on selling Celebrus.
- Simplification of our messaging and positioning.
- Establishing a customer success team.
- Expansion of our technology partners.
- Continued Innovation of our Celebrus software.



Key values

Innovation
The digital landscape changes day by day, and we pride ourselves on our unique ability to solve complex challenges via our people and technology.

Teamwork
With deployments in 27 different countries, it takes a village to ensure our customers are supported around the globe. Our customer-first mentality ensures everything we do is aligned with creating strong partnerships with our clients.

Accountable
Our culture of accountability ensures that our vision of changing the way brands interact with their customers is upheld across the entire organisation.

Continuous Improvement
Always evolving our go-to-market, our processes, and our technology while ensuring we continue to develop our employees and create opportunities for professional development.

Integrity
In a market full of confusion, we pride ourselves on our honest candour and simplicity of message with our customers, partners, and prospects.

Business model continued

Why customers choose us

Solutions for Key Challenges

The industry continues to face challenges from all angles with regards to Identity, Cookie deprecation, compliance, and many others. Celebrus offers unique solutions to each backed by our Software and IP. Even the simple things, like trying to use digital data in other platforms, is proving to be quite difficult for brands when they reach a level of complexity in their use cases.

Innovation

We bring clients along on the journey and provide them with ample opportunities to review our Product Roadmap and provide input to that via our Advisory Boards and Customer Portal. We continue to spot the trends and work with our teams around the globe to ensure we are bringing the right features to market that we can sell to both new and existing customers.

Customer Service

We pride ourselves on going above and beyond to ensure that we are meeting the needs of our customers around the globe. We like feedback, and we ask for it directly from our customers so we can continue to improve.

Trusted Supplier

We have a history and pedigree of being a stable, secure, and continuously improving business that ultimately brings best-in-class solutions to the market that are updated at least twice per year.

Learn more about our stakeholder engagement on **pages 24-28**

How we maximise value for our shareholders

We continue to transform the business to focus on growth to drive value for our shareholders. To maximise the value we return to shareholders, we focus on three things:

1 ARR growth

We are focused on growing Annual Recurring Revenue by increasing the size of our customer base and adding to the functionality available and used by customers to connect with their end-customers. ARR is known to be a key driver of company and shareholder valuation.

2 Adjusted profit before tax

This measure approximates to the cash profit of the business as it excludes major non-cash items charged to the Income Statement. It is therefore a good proxy to measure cash generation which can be used for investment into the business to generate growth, and for payment of dividends to shareholders.

3 Dividends

This is a very visible aspect of shareholder return. A proportion of the cash generated in a financial year is paid out in the form of a growing dividend. Occasionally, the Board may decide, as it did in 2022, to pay out a special dividend on top of the ordinary dividend.

Our strategy

Whether we are building high-performing analytic environments or capturing and contextualising the data that becomes the backbone for Marketing and Fraud, our goal is to continue to challenge organisations to think differently about data and ultimately accelerate their digital transformation goals.

> **"We build better relationships between brands and their consumers via better data."**

Selling Software

Our Goal

By selling more software we can continue to focus on driving ARR growth with higher gross margins, increasing shareholder value, and building upon our high customer retention rates across the business to drive organic growth. To do this, we will further add simple packages of features that solve specific pain points in the industry today. This helps shorten our sales cycles and ultimately will drive the new logo goals we have for the business in the coming years as we continue to innovate and address some of the most challenging issues facing the digital industry today in marketing and fraud.

What We Did in FY22/23

We have completely revamped our Sales and Marketing approach and teams to support the goals for the business. We have launched Account Based Marketing, a new approach to Events/Conferences, and a strategy that aligns our Sales, Marketing, and Partnership teams on the common goal of generating leads.

What We're Doing in FY23/24

We have started to build out a Customer Success function to complete the "assembly line" needed to drive year-on-year growth from our existing customers. Retention and growth of existing accounts is just as important as new logos, and Customer Success will free up Sales to focus on winning new logos. We also continue to innovate our approach to Sales in both Fraud and Marketing and have brought on consultants and experts to help guide some of this transition for our field teams.

Expand Celebrus Cloud

Our Goal

What we've previously referred to as Celebrus CDM is now Celebrus Cloud which is underpinned by our Managed Services division that, over the years, has built some of the most powerful and innovative analytic environments. Celebrus Cloud will provide our customers with options to help them quickly get value from our Celebrus software in a hosted environment and is the foundation to core feature releases such as the Celebrus CDI for Salesforce offering.

What We Did in FY22/23

We launched versions 9.6 and 9.7 of our Celebrus software which continues our commitment of launching two main releases each year for our customers driven by industry gaps and customer requests. We launched feedback surveys for our customers to further drive input from the already established Customer Portal and Advisory Meetings. We also built efficiencies within Celebrus Cloud and continued to expand our automation capabilities for customers.

What We're Doing in FY23/24

We continue to incentivise our product and engineering teams to find opportunities to identify and protect Intellectual Property and will continue to invest in key research projects that are driven by where we see the market going and the challenges that we see on the horizon. Our product roadmap continues to grow as new opportunities are identified with customers and partners.

Annual Recurring Revenue (ARR)

Our Goal

Annual Recurring Revenue, driven by selling our Celebrus software, is a core focus for the business to drive more value for our shareholders. Our goal, given the nature of our business, is to have ARR comprise roughly 75% of our total revenues in a given year.

What We Did in FY22/23

During the year we had key wins including a bank in Spain, a healthcare organisation in the US, and an insurance company in APAC, as well as a key upsell of a large US Retail Bank to begin using the no-party data feature of Celebrus, CX Vault. Core revenue (excluding hardware sales) increased 11% and ARR revenues accounted for 75% of total revenues.

What We're Doing in FY23/24

We have evolved our offerings in what has historically been referred to as Celebrus CDM to now be Celebrus Cloud. This allows us to gradually shift away from a reliance on third-party hardware and into a hosting model that drives ARR Managed Services Revenue. We will also continue to invest in Sales and Marketing to drive direct pipeline for our Celebrus software and continue to productise offerings that combine elements of Celebrus, such as Celebrus CDI for Salesforce, that simplify the Sales process.

Our Strategy continued

Scale and Efficiency

Our Goal
The management team continues to identify areas of opportunity to build efficiencies in the business, notably through improved systems and redeployment of employees, that will allow for us to apply key talent into higher value areas. We also continue to identify Solution Integrator (SI) partners to provide bandwidth to assist our customers globally in their journey with Celebrus.

What We Did in FY22/23
We have continued to expand our internal systems such as our CRM, and License Manager, as well as implementing a new finance and reporting system, and an HR applicant tracking system to manage recruitment. We are also expanding our external systems in Sales and Marketing focused on Lead Generation and ensuring we are innovating our approaches in the field.

What We're Doing in FY23/24
We are moving into our next phase of reporting and analysis for line managers and the team in the field to ensure we are being data-driven in all aspects of our business. We are also looking at ways to further build efficiencies into how we deploy Celebrus Cloud and bring automation to life in how we simplify configuration of our platforms. We will also continue to revisit the structure of the business to ensure we are managing our operating expenses prudently given the investments into the system.

Culture

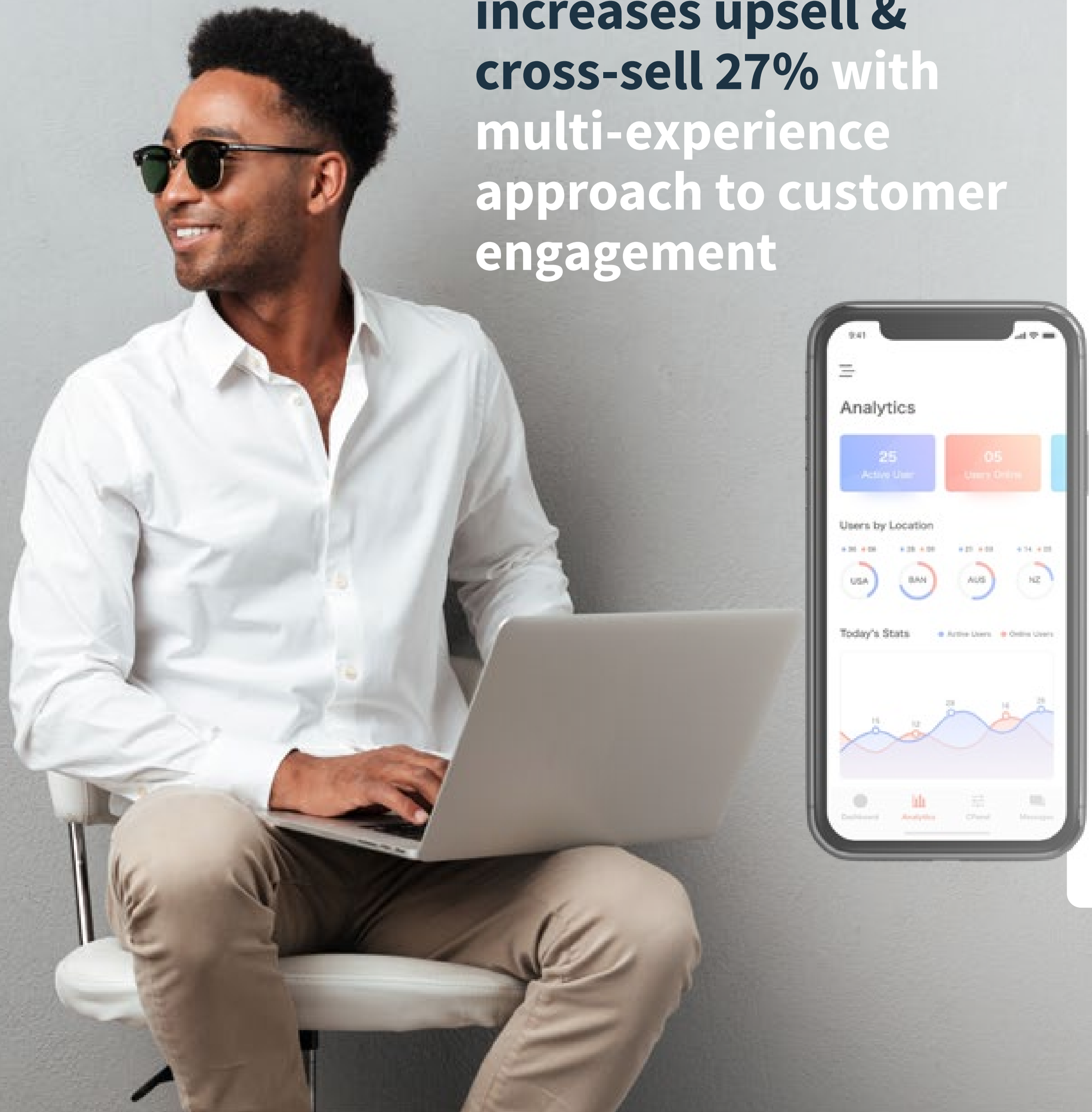
Our Goal
We are continuing our journey of building a high-performance team rooted in accountability with an eye to always looking for ways to improve upon how we operate on a daily basis. This will ideally create opportunities for our staff around the globe for professional development that is mutually beneficial to our amazing team as well as our shareholders.

What We Did in FY22/23
We continue to build opportunities to create open communication and innovation across the business. We have put bi-monthly Town Halls in place across the business and launched our first global employee survey which will now be a recurring event. We have created several opportunities for teammates to step into larger roles and make a difference in the business with the appropriate support from HR and their peers.

What We're Doing in FY23/24
We will continue to utilise our new HR systems and processes to ensure we are bringing in top talent to the business while also creating opportunities for growth internally. We will continue to evolve the culture to foster innovation, creativity, and productivity. ESG will also continue to play a key role in bringing our people together.

Strategy in action

Large health insurer increases upsell & cross-sell 27% with multi-experience approach to customer engagement



Challenges

A large health insurer wanted to build long-lasting, high-value relationships with each of their customers, while maximising the significant investments made in customer data.

Disjointed channels and siloed decisioning made it difficult to deliver on the promise of seamless, omnichannel engagement. They needed to operationalise their customer data insights to provide customers with the most personal and relevant actions at each stage of their journey.

Solution

By implementing Celebrus, the insurer unified their inbound, outbound, and paid channels with one central brain. Personalised next-best-action recommendations within each customer dialogue maximises value for the customer and enables a shift from product-centric to customer-obsessed.

Centralised decisioning means every channel learns from the others, and the experience is adjusted in live-time based on customer insight.

By implementing Celebrus, the insurer unified their inbound, outbound, and paid channels with one central brain.

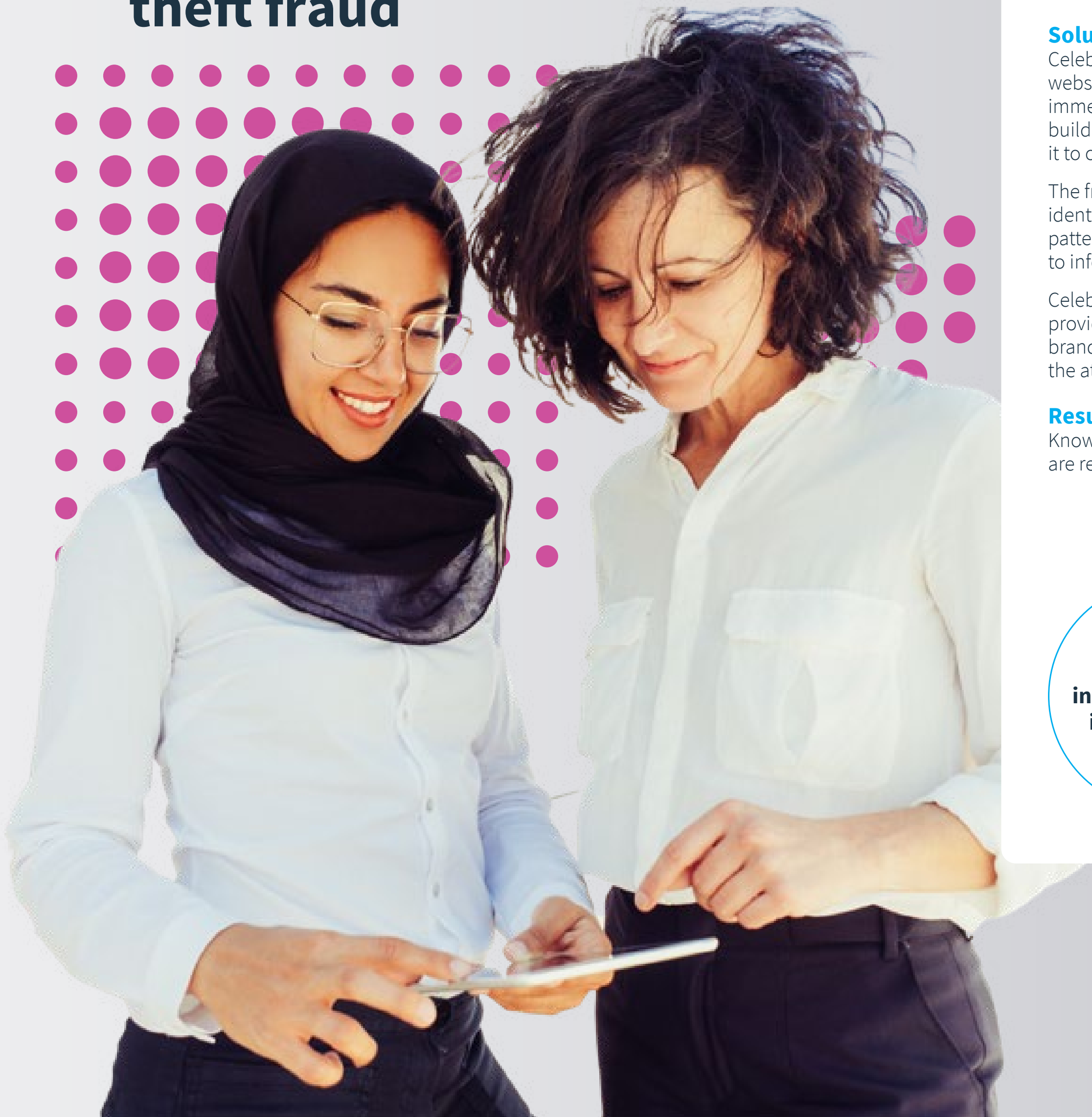
85% save rate with next-best-action recommendations

41% web to call centre conversion

27% increase in online upsell & cross-sell

Strategy in action continued

Multi-brand retailer prevents £1m in identity theft fraud



Challenges

A multi-brand retailer wanted to minimise fraud. They knew they were struggling with identity theft issues, but it was difficult to pinpoint. For known fraud types, a lack of live-time data prevented early detection of new cases.

Solution

Celebrus is deployed across all the retailer's brand websites. They were already benefiting from the immense value provided by the data and the ability to build and persist identity for marketing, so why not use it to combat identity fraud as well?

The fraud analytics teams reviewed known cases of identity theft relating to new accounts. They looked for patterns in digital account opening data and used that to inform their fraud prevention strategy.

Celebrus' first-party, cross-domain data capture provides a consistent data stream across their multiple brand websites, while individual-level data provides all the attributes needed for live-time fraud analysis.

Results

Known fraud patterns flagged in live-time, before goods are released.

> **"Celebrus enabled us to extract an unprecedented granular level of detail from each of those campaigns. It enables us to look back at every single customer visit to the website step by step and analyse behavior."**

£1m
in customer fraud identified and mitigated

2 mins
Multiple identity theft traceable in minutes

✓
Cross-brand customer fraud identified and mitigated

Strategy in action continued

Cost per customer acquisition

Challenges

The bank's loan department wanted to grow their portfolio through digital marketing efforts. As part of that process, they needed to measure the current performance of their preferred advertising agencies. To support the analysis, they wanted to create an end-to-end conversion funnel analysis report. The primary goal for the bank was to optimise their paid advertising spend.

Solution

Celebrus was chosen because it's a true CDP with the ability to close the digital data loop and provide full visibility of every customer journey from paid media referral to new account opening and beyond. The bank also saw the value of using an enterprise real-time data hub for internal and external systems to reduce effort and cost.

Initially, Celebrus was purchased and deployed for analytical purposes. The retail bank then enabled the real-time capabilities of Celebrus CDP to integrate with their advertising partners and take them to the next stage of their development. A propensity model was built to predict intent to apply for a personal loan by analyzing each visitor who starts to browse pages of the retail loan section of the channel. The model continuously scores in real-time, according to defined goals.

The model was built in a way that defined three segments – high, medium, and low propensity. The top segment had 12 times the average response rate and the bottom segment had 5% of the average response rate.

Results

The bank integrated three preferred advertising vendors, including two local vendors who cover Facebook and Google DoubleClick Networks, and a third who manages Google Keyword Search and Yahoo Advertising. The Bank adopted their standard of advertisement tracking code for both campaigns and promotions, thus reducing deployment time and mapping/conversion effort in the analysis.

Using Celebrus data collection, one year of historical customer data was used from the website to compile start, visitor, device, page, and form interactions. These data points were used for prediction variables. The data was augmented with loan application data as a prediction target, reconciled with a unique identifier (in this case, mobile phone number which was included in both data sets).

In the final phase of testing, two additional sub-models were built: one for visitors being driven by vendor advertising, and the other for direct website visitors. In-session scoring was implemented using goals tied to score rules, with each goal only counted once per session.

The Celebrus Personalisation Connector was used to build triggers that integrated with the advertising vendors' systems when the score was reached. Trigger rules were configured for low, medium, or high score based on session value metrics. Score-based segment information was passed to advertising platforms using scripts within the actions, enabling the bank to use a different advertising strategy for each segment.

For the low score segment, the bank didn't spend any budget on retargeting. For the medium score segment, they spent less cost per thousand impressions (CPM) and ran the ads for a shorter duration. For the high score segment, they spent more on CPM and increased deployment duration. The advertising agencies handled the creative elements of the projects in line with the bank's instructions, derived from the model decisions.

4.6x
increase in click-through rate (CTR) YoY

1.6x
increase in conversion rate

37%
savings in cost per customer acquisition (CPA)

Chief Technology Officer's report

A transformative year on many fronts

Ant Phillips, Chief Technology Officer

Overview

The last year has been a hugely transformative year. Starting with our people, we have new senior leadership in the Technology Group who have already made a tremendous difference both from a strategic and operational perspective. Our singular focus is building for scale. Everything we do for customers is being rebuilt – all the way from the product, through our hosted Managed Services offering Celebrus Cloud (more on this later) and to the services we deliver from Professional Services.

Looking through the lens of technology, one crucial aspect of this transformation is automation. As we onboard more customers, we could scale by adding a small army of people. This is expensive, time-consuming and inefficient. A much better strategy is to automate everything. This gives us virtually unlimited scalability, consistency and security. Of course, building the automation takes time and requires teams to grow new skills. It has been tremendously satisfying to see our people step up into this new world and take on the challenges. We're not at the finish line yet, barely even getting started, but this is the right journey to be taking to build our future business.

Perhaps first amongst equals this year has been Celebrus Cloud. This is our hosted Managed Services offering for all our Celebrus products. It is a world-class solution which is fully automated, secure, and highly resilient. Celebrus Cloud provides the foundation to deliver all our products and services. We can onboard new customers in minutes instead of weeks.

Celebrus Cloud is a tremendously challenging endeavour. Quite simply, everyone is involved. The Managed Services team is building the platform and automation, the Product Development team is enhancing our products to work seamlessly in Celebrus Cloud, and Professional Services are delivering the customer success packages on top. Nothing we have done before has required such close cooperation and teaming across the business.

Our Product Development team has had a very busy year. Two major releases (v9.6 June, and v9.7 December) delivered innovative new features to our customers. Amongst all the great new capabilities there are three very special highlights: Celebrus CDI for Salesforce, Identity Graph and CX Vault.

First of all, Celebrus Customer Data Integration (CDI) for Salesforce. Built alongside our new partners at Salesforce, this solution delivers live-time data directly into Salesforce Marketing Cloud. Celebrus CDI for Salesforce powers all the great Salesforce tools like Interaction Studio, Journey Builder, personalisation, paid media advertising and much more. All of this is delivered, of course, through Celebrus Cloud so it is quick and easy to get started.

Celebrus CDI for Salesforce, like all our Celebrus products, is powered by the Celebrus Identity Graph. The Celebrus Identity Graph now enables our customers to fully understand visitor journeys across all their digital properties. This is all possible in real-time and it is fully privacy compliant. This newly patented solution solves the pain marketers have around the death of third-party cookies, effectively filling in the data gap marketers have today. Another great example of innovative product thinking delivering high-value solutions to our customers.

My final product highlight is CX Vault. CX Vault is a massively important innovation. There are two ways to look at privacy regulations like GDPR and CPRA. One way is to view them as limits, rules, and guard rails which constrain companies and provide consumers like us guarantees about the security and privacy of our data. Another way to look at these regulations is to see them as a way to stimulate innovation in the marketplace so that privacy for the individual is at the heart of technology.

> **"Our singular focus is building for scale. Everything we do for customers is being rebuilt … from the product, through our hosted Managed Services offering Celebrus Cloud and to the services we deliver from Professional Services."**

And that perspective is exactly what Celebrus CX Vault delivers. We now provide a unique patent protected solution which enables you to provide relevant and timely messages for your customers such that absolutely no data is shared with anyone or any business. That's why we call it no-party data. Information about what is relevant and interesting to you is completely sealed in a vault within your browser while you visit a website and yet it provides a seamless customer experience for the brand to provide meaningful and relevant messages, offers, and information. Third-party cookies are extinct and the solution for marketers to offer relevant and accurate customer experiences is available right now … no sharing, no tracking, no cookies.

New technologies are also appearing which present opportunities for us – Large Language Models (LLMs) like ChatGPT being one good example. These innovations show us that there is tremendous value not only in providing the data but also the machine learning models and insights on top.

Chief Security Officer's report

Driving continuous improvement

Tony Bennett, Chief Security Officer

Changes have been implemented across the scope of security with a particular focus on people, standards, recruitment, technology and process.

Overview

ISO 27001 has been established in the business for a long period and remains the standard of choice for the organisation and is demonstrated in our global auditing framework. A growth, automation and scalability approach underpins any changes to how we manage security within the organisation; ISO 27001 continues to provide the framework to build the secure processes delivering these objectives whilst maintaining the core principles of confidentiality, integrity and availability of our information assets. As part of our global information security auditing program, we recently completed our ISO 27001 audit in the United States. This has been followed up with changes to our internal auditing approach to support scalability going forward.

A transformational step for the organisation in the last twelve months has been to deliver a 24/7/365 Security Operations Centre. This has significantly improved our cyber capabilities in the areas of managed detection and response. This is provided using a SEIM (Security Event and Incident Management) system and a team of cyber experts which enables us to cut through the billions of logs our systems produce each year. Automation and scalability are built into this process utilising hundreds of use cases to curtail any perceived threats before they develop. The Security Operations Centre develops with the ever-changing security landscape, including activities such as active threat hunting and a continual stream of new threat intel providing the most appropriate response to threats.

People form a key part of our security strategy and over the last twelve months we have taken further steps to ensure they are prepared for the most current threats. We have deployed a new training technology that provides a wealth of training material to our employees. This is designed to be interactive and engaging, providing employees with accessible on-demand courses and education in the security sphere. As part of this technology we have deployed tailored phishing testing and automation capabilities to ensure that levels of awareness and response can be delivered at a very high standard.

"A transformational step ... has been to deliver a 24/7/365 Security Operations Centre. This has significantly improved our cyber capabilities in the areas of managed detection and response."

These improvements to systems and processes keep us at the forefront of cybersecurity, which is an essential requirement providing invaluable assurance for the multinational customers that we serve.

Over the next year I expect transformation to continue through driving automation and scalability across security controls. In focus will be our GRC (Governance, Risk and Compliance) technologies and processes. Security will never stand still and we will continue to drive continuous improvement across the organisation.

Key performance indicators

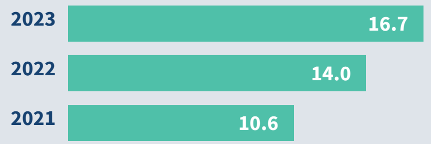
Measuring our performance

Software Revenues
£19.1m

Software Revenues exclude third-party product revenues. This is a KPI because it reflects the work we are doing, and the monies received over a period of time for that work. It is driven by new sales, renewals, and upsell/cross-sell to existing customers and includes licenses, hosting, support and maintenance, as well as one-off project work.

Link to strategy A B C D E

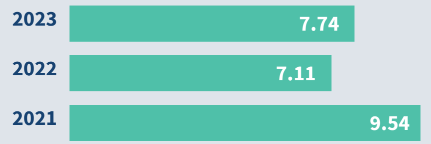
Annual Recurring Revenues
£16.7m



ARR is an important metric as it is an indicator of valuation of software companies. Investors value the certainty of knowing that there is revenue which will recur year after year from customers who derive benefit from D4t4's products.

Link to strategy A B C D E

Adjusted diluted EPS
7.74p



Adjusted diluted EPS is driven from the Adjusted profit before tax figure and indicates the adjusted profit per share to provide a like-for-like calculation of value creation per share per year.

Link to strategy A B C D E

Dividend
3.03p

The Dividend is a key metric, as many shareholders value the cash payment to them. This metric is one that is considered extensively by the Board and balanced against the need to invest surplus cash into growing the business.

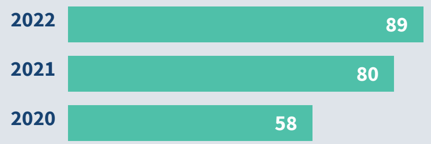
Link to strategy A B C D E

Adjusted profit before tax
£3.8m

Adjusted profit before tax is a key indicator because it approximates to the cash generation of the ongoing operations. It excludes non-cash items such as amortisation, foreign exchange gains/losses, and share-base payment charges etc, as well as exceptional one-off costs. See note 5 on page 81 for a reconciliation of Adjusted profit before tax.

Link to strategy A B C D E

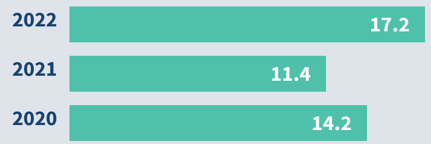
ARR as % of Software Revenues
89%



ARR as a % total revenue indicates our progress to improve the quality of revenues by making a higher percentage of them recurring revenues. This includes converting existing customers from perpetual licenses to term licenses as well as adding new customers on a term license ARR basis.

Link to strategy A B C D E

Cash
£17.2m



Cash is a key metric as it provides assurance on our ability to invest to grow the business as well as make dividend payments to shareholders. It also provides comfort to customers from a vendor risk perspective.

Link to strategy A B C D E

- **A** Selling software
- **B** Expand Celebrus Cloud
- **C** Annual Recurring Revenues
- **D** Scale and Efficiency
- **E** Culture

Stakeholder engagement

Connecting with our key stakeholders

The Board considers the interests of its key stakeholders when making decisions. This ensures that the Directors are fulfilling their duties under Section 172 (s.172) of the Companies Act 2006, to ensure the long-term success of the Company.

These duties are summarised as follows;

A Director of a Company must act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so, have regard (amongst other matters) to:

- The likely consequences of any decisions in the long-term;
- The interests of the Group's employees;
- The need to foster the Group's business relationships with suppliers, customers and others;
- The impact of the Group's operations on the community and environment;
- The desirability of the Group to maintain a reputation for high standards of business conduct; and
- The need to act fairly as between shareholders of the Company.

These pages outline the priorities of customers, partners, employees and shareholders, and how the Board engages with these groups.

Further information is available in the rest of this Strategic Report on pages 2 to 41 and Corporate Governance Report on pages 42 to 64.

Throughout the year, the Group Operations Board updated the Board with information on important areas of business focus, and in particular those relating to our key stakeholders as well as environmental, social and governance (ESG) matters. This ensured that the Board had a good understanding of the priorities of each stakeholder group to aid decision making. More information on the Group's ESG activities can be found in the ESG report on pages 29 to 36.

From a stakeholder perspective the key considerations for the Board during the year are shown below.

1. Customers
2. Partners
3. Employees
4. Shareholders

Stakeholder engagement continued

Mark Krebs

VP, Global Sales

We have simplified our approach to Sales focusing on a small number of use cases rather than selling the whole broad functionality of our products from the outset. This reduces the length of our sales cycle enabling our new customers to benefit more quickly from our products.

Customers

What is important to them

- Reliable technology that adds value to their business.
- Ongoing product development to meet their future needs.
- Customer satisfaction with our products and support service.
- Good relationships as a trusted supplier.
- Integrations with key technology.
- Input into the future features of the products.

How we engage

Customer input

We engage with customers to ensure a proper flow of information from our key customers to our engineering teams. This is also used to vet and adjust upcoming product roadmaps to ensure we are solving the key issues in the marketplace, and also provides a sounding board for our CTO and Product Teams as they evaluate various research projects and roadmap items.

Customer and Partner portal

Our Customer and Partner portal has the goal of streamlining communication, providing better support, and offering a variety of self-service options to customers and partners. This also ensures we are able to communicate openly and effectively, while also providing a central location for all the latest information about our products and services.

Customer Success

We are evolving our Account Management team to becoming a Customer Success team, to work more closely with our existing customers and their strategic plans for maximising the benefits of Celebrus. We also ensure that all customers are communicated with during the product updates that we generally release twice annually.

Service reviews

Internal service reviews are conducted daily based upon client communication and support requests, which are managed on a 24/7 basis for most customers. Regular service reviews with customers are held to ensure we continue to add value across our customer base.

Marketing and messaging

A primary focus of ours as part of our "go loud" campaign is to provide our customers and prospects with a better understanding of our product, core use cases, and differentiators. This will also further enhance our partner engagement and onboarding as well as our direct sales initiatives.

Case studies

Inclusion of key customer case studies as part of our PR campaign to raise awareness of the value of the Celebrus family of products. We have also introduced PR bylines to exhibit expertise in our relevant fields for our key stakeholders.

Stakeholder engagement continued

Simon Burton
VP, Alliances
Developing alliances is a crucial component of our business strategy, and we are constantly working to create innovative solutions that address significant challenges. Our dedication to broadening our network of partners remains steadfast, with a specific emphasis on engaging System Integrators (SI's) in the upcoming year.

Partners

What is important to them

- Collaborative sales and marketing initiatives to promote swift adoption of our products and to ensure our customers can quickly realise its value.
- Our offering will be differentiated to enable both offensive and defensive positioning, with a goal of increasing our Annual Recurring Revenue (ARR).
- Continual product and market education of front-line account teams.
- We will build trusted relationships with our partners to effectively work together in serving our mutual customers.
- Our commercial agreements will not be overly complicated to avoid slowing down contract negotiations.
- Co-developed connections to partner systems facilitate services related to deriving value, rather than just integration and data management.

How we engage

Trusted partnerships
As communicated last year, our Board remains dedicated to cultivating dependable partnerships with our associates, which are instrumental in fulfilling numerous customer commitments and advancing our enterprise. We will persist in expanding these partnerships, to ensure our platform receives the acknowledgments it merits in the coming year.

Moreover, we will continue to innovate our partner messaging to drive more engagement from the channel.

Partner marketing
The engagement and training of our partners is pivotal to our success. As we continuously enhance our product range and adapt to the ever-changing market, including the challenges posed by cookie deprecation, regulatory issues, and problems of data tagging, we have created a dedicated partner marketing function. Its primary responsibility is to ensure that we maintain a prominent position in the minds of all our partner account teams, regional and sector leaders, and foster stronger relationships with our partners worldwide for the Celebrus product line. Through this approach, we have been able to better facilitate and stimulate our partners' understanding, and motivation towards Celebrus sales.

Stakeholder engagement continued

Vicky Baker
Head of HR, People and Culture
Continuing to develop employee satisfaction and our culture has been a key focus this year.

Employees tell us they are happier in their job than they were a year ago.

Employees

What is important to them

- Understanding the direction of the business, along with clear communication. Bringing our locations together, breaking down silos and feeling empowered with their role.
- Feeling valued, trusted and supported.
- Flexibility, work-life balance & wellbeing.
- Provided with the opportunity to develop and grow with clear expectations.

How we engage

Employee engagement
This year we conducted our first anonymous Annual Employee Survey. Scoring a positive 4.1 out of 5, it provided our colleagues the opportunity to voice their opinion or concerns and raise questions. With very good feedback overall, we learnt our people want to better understand the strategy of the business, and so our Town Halls are now bi-monthly.

Communication
As we have moved to Hybrid Working arrangements, investment in our own tech-stack has been crucial in developing our communication activities as well as our culture. We have invested in a global HR Information System (HRIS) and an Applicant Tracking System (ATS). These systems have allowed us to centralise information and automate and streamline our processes, improving efficiency and productivity.

ESG
Last year we set up an ESG committee and sub-teams. This has grown to be very beneficial, allowing employees to directly impact the Group's ESG activities, particularly in relation to charitable events locally and internationally.

Attraction & retention
Over the past year we have created Graduate and Trainee positions to support our succession planning. We have seen a decrease in our average age, with 32% of our new hires being aged 18–26. We have also improved our retention rate from 88% to 90%.

Training & development
In our Annual Employee Survey, our people commented they would like enhanced training and development. We have included this in our People strategy and this will be available to all our people.

Stakeholder engagement continued

Ash Mehta
Chief Financial Officer
We value our engagement with shareholders and so we have increased the volume and quality of our communication by using investor meeting tools, social media as well as our improved investor website.

Shareholders

What is important to them

- Shareholder value.
- Staying up to date with Group strategy and business performance.
- Timely, clear and relevant communication.
- Understanding the remuneration policy and management incentivisation.
- Comfort around the governance of the Group and ESG initiatives.

How we engage

Annual General Meeting ('AGM')
The AGM is a key opportunity for engagement between the Board and shareholders. Last year we also held a Q&A session after the AGM. The recording is available on the website.

Analysts and investor meetings
The Executive Directors hold broker, analyst and investor meetings throughout the year, particularly following the release of the Group's interim and full year results and feedback from those meetings is shared with the Board.

Annual Report and Accounts
The Group's Annual Report and Accounts is made available to all shareholders both online and in hard copy where requested.

Group website
The investor section of the website was updated during the year making it more engaging and informative. Presentations, announcements, videos and other key shareholder information are available on the website. Governance documents such as Matters Reserved for the Board, and terms of reference of committees are also available.

Capital markets day
This is an opportunity for investors to meet with management and for management to go into more detail about aspects of the business. An event was held in December 2022 and the video recording is available on the Group website.

ESG report

Conducting business to the highest ethical standards

D4t4 conducts its business activities to the highest ethical standards and expects clients and suppliers to embrace these same principles.

This report outlines how we conduct our activities and should be read in conjunction with other sections of the Annual Report, notably the Corporate Governance section, as well as reports on the D4t4 website.

Introduction and overview

In last year's first ESG Report to stakeholders, we reported on the first carbon audit for the calendar year 2021. The inclusion this year of the 2022 carbon audit findings, in the first section, provides a good insight into progress, as well as pointers to what further action we can take to reduce the Group's carbon footprint.

The second section focuses on the social impact we have been able to have on our communities but also on our employees and their safety and wellbeing.

The third section discusses our approach and initiatives to being a good corporate, and ensuring we treat all our stakeholders fairly, including policies covering matters such as tax fairness, bribery and whistleblowing. These were described in detail last year and this year we focus on the key matters with other information being available on the ESG section of the D4t4 website.

ESG report continued

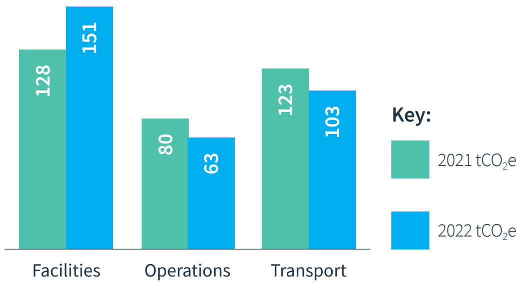
Environmental

D4t4 cares about the environment and fully supports, and is committed to, the principles of promoting good environmental practice and sustainability in the conduct of its activities. The Group wants to ensure that any adverse effects on the environment are kept to a minimum.

It aims to do this by:

- wholly supporting the requirements of accepted international standards and current EU environmental legislation and codes of practice;
- minimising consumption through the reduction, reuse, or recycling of materials as much as possible;
- encouraging efficient use of energy, utilities, and natural resources;
- continually striving to improve environmental performance; and
- communicating its environmental commitment to clients and suppliers and encouraging their support.

Carbon audit 2022



Grand total:

Total 2021 tCO_2/e 331

Total 2022 tCO_2/e 317

D4t4 reappointed Alectro LLP to perform a carbon audit for the calendar year 2022. This report sets out the 2022 results compared to 2021 and describes progress on the recommendations for reducing our carbon impact.

During the year, the Group's activities including our facilities, operations and transport generated 317 (2021: 331) tonnes of CO_2 equivalent to a per employee emission of 2.13 tCO_2/e (2021: 2.26 tCO_2/e).

Facilities accounted for 151t (2021: 128t) and the increase was due to increased electricity usage (102t vs 79t) with the offices being open more than in 2021. Whilst we have green electricity tariffs in our US and UK offices which produce no CO_2, this is more difficult to do in India where in the Chennai area 76% of electricity is coal, diesel or gas, with 24% being nuclear, hydro or other renewables, and no purely green tariffs are available. This will be addressed when the Indian business undertakes an office move to a smaller facility. On a positive note, over the last few years we have been working on reducing our consumption of natural gas and this year, for the second time, we maintained it at zero.

Transport emissions were down to 103t (2021: 123t) as travel, particularly international flights were controlled more tightly, coming down from 64t to 34t, but with Employee commute up from 59t to 69t, with employees returning to regular office attendance compared to 2021. Despite the increase in emissions, the percentage of the distance travelled by low-carbon methods increased from 16% to 26%. Although this is still a work in progress, the early signs of improvement are positive.

ESG report continued

Operations emissions accounted for 63t (2021: 79t), with fewer emissions relating to purchased goods, and a reduction in waste generated for landfill. The impact from cloud infrastructure is largely low carbon, based on the offsetting undertaken by Microsoft Azure, one of our cloud computing suppliers, but with AWS contributing to the overall impact.

These figures include Scope 1, 2 and 3 emissions as defined under the Greenhouse Gas (GHG) Protocol, and the breakdown is shown below.

Grand total:

2021 tCO_2e 330.06

2022 tCO_2e 316.72

Carbon offset

For the first time, in 2022 we made investments into projects to offset all of the 334 tonnes of 2021 carbon emissions. The projects were;

- A 400 MW Solar Power Project, in Rajasthan state in India.
- A 20 MW biomass-based power project in Chhattisgarh state also in India.
- A clean cooking stoves project in Nepal.

These are all projects accredited by Gold Standard, a body founded by the WWF and other NGOs.

This is a significant step forward in our ESG activities though, whilst offset is a good thing to do, ultimately, we continue to look at ways to reduce our overall carbon emissions.

Electric car scheme

Over the last year, we have launched an electric car scheme in the UK, covering electric and hybrid cars up to a maximum emissions level of 50g/km of CO_2. This has had good initial take-up as it is a salary sacrifice scheme with payments being made from gross pay and the benefit in kind being much lower than the normal income tax rate, thereby providing a tax saving to the employee on top of having a car with low or zero emissions. We expect further take-up as employees reach the renewal point in the ownership of their petrol/diesel vehicles.

Future progress

The 2022 carbon audit report provides useful confirmation of progress in the year, especially on Scope 1. Focus will now be directed to Scope 2 and 3 emissions.

The challenges and opportunities in 2023 are expected to be:

- A likely increase in travel, due to our attendance at trade conferences as well as meeting our customers face-to-face, especially our project and customer success teams.
- The planned office move in India later this year is expected to significantly reduce our emissions in 2024. The emissions profile of the new office building will be a key criterion in our search and selection.
- The planned office move in the UK, will reduce our space usage from 17,000 sq.ft to under 7,000 sq.ft. The impact on our carbon footprint will be minimal as the current office already benefits from a renewable energy tariff.
- Review of our supply chain to seek further reductions in emissions.

We will test more rigorously the need to travel, especially by air, and we will encourage the use of public transport whenever it is a suitable mode of transport and consider hiring personnel closer to key customer locations to reduce transcontinental flights.

"Whilst offset is a good thing to do, ultimately, we continue to look at ways to reduce our overall carbon emissions."

ESG report continued

Social

Our employees

As a technology business, the Group's success is built on the intellectual capital of our people, and the pride they feel in working for the Group. The aim of the leadership team and the HR function is to enable, empower and strengthen this drive through the creation of a positive working culture in which employees feel engaged and motivated.

Hybrid working

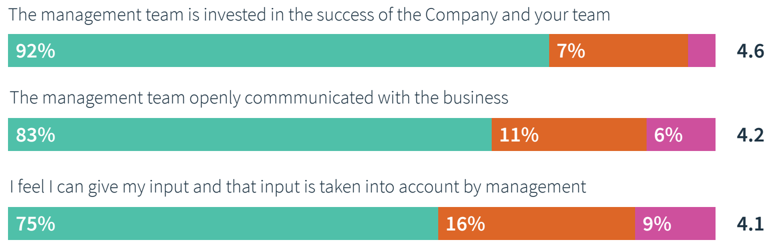
As a people-led, technology-driven business, innovation is driven from personal interaction across the firm and with customers, so following the easing of lockdown last year, in September 2022 we moved to a hybrid working model. This is a combination of home and office working, in which employees are able to work from home, but also come into the office in teams so as to foster relationship building, personal development and creative interaction. We have found hybrid working to be an essential component of our employer offering with increasing numbers of employees and potential employees viewing it as a key factor in joining and staying with D4t4.

Embedding our culture and values

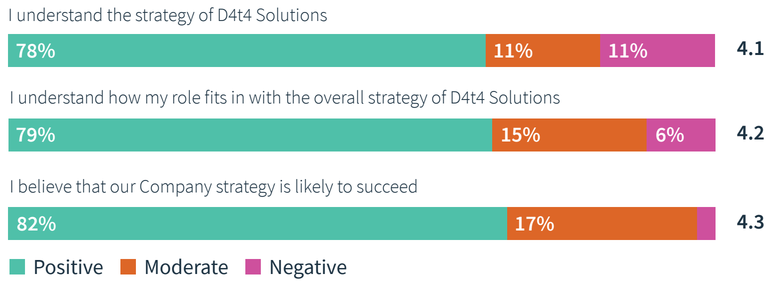
In last year's report we talked about how our ambitious growth plans required a review and reset of the Company culture and values, and how we decided to expand the HR role to help develop a culture focused more on accountability and empowerment, and to create a more vibrant working environment. This investment into HR and people has proven to be effective and during the year we undertook an employee survey to gauge employee happiness and satisfaction. The key findings were:

- 92% of participants feel the management team is invested in the success of the Company & team.
- 63% of participants are happier in their job than a year ago, scoring between 4-5 / 5.
- What participants like MOST about their job/Company:
  - The people – friendly environment, strong teamwork, culture.
  - The benefits – employee-focused, hybrid working, flexibility, work-life balance.
  - The technology – strong product, interesting, evolutionary, variety.
  - The management – trust, ambitious, encouraging, supportive, investment.

Highest score



Strategy feedback



The areas for improvement identified in the survey are being addressed and included:

- More frequent communication; we have increased the frequency of our all-employee Town Hall meetings from every three months to every two months. We are also utilising our HR portal, HiBob, to engage more informally with the employee base.
- Development and training; this was already known to management as we consider it essential to make the business scalable. A proactive process has been put in place for line managers to identify training and development needs.
- Social activities; after the long period of home working, employees are keen to build relationships through informal and social interaction. We re-booted this during the last year by having a number of employee events, including a Christmas party, and the 14th anniversary event in India (see page 34).

ESG report continued

Diversity of employee base, equal opportunities, inclusion and treating people fairly

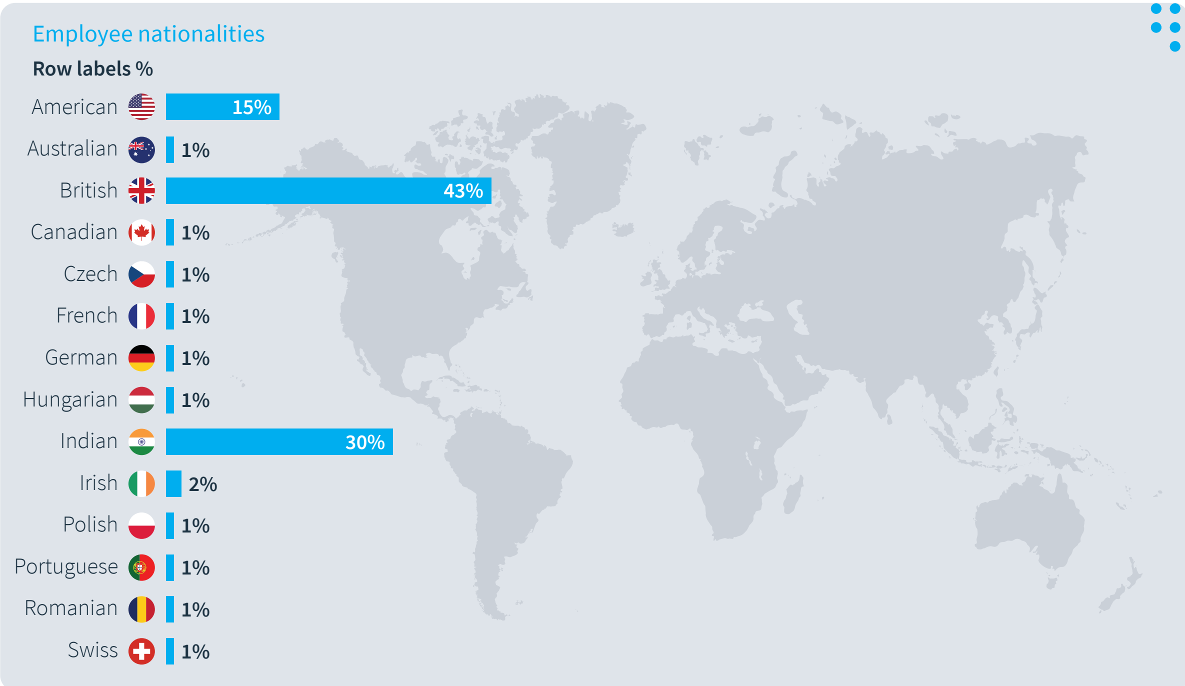
We treat individuals openly and fairly with dignity and respect, and we value their contribution towards providing a quality service to our customers.

Our focus on diversity and inclusion extends to treating all our employees and job applicants fairly and equally, and ensuring that longlists have a broad range of candidate backgrounds from which the successful candidate will be chosen.

It is our policy not to discriminate based on gender or gender identity, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy, or trade union membership or the fact that they are a part-time worker or a fixed-term employee. The equal opportunities policy operated by the Group ensures all workers have a duty to act in accordance with this.

With employees in three different countries and coming from many different backgrounds, D4t4 is proud to have a diverse workforce. Nevertheless, we recognise that more can always be done. In the previous year we had added more women into key roles such as VP-Marketing, Head of Public Relations, Head of HR, People and Culture. This past year we have added to this in roles such as Non-Executive Director, Head of Professional Services, Head of Lead Generation and Head of Brand. Consequently, 19% of our line management team is now women.

Our geographical diversity is also important. To that end, 19% of lines managers are in India, 16% in the United States, with 65% being located in the UK and RoI. The nationalities of our staff are shown in the box below.



Employee reward and recognition

The Company recognises the need to reward and recognise our employees for their contribution to the Group's success as well as supporting their overall wellbeing. We provide an attractive range of benefits tailored to each location.

In both the UK and the US, we offer a company pension contribution higher than the statutory minimum, and during the year we improved our pension plan in the US, moving to a provider with lower costs for employees whilst retaining a good range of investment choices.

We also offer a company-funded healthcare scheme and in the UK we upgraded the scheme to include mental health, better cancer cover and 24/7 online access to a GP.

We also offer a comprehensive Employee Assistance Program to assist employees with issues of any kind, including problems at home, issues with work, housing concerns, legal problems etc. There is also support for face-to-face counselling in complex cases, as well as online live-chat counselling.

The Group has an employee share option scheme to motivate and retain key staff and allow them to share in the success of the Group.

Non-financial benefits include the ability to work on a hybrid basis and on a flexible basis if required, allowing employees to work from home on a regular basis to cater, for example, for family obligations etc. This is a core component of building a culture of accountability and empowerment throughout the organisation with clear goals and expectations for every role.

Health and safety

It is our policy that all of the Group's facilities, products and services comply with applicable laws and regulations governing safety and quality, so that we can maintain a safe working environment for our employees, customers, partners, and visitors.

During the year there were no major injuries reported under the Reporting of Injuries, diseases, and Dangerous Occurrence Regulations.

ESG report continued

India 14th Anniversary

In February 2023, our India team of approx. 50 employees celebrated the 14th anniversary of the Chennai office having been set up. This was also the first opportunity to get together after the recent years of lockdown and distancing.

The team started their day early, departing at 7 am for a coach journey to a beachside resort in Tamil Nadu. They were greeted with garlands upon arrival, and before the day's events unfolded, they enjoyed a traditional Chennai breakfast with coffee and tea.

The morning session was filled with fun-filled team-building activities and sports. The team engaged in various games, obstacle courses, and challenges, fostering collaboration and strengthening bonds. The atmosphere was filled with laughter and camaraderie.

In the afternoon, the team enjoyed a friendly game of cricket on the beach, showcasing their skills and enjoying the competitive spirit. The day concluded with a prize distribution ceremony at the beachside resort. The winners of the team-building activities, cricket match and the sports committee were recognised and rewarded with trophies. As the day drew to a close, they relaxed with a high tea, savouring a variety of snacks and beverages.

Exhausted but satisfied, the team boarded the coach and returned, enjoying the evening breeze from the sea and the soothing melodies playing in the background.

Community: Interview training for college students

Undoubtedly, this was the most significant community event we undertook during the year.

In November, some members of our India team (Aravinth, Soundhariya, Preethaa, Nandakumar) working with volunteers from the Rotary Club of Chennai Titans conducted a mock interview session for a group of 60 final year college students from the Sri Venkateswara College of Technology in Chennai.

This was a novel idea of helping imminent graduates to get a feel of the interview process. A group discussion was undertaken for 30 minutes with a chosen topic, which was followed by 1:1 interviews for all 60 students. This process was intended to benefit every student to better face the real interviews that would start for them soon.

The event was concluded with a meeting including all the students and a summary on their performance was shared by every interviewer.

As well as helping the students, this was a fun day and our team also managed to give some insight to future careers for these technology undergrads.

ESG report continued

Governance

> **ESG is no longer just about a philanthropic desire to do good and be a good corporate citizen. It heavily influences the way that investors, customers, and potential hires look at us as well."**
>
> **Hatem Dowidar,** Group CEO of e& McKinsey Quote of the Day

Corporate governance is described in detail on pages 42 to 64. The section below outlines other aspects of governance and best practice within the Group.

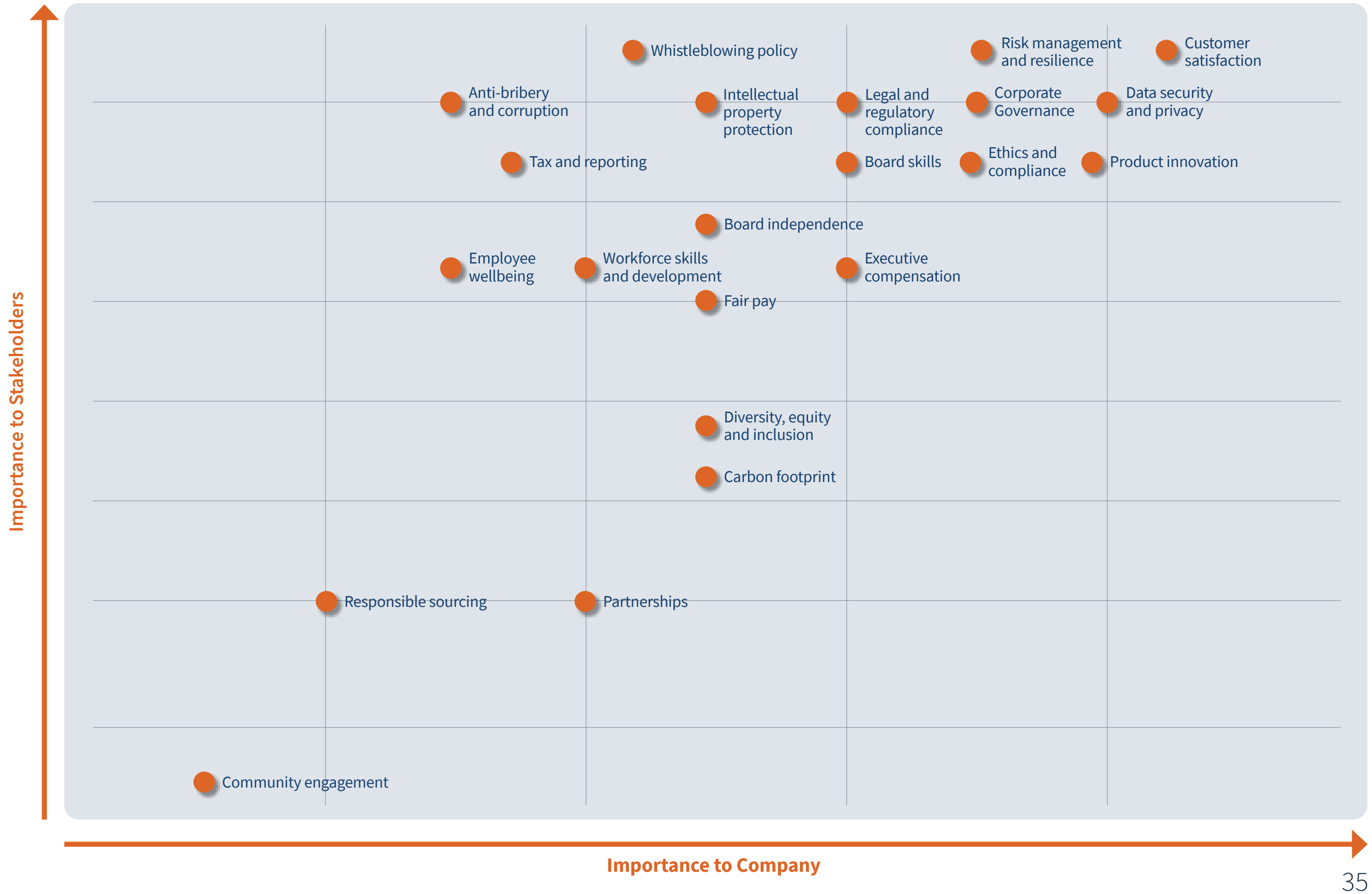
Materiality Matrix

To make sure that we tackle the issues that really matter, we prioritise them by assessing their 'materiality' – i.e. the extent to which they impact our business and society. We do this by using a 'Materiality Matrix' which helps us focus activity in areas where we can, and should, have the greatest impact.

As part of this process, we consider the risks and opportunities facing our business in the immediate and longer term, and score them based on their level of importance. This involves drawing on external insight from a range of stakeholders such as customers, colleagues, investors and suppliers.

Prioritising issues through this process enables us to focus our efforts on effectively managing our impact as well as our stakeholder relationships.

This Materiality Matrix will be used over the next two years to guide our ESG activities.



ESG report continued

Good corporate conduct

D4t4 has policies in place to help ensure that the Company is a good corporate citizen, in its own right and through the actions of its employees. These policies are reviewed regularly and the key policies include:

- Employee code of conduct.
- Bribery and corruption policy.
- Modern slavery statement.
- Whistleblowing policy.
- Supplier code of conduct.

Tax fairness

D4t4 is committed to being a responsible taxpayer, acting in a fair and legal manner at all times. We have in place intragroup trading agreements ensuring that costs are passed into the tax jurisdiction to which they relate and out of jurisdictions where there were originally incurred, typically in the UK but for the benefit of our overseas operations. These agreements are made available to tax authorities as requested to support recharging between Group companies and demonstrate that recharges are fair, legitimate and reflect the commercial substance of the activities to which they relate.

In FY23, our total tax contribution was £4.7m (FY22: £4.7m). Taxes borne by the Group totalled £1.0m (FY22: £0.9m) and consist of corporation tax, employer's NICs and stamp duty. Taxes collected by the Group totalled £3.7m (FY22: £3.8m) and consist of PAYE deductions, employees' NICs and net VAT collected.

Data security

Data security is core to our business, with our multinational customers entrusting us with access to their data and information systems. We handle this through a range of initiatives and further information in available in the report from our Chief Security Officer on page 22.

Executive remuneration

The Board regards ESG to be an important part of its oversight and activities and seeks to ensure that ESG is a consideration across the whole business. Therefore, when appropriate for business priorities the remuneration of the executive directors may have a proportion related to ESG objectives.

Future ESG developments

This second ESG Report demonstrates the progress of ESG activities across the D4t4 business. Based on benchmarking discussions with advisers and consultants we believe we are in a strong position relative to our peer group of smaller quoted public companies. We will continue our efforts and this coming year we expect the most significant advance will be to reduce emissions from our India office. We look forward to reporting on progress periodically through the ESG section of our website.

Ash Mehta
Chief Financial Officer
11 July 2023

Monika Biddulph
Non-Executive Director
11 July 2023

Chief Financial Officer's review

Investing into the sales pipeline and ensuring the business is scalable.

Overview

This was a year of investing into building the sales pipeline, and ensuring the business is scalable and operating efficiently to execute the forthcoming growth. The investment required was managed by refreshing and renewing certain teams in the business to contain the cost base at a similar level to last year. This, coupled with tight management of trade debtors and our cash balance, leaves us at the year end with a strong balance sheet to fund future growth expected from the larger pipeline.

Income statement

Due to delays in the signing of two contracts before the year end, Group Revenues were £21.4m (FY22: £24.5m). However, Software Revenues, comprising license revenues, managed services, support and maintenance and implementation services, but excluding highly variable, low margin third-party hardware revenues, were up 9.6% to £19.1m (FY22: £17.5m).

Equally significantly, ARR grew 19.3% to £16.7m (FY22: £14.0m) and accounted for 89% (FY22: 80%) of Software Revenues for the year. Within the £2.7 million of ARR growth, contract wins accounted for £1.9 million with £0.8 million being due to foreign currency movements, arising from the strong US Dollar impacting on our predominantly USD-denominated ARR.

The gross margin was 60.2% (FY22: 51.9%) due to a smaller proportion of low margin hardware revenues. Excluding hardware revenues and cost of sales, the underlying Software gross margin was 68.8% (FY22: 67.8%).

Operating expenses continued to be tightly controlled, falling slightly during the year to £10.8 million (FY22: £11.0 million).

The adjusted profit before tax was £3.8 million (FY22: £3.3 million), whilst the unadjusted profit before tax was £2.4 million (FY22: £1.8 million). The difference between the adjusted and unadjusted figures is due to a charge for share-based payments arising from share option grants during the year of £0.9 million (FY22: £0.7 million) and restructuring costs of £0.5 million (FY22: £0.4 million), amortisation of intangible assets of £0.3 million (FY22: £0.3 million) reduced by foreign exchange gains of £0.3 million (FY22: loss of £0.1 million).

The average number of employees increased slightly during the year to 151 (FY22: 149). Although we increased investment into Sales and Marketing this was offset by redundancies of certain roles across the Group.

Foreign currency impact

The foreign currency markets remained volatile during the last few months of the year. This impacts the Group which has around 70% of revenues in US Dollars, but approximately 30% of Group expenses. The Group's tighter policies and management of foreign currency risk along with the strengthening of the US dollar during the year resulted in a foreign currency gain of £0.3 million (FY22: loss £0.1 million).

Taxation

Taxable profits were slightly higher for the year and the tax charge was higher at an effective rate of 11.5% (FY22: 3.9%). This was driven by a higher tax charge in the United States and an under provision in last year's Group charge, but was reduced by our significant investment into research and development, much of which qualifies for R&D and Patent Box tax credits in the UK. The increase in the corporation tax rate to 25% in the UK from 1 April 2023, along with changes to qualifying costs under the UK R&D tax credit scheme (which will result in smaller claims being made in future), may produce a higher effective tax charge in future periods.

Financial position

The Goodwill balance of £9.4 million (FY22: £9.4 million) is comprised of goodwill from the acquisition of Celebrus in 2015, and the acquisition of Prickly Cactus during 2021. The Other intangible assets balance of £0.8 million (FY22: £0.8 million) is comprised of purchased IPR, trade names and capitalised development costs. The Group expenses the majority of its R&D costs and capitalised just £0.2 million in the year (FY22: £0.2 million). The amortisation related to non-acquisition related goodwill amounted to £0.3 million (FY22: £0.3 million).

Property plant and equipment fell to £0.6 million (FY22: £4.2 million) following the decision to sell the freehold property, as described below.

Trade debtors were £4.9m (FY22: £25.0m) and of that amount, £4.8m had been received by the end of June. Credit risk is not a major risk for the Group and bad debt write-offs during the year were nil (FY22: nil).

Trade creditors decreased to £0.6 million (FY22: £0.8 million); this was due to normal operating cycles. The Group seeks to pay all suppliers within terms and the supplier payment days at the year-end were 14 days (FY22: 25 days). Deferred revenue decreased to £9.6 million (FY22: £14.2 million).

The cash balance at the year-end was £17.2 million (FY22: £11.4 million).

Chief Financial Officer's review continued

Cash flow and funds

The Group generated net cash from operating activities of £13.7 million (FY22: net cash used £0.7 million) primarily due to movements in working capital from the delayed payment of debtors at the last year end.

Financing activities in the year were £7.8 million (FY22: £1.5 million) comprised mainly of normal dividends paid of £1.2 million (FY22: £1.1 million), the special dividend of £5.0m (FY22: nil) and a net purchase of own shares of £1.5 million (FY22: £0.4 million).

Investing activities resulted in an outflow of £0.1 million (FY22: outflow of £0.6 million). With higher interest rates and a healthy cash balance net interest income was £337,000 (FY22: £1,000), set off principally against capitalisation of development costs of £247,000 (FY22: £242,000).

The Group continues to be debt free and maintains a robust financial position. The healthy cash balance is important not just to enable the Group to invest in future growth as appropriate, but also to counter any concerns about vendor risk from our customers, who are typically large multinational businesses.

Annual Recurring Revenue

We define ARR as the annual amount of recurring revenue contracted with a customer, at a given point in time. As a recognised driver of shareholder value in software businesses we use this as one of our primary metrics.

Group ARR grew by £2.7m to £16.7 million (FY22: £14.0 million) during the year. The current ARR is comprised of Licenses of £9.1 million (FY22: £6.3 million) and Support and Maintenance of £7.6 million (FY22: £7.7 million). A major contributor to the growth was the conversion of existing Celebrus Marketing customers under perpetual license to term licenses with ARR. This brings most of our customers to a term license basis and all new proposals to prospective customers are being issued as term licenses.

Of the growth of £2.7 million during the year, £1.8 million is from contract wins with a further £0.9 million arising from exchange rate movements due to a large proportion of Group contracts being in US Dollars.

Acquisition of Prickly Cactus

In August 2021, the Company acquired Prickly Cactus Limited ("Prickly Cactus"), a UK data and analytics consultancy, for up to £0.75 million, to help deepen our relationships with existing customers identifying opportunities for greater customer engagement and satisfaction as well as helping develop relationships with new customers and partners.

A sum of £0.5 million was held as Deferred Consideration in the Statement of Financial Position contingent upon the team's contribution to existing customer growth and the acquisition of new customers in the period from acquisition to September 2023. The target was achieved in March 2023 and the amount was paid out in the form of £0.25 million in cash and £0.25 million as 111,905 Ordinary shares, an average price of 223.4p.

Investment into systems to support growth

The investments into systems for, amongst others, sales and marketing, finance, contract management and HR are providing the leadership team with increased information and granularity to better manage the business. This has allowed us to better allocate resources, amend customer pricing and restructure our internal teams to create efficiencies that would otherwise not have been possible.

Property

With the move to hybrid working and the consequent reduced utilisation of our office space in all of our locations around the world, during the year our freehold property in the UK was placed up for sale. The asset has therefore been redefined in our statement of financial position to Assets held for sale at a carrying value of £3.0 million. In the current economic environment, the likely proceeds and timing of the sale are uncertain. Nevertheless, the UK office will be relocated to a lease office facility in the second half of the financial year.

Earnings per share

Basic EPS for the year was 5.29p (FY22: 4.21p) and diluted basic EPS was 5.18p (FY22: 4.14p). The basic figure has been calculated using the weighted average number of shares in issue being 40,004,526 (FY22: 40,240,799) and the diluted figure using 40,830,043 (FY22: 40,966,020).

Adjusted basic EPS was 7.90p (FY22: 7.24p) and adjusted diluted EPS was 7.74p (FY22: 7.11p) following adjustments for amortisation, share based payments, exceptional items, foreign exchange expense and tax on these adjustments.

Dividend

During the year, as well as ordinary dividends of £1.2 million (FY22: £1.1 million), the Company paid a special dividend of 12.5p per share (FY22: nil) totaling £5.0m.

The Board is today proposing a final dividend, subject to shareholder approval at the 2023 AGM, of 2.15p per share (FY22: 2.07p), which along with the interim dividend paid of 0.88p per share (FY22: 0.85p) in January 2023 brings the full year dividend to 3.03p per share (FY22: 2.92p), an increase of 3.8%. The final dividend is expected to be paid on 25 August 2023 to shareholders on the register as at the close of business on 21 July 2023.

Purchase of own shares

During the year, the Company undertook a share buyback programme to acquire ordinary shares of 2p in the capital of the Company. The shares will be held for the purpose of satisfying future obligations in relation to its employees' or other share schemes, thereby mitigating dilution for existing investors.

By 31 March 2023, 536,298 shares had been acquired at an average price of 243.3p and following the issue of treasury shares to satisfy share option exercise and the deferred consideration on the Prickly Cactus acquisition this brought the number of shares held in Treasury to 608,765 (FY22: 224,932).

Equity

At the year end, the Group had £27.4 million (FY22: £31.9 million) attributable to the shareholders of the company. The decrease in the year was principally made up of retained earnings in the year of £2.1 million (FY22: £1.7 million) set off against dividends paid during the year of £6.2 million (FY22: £1.1 million), share buybacks of £1.5 million (FY22: £0.4 million) with the balance of £1.2 million (FY22: £0.7 million) attributable to share based payments.

Ash Mehta

Ash Mehta
Chief Financial Officer
11 July 2023

> **"This was a year of investing into building the sales pipeline, and ensuring the business is scalable and operating efficiently to execute the forthcoming growth."**

Principal risks and uncertainties

Undertaking robust risk management

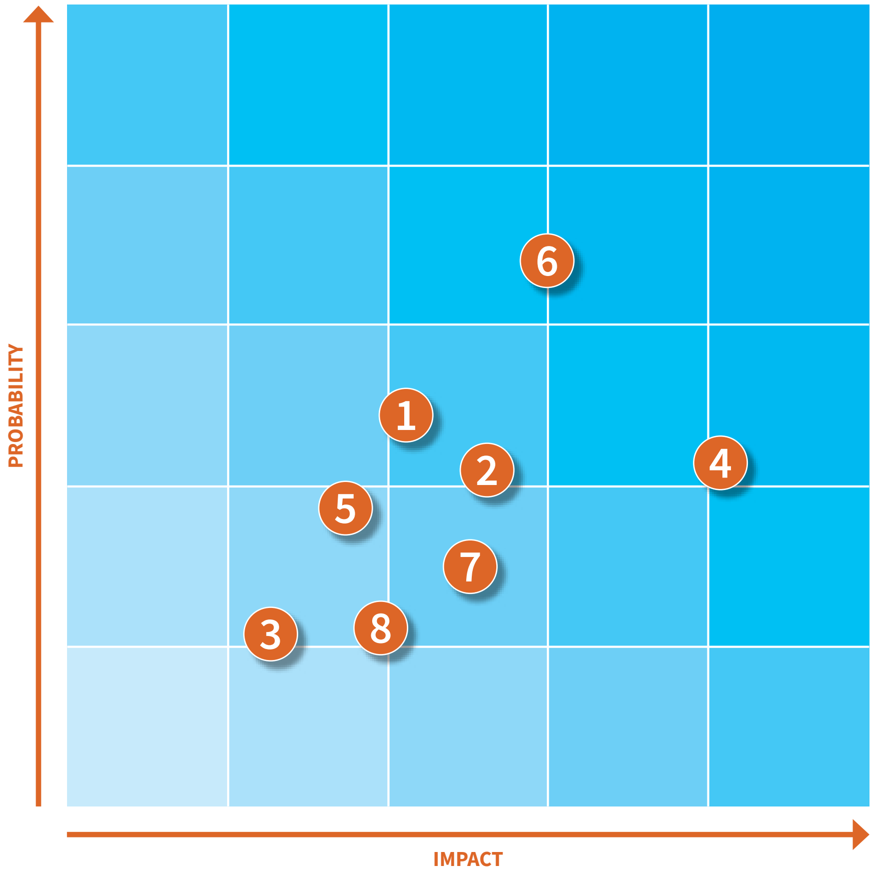
D4t4 faces the normal economic, commercial and political risks facing a global technology business with employees, customers and suppliers spread across the world.

To manage these risks, the Group has a Risk Committee with a regular and detailed process to address the identification of new risks and monitor development of existing risks and their mitigation. This Committee comprises the Chief Technology Officer, Chief Financial Officer, the Chief Security Officer, Director of Managed Services and the Manager of Information Security. Other employees of the Group are invited to Committee meetings as required, depending upon the topic being discussed. Further detail on the structure, remit and reporting of the Group's Risk committee is explained on page 47 of this Annual Report.

The Board is confident that it has the appropriate people, processes and reporting to continue to manage risks effectively.

Principal risks

The Group's principal risks are identified as those risks which have the potential for the highest impact on the Group. The Board reviews the principal risks annually along with the mitigation measures in place.



1. Global economy
2. Execution and scalability
3. Regulatory changes
4. Competition
5. Client or partner loss
6. Information & cyber security
7. People
8. Foreign exchange losses

Principal risks and uncertainties continued

1. Global economy	2. Execution and scalability	3. Regulatory changes	4. Competition
Changes in the global economy can have an impact on the business. The rate of inflation has increased around the world, and this has implications for costs in our customers' and prospective customers' businesses. Consequently, they might be slower to commit to new projects or renew existing projects.	As the Group has a plan to accelerate Sales and Revenue growth, there are risks of not being able to achieve appropriate Sales levels, as well as the risk of not being able to deliver projects which are signed up. There is also the risk of the Group's back-end infrastructure not being able to support the growth.	The Group is exposed to the risks of changing regulations for the collection of consumer data. Some of these changes may be positive, but others negative which could impact on D4t4's performance and outlook.	New competitors or changes to existing competitors' products can significantly alter the market dynamics, which in turn risks the position and standing that our own Intellectual Property has in the financial and consumer marketplace.
Change in risk	**Change in risk**	**Change in risk**	**Change in risk**
No change in risk level This is a present risk with inflation having an impact on customer's profitability and willingness to contract for new products and services. It also potentially has an impact on the Group's cost base resulting in lower profitability.	No change in risk level The plans for accelerated growth will require every department to function more effectively and this may cause growing pains, resulting in lower quality of execution and delivery.	No change in risk level	No change in risk level
Mitigation	**Mitigation**	**Mitigation**	**Mitigation**
The Group has and continues to monitor the market for price sensitivity amongst prospective customers. It is also engaging more closely with existing customers to demonstrate value for their spend on our products. The Group will also engage with suppliers more closely to manage cost increases.	The Group is further increasing the size and capability of its Sales and Marketing teams. It is also investing into internal systems to better manage and support the business. Finally, we have appointed a new Head of Professional Services during the year to scale up our delivery capabilities; we are also examining the possibility of appointing project delivery partners.	D4t4 closely monitors the markets in which it operates with enhanced collaboration with our clients, suppliers and partners. We then plan product, project or operational changes to ensure we are minimising the impact of changes. We follow proposed regulatory changes closely and where necessary adapt our processes and policies.	The Group continually scans the market for potential technology threats and has a development process in place to ensure its own technology continues to evolve to meet client needs. We are seeking to develop technology that cannot be easily disrupted, and which can be protected by patents.

Principal risks and uncertainties continued

5. Client or partner loss	6. Information and cyber security	7. People	8. Foreign exchange losses
The loss of a key client or significant sales partner would impact the ability of the Group to meet its key business objectives.	A significant IP, data loss, or security breach could impact the brand and reputation of the Group, as well as cause the Group to spend a great deal of time in rectifying the loss or breach.	A loss of or failure to attract key personnel could impact the ability of the Group to execute on its strategy, causing adverse reputational, operational and financial challenges.	Significant changes in foreign exchange rates can result in reduced profitability due to cash collection values not matching transaction values and an increased potential for currency losses in the income statement.
Change in risk	**Change in risk**	**Change in risk**	**Change in risk**
No change in risk level	No change in risk level From our own assessments, along with industry and governmental publications it is clear that information and cybersecurity risk is growing worldwide.	No change in risk level This is an ongoing risk due to the global shortage of talent. This might make it more difficult to recruit and retain talent to support our growth plans.	No change in risk level The increased volatility in currency markets continues. As the Group reports in GBP but has a high proportion of revenues in USD, this could lead to financial losses on conversion of USD to GBP.
Mitigation	**Mitigation**	**Mitigation**	**Mitigation**
We continue to deepen relationships with existing partners, and bring on new partners thereby reducing the dependence on any single partner. Moreover, our efforts on building a direct sales channel will, over time, further reduce dependence on any individual partner.	During the year we appointed a Chief Security Officer to a new dedicated CSO role in the Group. This role is part of the Operations Board to ensure that security is high on the Group's agenda. In addition, we are certified to ISO 27001 and operate an information security process that controls and minimises the risks. This process is externally assessed yearly. These risks are mitigated via existing and established information security controls.	D4t4 is acknowledged as a great place to work, as shown in the employee survey conducted during the year. Our staff are engaged, motivated and enjoy working with market-leading software, and having responsibility they might not get in larger companies. We have also further enhanced our benefits package during the year to ensure we remain competitive on remuneration.	The tighter Treasury policy adopted by the Board last year is mitigating risk. Also, there is a monthly meeting to review and discuss cash flows, which covers foreign exchange exposure, as well as cash holdings, deposits, funding of subsidiaries, and trade debtor aging and bad debt risk.

Board of Directors

The D4t4 Solutions' Board of Directors comprises a non-executive chairman, two executive directors and three independent non-executive directors

Commitee membership

- A Audit Committee
- N Nomination Committee
- Re Remuneration Committee
- Ri Risk sub-Committee
- Chair of Committee
- Non-Executive
- Executive

Peter Simmonds
Non-executive chairman

Appointed
April 2015

Board committees
A N Re

Biography
Peter was CEO of dotDigital Group plc for eight years and a major contributor to their success prior to stepping down. Peter is FCCA qualified and has 45 years business experience in FMCG, insurance, banking and software. He is also chairman of Gresham Technologies plc and was chairman of Cloudcall Group plc until its sale to private equity in January 2022. Peter is an advocate of high standards of corporate governance in public companies and was a deputy chair of the Quoted Company Alliance from 2019 to 2022.

Bill Bruno
Chief executive officer

Appointed
August 2021

Board committees
N

Biography
Bill joined D4t4 in 2018 as the VP of North America and became CEO in October 2021. He has over 20 years of experience in the media, data, and analytics sectors and has a passion for fostering a culture of innovation while working with brands to drive transformational change. Prior to D4t4, Bill spent many years as CEO (North America) for an AIM listed company upon leading his consulting business through a successful acquisition by that company in 2013.

Ash Mehta
Chief financial officer

Appointed
September 2021

Board committees
Ri

Biography
Ash is an experienced public company finance director having previously served on the boards of a number of AIM and full-list businesses. He has also held senior financial roles in a variety of private growth companies, as well as a number of non-executive director roles. Ash qualified as a chartered accountant with KPMG and has extensive experience in investor relations, strategic finance, managing growth, fundraisings, and M&A.

Board of Directors
Non-executive directors

Monika Biddulph
Non-executive director

Appointed
December 2019

Board committees
A N Re

Biography
Monika has a wide range of experience in both the commercial and technical aspects of an international technology business. In over twenty years at ARM, Monika held various General Manager, IP licensing and technical roles in the business. Currently Monika is also a non-executive director on the board of Ilika plc and AFC Energy plc. She was previously NED at Linaro Limited, and holds a PhD in high-energy particle physics from the ETH Zurich.

Peter Whiting
Non-executive director

Appointed
July 2018

Board committees
A N Re

Biography
Over a 30-year career, Peter has gained extensive financial and commercial experience. His core skills are centred around the financial services and technology industries; he has the proven ability to quickly understand complex technologies and their applications and at the same time successfully developed strong interpersonal and management skills which have enabled him to build a technology-led NED portfolio. He is currently chair of Kooth plc and a non-executive director of FDM Group plc.

Helen Gilder
Non-executive director

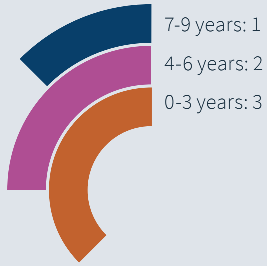
Appointed
April 2023

Board committees
A N Re

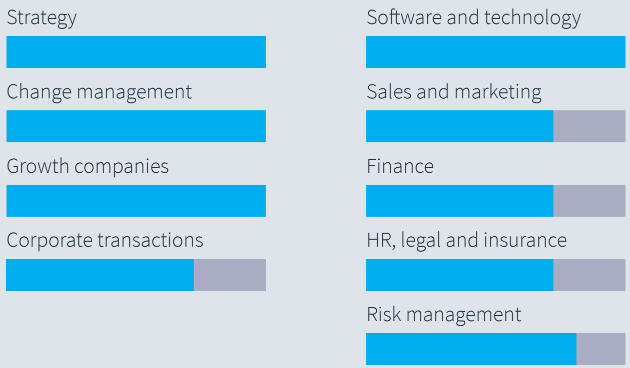
Biography
Helen brings a wealth of experience from her time as CFO at AIM-listed ZOO Digital Group plc, where she was part of the team taking the business from tech start up to success in the international entertainment industry. She is currently NED and audit committee chair at Made Tech Group plc, works with a number of small private companies and is chair of a small charity helping families impacted by autism. Helen qualified with the Institute of Chartered Accountants in England and Wales in 1991.

Committee membership
- A Audit Committee
- N Nomination Committee
- Re Remuneration Committee
- Ri Risk sub-Committee
- Chair of Committee

Board tenure



Summary of skills



Chairman's introduction to governance

Corporate governance for the next stage of growth

Dear Shareholder

I am pleased to report on the corporate governance procedures undertaken by D4t4 for the financial year 2023, with a continuation of our increased reporting to provide stakeholders with greater visibility into the workings of the Board, its Committees and the Group overall.

The role of the Board in good governance and business success

The Board recognises the importance of high standards of corporate governance for delivering long-term success to the Group and acknowledges its role in setting the culture, values and ethics of the Group (as outlined in Principle 8) and communicating these to all the Group's stakeholders. This requirement is set out formally on page 29. The Board meets regularly to discuss the monitoring and promotion of a healthy corporate culture. The Chairman has ultimate responsibility for corporate governance matters and has overseen the preparation of this governance statement accordingly.

AIM Rule 26 requires all AIM companies to disclose details of a recognised corporate governance code that its Board of Directors has decided to apply, how the Group complies with that code and, where it departs from its chosen corporate governance code, an explanation of the reasons for doing so.

The Board believes the Quoted Companies Alliance Corporate Governance Code 2018 ('QCA Code') is the most applicable set of principles for governance considering the size, resource and current development stage the Company is in. 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.

Exceptions to the application of the QCA Code

The QCA Code requires the Board to contain the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the Group's strategy over the medium to long term. We believe our Board has a strong mix of experience as evidenced in the table on page 43. In the technology industry there is a longstanding gender bias which is changing slowly. For our part, we have women in key roles such as VP Marketing, Head of Fraud, Director of Finance, Head of HR, People and Culture, Director of Professional Services and Head of Brand Development.

By order of the Board

Peter Simmonds
Non-executive chairman
11 July 2023

Corporate governance statement

Board operation

The Board's principal role is to provide effective leadership of the Group and to establish and align the Group's purpose, strategy, values and culture. It is responsible to shareholders for delivering shareholder value by developing the overall strategy and supporting the development of the direction of the Group. The Board is also responsible for overseeing the Group's external financial and other reporting and for ensuring that appropriate risk management and internal control systems are implemented and maintained.

The Matters Reserved for the Board document (available on the Group's website) specifies certain matters which must come to the Board for formal approval. These include the matters listed below.

- strategy and long-term objectives;
- financial statements, dividend payments and accounting policies and practices;
- approval of the Group budget;
- capital structure;
- internal controls and risk management;
- acquisitions and disposals;
- major capital expenditure;
- legal (including major contracts), health and safety and insurance issues;
- approval of policies adopted by the Group; and
- board structure and the appointment of advisers.

However, the Board delegates certain powers to its Committees allowing them to deal with those matters in detail and report back to the Board with their considerations and outputs. The Board has three principal Committees: the Audit Committee, the Remuneration Committee and the Nomination Committee. Their responsibilities are set out in formal terms of reference for each committee, which are reviewed annually and are available on the Group's website.

Audit Committee

The committee is responsible for overseeing the Group's external financial reporting and associated announcements, considering risk management, internal controls procedures and the work of the external and internal auditors. Full details of the work of the Committee are set out in the Audit Committee Report on page 55.

Nomination Committee

The Nomination Committee is responsible for leading the Board appointments process and for considering the size, structure and composition of the Board. Full details of the work of the Committee are set out in the Nomination Committee Report on page 56.

Remuneration Committee

The main role of the remuneration committee is to set the company's remuneration policy, determine each executive director's total individual remuneration package and set the targets for performance- related pay, so as to be able to recruit, retain and motivate individuals of the highest calibre. The details of the Committee's work are set out on pages 57 to 61.

The Board meets as often as necessary to discharge its duties and the number of Board meetings held during the year, together with the Directors' attendance records, is set out on page 53. Details on the number of Committee meetings held during the year together with the Directors' attendance records can be found on page 53.

Board meetings are held in person at the Company's offices in Sunbury, or by video conference.

The Directors have access to the advice and services of the Company Secretary, James Thorne, who has over 25 years' experience, and is responsible for ensuring that the Board and its Committees' procedures and applicable rules and regulations are met. The Directors all have access to the Group's key advisers. If required in the performance of their duties, Directors may take independent professional advice at the Company's expense.

Appropriate insurance cover is in place in respect of legal action against the Directors. The Group has adopted and maintained a share dealing code for Directors and employees in accordance with the Market Abuse Regulations.

Board and Committee papers are circulated approximately one week in advance of meetings to enable the Board to review and consider the materials provided.

The Chair ensures that input is sought and obtained from any Director who is unable to attend a Board meeting and provides a verbal update following the meeting to complement the minutes. There is ongoing contact between the chair, executive directors and non-executive directors between Board meetings.

A Board calendar is prepared on an annual basis, and Operations Board members and other staff are regularly invited to attend to present an update on their areas of the business. This is highly valuable in providing further detail to support strategic decisions. In addition, the Board meets on an ad hoc basis as necessary to consider specific issues, such as potential corporate activity, supported by detailed Board papers circulated in advance analysing relevant aspects of the topic under discussion.

Corporate governance statement continued

Board roles and responsibilities

The roles of the Chair and the Chief Executive Officer are separate and defined in writing. This provides a clear division of responsibilities between the running of the Board and the executive responsibility for running the business. The key responsibilities of the Chair, the Chief Executive Officer and Chief Financial Officer are set out below:

The Chair's responsibilities include:

- chairing the Board, the Nomination Committee and shareholder meetings (including the AGM);
- providing leadership of the Board and ensuring the effectiveness of all aspects of the Board's role;
- providing challenge to the Executive Directors and working closely with the Chief Executive Officer on key strategic decisions;
- maintaining a dialogue with major shareholders on governance and other strategic matters, as appropriate;
- setting the Board agenda and ensuring all Directors have the opportunity to maximise their contribution to the Board by encouraging open and honest debate and constructive challenge of the Executive Directors; and
- undertaking the periodic evaluation of the Board and the Directors and building an effective Board.

The Chief Executive Officer and Chief Financial Officer are responsible for the implementation of the approved strategic and financial objectives of the Group.

The Chief Executive Officer's responsibilities include:

- the day-to-day running of the business, accountable for the Group's financial and operational performance;
- developing and reviewing the Group strategy;
- maintaining close contact with major customers, suppliers and shareholders;
- chairing the Group Operations Board to direct and co-ordinate the management of the Group's business generally, including sales and marketing, customer delivery and satisfaction and product development;
- with the Chief Financial Officer, approving the divisional budgets; and
- monitoring the performance of senior managers.

The Chief Financial Officer responsibilities include:

- supporting the Chief Executive in developing and implementing the Group strategy;
- producing the annual budget and long-term strategic and financial plan;
- analysing operations and performance to ensure maximisation of shareholder value over the long term;
- ensuring effective financial reporting, processes and controls are in place;
- leading the finance, HR and admin function;
- monitoring the Group's principal financial risks, and safeguarding its assets; and
- overseeing the Company's relationships with the investment community.

The non-executive directors provide independent, constructive challenge and insight to the executive team, forming an integral part of the Board's decision-making process together with the monitoring of management and business performance. The non-executive directors play a key role in developing and reviewing proposals on strategy, actively participating in the regular strategy forums. They strengthen governance through leading and participating in the Board Committees, providing a wide range of experience and independence. This aids the Board in developing a broader understanding and in evaluating the implications, risks and consequences of decisions.

Board effectiveness

The Board undertakes a periodic assessment of its effectiveness. Further information is shown under Principle 7 of the Corporate Governance statement.

Board composition and changes

The Board is satisfied that the size of the Board and its Committees and the balance of executive and non-executive members is such that no individual or small group of individuals can unduly influence its decisions.

When considering Board appointments, a wide variety of factors is taken into account, including the balance of skills, experience, independence, knowledge of the Group and diversity, including gender.

The directors have a broad range of international business knowledge and experience, as well as specific skills in the digital technology, growth companies, finance, corporate transactions, investor relations, and risk management. A skills matrix reflecting this experience is included in the Directors' biographies on page 43.

Corporate governance statement continued

KEY TOPICS CONSIDERED BY THE BOARD IN 2022/23

- Review, debate and challenge of the corporate strategy and plan
- Presentations on from each member of the Operational Board on matters such as product roadmap, risks and information security, sales and marketing plans, HR strategy, financial planning
- Group Business Plan and Budget
- Search for a new NED/Chair of Audit Committee and a new Chair of the Board.
- Investor engagement and analyst coverage
- The Group's cash balance, profitability, investment into growth and dividend policy
- Acquisition opportunities
- HR presentation on an all-employee Company survey
- Sales presentation on the improvements to the sales approach
- ESG Reporting and Carbon Footprint Audit
- Sale of the Sunbury office and the move to a new office location
- Risk management and internal controls, including a robust assessment of the principal risks
- Understanding the new Finance system and the benefits arising from it
- Financial results announcements, presentations, report and accounts and market updates
- Review of working practices and a move to hybrid working
- Review of employee remuneration and the impact of inflation

Group Operations Board

The day-to-day operations of the Group are run by the Group Operations Board. This meets weekly and now comprises the following roles;

- Chief Executive Officer.
- Chief Financial Officer.
- Chief Technical Officer.
- Chief Security Officer.
- Director of Managed Services.
- Director of Professional Services.
- Director of Partnerships.
- Head of HR.
- VP – Marketing.
- VP – Global Sales.

Risk management

Key risks and uncertainties affecting the business are regularly assessed and updated. The Board challenges management to ensure appropriate risk mitigation measures are in place. An outline of the Group's key risks and uncertainties is shown on pages 39 to 41.

In light of the new and emerging risks or uncertainties arising from the Group's strategic growth plans and the wider economic, political and market conditions, a rolling risk review process has been implemented which seeks to ensure that risks are constantly monitored, assessed and quantified, so that action may be prioritised by the Board accordingly. This process is undertaken by the Risk Committee which reports to the Board on a regular basis.

Internal control

The Board has ultimate responsibility for the Group's internal control arrangements and for reviewing their effectiveness, which guide and direct the Group's activities to support delivery of its strategic, financial, operational and other objectives and safeguard shareholders' investment and the Group's assets. The Board recognises that a system of internal control reduces, but cannot eliminate, the likelihood and impact of poor judgement in decision-making, human error, deliberate circumvention of control processes by employees and others, management override of controls and the occurrence of unforeseeable circumstances.

The Board sets policies and seeks and obtains on an ongoing basis, both directly and through the Audit Committee, assurance regarding the existence and operation of appropriate internal controls to mitigate key strategic, financial, operational, compliance and reputational risks.

The Board and Audit Committee consider any significant control matters raised in reports from management and the external auditor, and they monitor the progress of remedial actions.

The key features of the Group's overall control frameworks, all of which were in place throughout the year and up to the date of approval of this report, are set out below:

- delegated limits of authority in place;
- an appropriate finance function across the Group with suitably qualified and experienced professionals;
- segregation of duties, authorisation limits and other key internal controls are designed into both system-based and manual processes;
- a comprehensive monthly financial and operational performance reporting system which covers, amongst other things, operating results, cash flow, balance sheet information, forecasts and comparisons against budgets;
- a risk committee meeting on a regular basis to review and monitor risk and mitigating controls across the Group; and
- regular updates to the Board from management on insurance, litigation, human resources, sustainability and health and safety matters.

Corporate governance statement continued

These arrangements are reviewed periodically by management to ensure they remain appropriate.

The Group has extensive internal quality assurance processes in critical areas of the business and there are functions within the Group that provide assurance and advice covering specialist areas, such as information security.

The Group's businesses hold an ISO certifications for ISO 27001: Information Security across its UK, US and India locations. The Group continues to review and make improvements to the implementation of these standards.

Financial planning and monitoring

The Group sets annual budgets, which are subject to Board approval. Financial information, including actual performance versus budget and expected future performance, is provided to all Board members as part of the Board papers. The monthly reporting cycle includes a rolling forecast.

The key policies and documented procedures in place include:

- Group delegated authority limits;
- Group treasury policy;
- Group share dealing code;
- Group anti-bribery and corruption policy;
- Group human resource and staff welfare policies;
- Group health, safety and environmental policies;
- Group code of ethics and standards of business conduct;
- Group data governance policy;
- Group information security policy;
- Group anti-fraud policy; and
- Group whistleblowing policy.

The Group whistleblowing procedures include a confidential reporting hotline operated by an external, independent service provider. The policy and reporting hotline continue to be internally promoted. All employees are required to acknowledge that they have read and understood the policy and procedures.

Directors' responsibilities

A statement of the Directors' responsibilities in respect of the accounts is set out on page 64 of the Annual Report.

Stakeholder engagement

The Board continues to engage with stakeholders and welcomes ongoing dialogue throughout the year. Further information is contained in our Stakeholder Engagement Report on pages 24 to 28.

Conflicts of interest

Directors have a legal duty to avoid conflicts of interest. Prior to appointment, conflicts of interest are disclosed and assessed to ensure that there are no matters which would prevent that person from taking on the appointment. Disclosure of Directors' interests is a standing item on the Board meeting agenda and any new interests, whether conflicting or not, are disclosed during that item.

If any potential conflict arises subsequently, the Articles of Association permit the Board to authorise the conflict, subject to such conditions or limitations as the Board may determine. In situations where a potential conflict arises, the Director concerned will not be permitted to remain present in any meeting or discussion concerning that conflict, and all material in relation to that matter will be restricted, including Board papers and minutes.

Application of the QCA Corporate Governance Code

This section describes how D4t4 Solutions plc has applied and complied with the main and supporting principles of the QCA Corporate Governance Code (2018).

In last year's Statement of Corporate Governance there was one area where the Group was not fully compliant with the ten key principles of the QCA Code. This has been addressed as far as possible during the year, and is shown below followed by a review of each of the principles in turn.

No significant corporate governance matters arose during the period covered by the Annual Report 2023, nor subsequently to the date of this statement, on which it was considered necessary for the Board or any of its Committees to seek external advice. The Board consults with its Nominated Adviser and other professional advisers on routine matters arising in the ordinary course of its business.

The following table summarises one specific area within the principles where the Board considers that the Group did not fully comply, or may be perceived as not fully complying, with the QCA Code, throughout the year.

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

Application	Exceptions and explanations
The Board should contain the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the Group's strategy over the medium to long term.	During the year, the male to female ratio on the Board was 4:1 and there were no female Executive Directors. We believe that this reflects a strong gender bias in the technology industry as a whole, and the Board remains confident both that the opportunities in the Group are not excluded or limited by any diversity issues (including gender) and that the Board nevertheless contains the necessary mix of experience, skills and other personal qualities and capabilities necessary to deliver its strategy. Since the year end, we have appointed Helen Gilder to the Board as a non-executive director, following an extensive process described in the Nominations Committee Report on page 56. The male to female ratio is better reflected amongst the leadership team where we have women in key roles such as VP Marketing, Head of Fraud, Director of Finance, Head of HR, People and Culture, Director of Professional Services and Head of Brand Development.

Application of the QCA Corporate Governance Code continued

The Principles of the QCA Code

Principle 1 – Establish a strategy and business model which promote long-term value for shareholders

The Board's shared view of the Group's purpose, business model, opportunities and strategy, and the values underpinning them, are detailed in the Strategic Report within pages 1 to 41 of the Annual Report as follows:

- "Our products and services" (pages 4-5) explains what D4t4 Solutions' services and products are.
- "Our strategy" (pages 16-17) describes how D4t4 Solutions seeks to transform the business to create shareholder value.
- "Strategy in action" (pages 18-20) illustrates, with case studies, how our customers use and benefit from our products and services.

The Group's approach to delivering long-term value for shareholders is addressed in the Business Model on pages 14 to 15. Pages 39 to 41 ("Principal risks and uncertainties") detail the key risks faced by the business and how these continue to be addressed. Pages 29 to 34 describe how we are embedding ESG into our business.

Principle 2 – Seek to understand and meet shareholder needs and expectations

Relations with shareholders and 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 Group's announcement of the year-end results and at the half year. In addition to regulatory news announcements the Directors publish the Annual Report and Accounts, the annual results presentation, the half year results and announcements on new contract wins as they arise. They also broadcast a video presentation and Q&A, which is also available on the Company website.

In the period from 1 April 2022 to the date of this Corporate Governance Statement, the following activities and events with stakeholders have been arranged with the view to:

- communicate the Group's business model, strategy and values;
- provide financial updates and explanations sought by shareholders; and
- engage with shareholders to fully understand their needs and expectations.

Date	Description of engagement	Group Participants	Notes
July 2022	Final results roadshow	B Bruno, A Mehta	
August 2022	AGM	Directors	Shareholders were invited to attend the AGM and later in the day to join an online Q&A session
December 2022	Interim results roadshow	B Bruno, A Mehta	
December 2022	Capital Markets Day	B Bruno, A Mehta	
Various	Shareholder & potential shareholder meeting	B Bruno, A Mehta	

The Board is kept informed of the views of shareholders and other stakeholders at each monthly Board meeting through a report from the Chief Financial Officer together with formal feedback on shareholders' views gathered and supplied by the Group's advisers. The views of private and smaller shareholders, typically arising from the AGM or from direct contact with the Group, are also communicated to the Board on a regular basis.

The Chairman, P Simmonds, is available to shareholders if they have concerns where contact through the normal channel of Chief Executive Officer or Chief Financial Officer has failed to resolve or for which such contact is inappropriate. P Simmonds can be contacted through the UK head office contact information shown on our website.

Constructive use of the AGM

The Board uses the AGM to communicate with private and institutional investors and welcomes their participation; all members of the Board are usually present at the AGM.

Capital Markets Day

In December 2022, we held a Capital Markets Day alongside the release of our interim results. This was a good opportunity for our Executive team to meet with shareholders and vice versa. It was also an opportunity to present our VP – Global Sales, Mark Krebs, to investors to talk about the sales approach and how we are reducing the length of the sales cycle. Our Chief Technology Officer, Ant Philipps, then presented the new CDI for Salesforce offering, followed by a marketing overview from Bill Bruno. Finally, the Chief Data Officer of one of our Celebrus customers talked about the impact of Celebrus on their retail business. A recording of the day is available on our website.

At all investor meetings, shareholders are asked to confirm that their questions have been successfully answered. At the year end and interim presentations to shareholders, the Group's Nominated Advisor consults with attendees for feedback to ensure that future presentations encapsulate their requirements where possible.

Application of the QCA Corporate Governance Code continued

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

Stakeholders	Reason for engagement	How we engage
Staff	Our ability to provide an industry-leading software and services business is dependent upon good communications within our organisation.	We have identified our internal values in order to recruit and maintain talented and motivated staff. These values form the basis of all communications which are sought through internal appraisals and regular cross-functional meetings. There are also regular opportunities for the staff to engage with other parts of the organisation and recognise the successes of others. Examples include staff brunches and bi-monthly Group-wide "Town Hall" meetings, which are held to provide staff with an operational and sales update on what is happening within the business and ask any questions they may have of any of the leadership team. The HR system we launched last year has facilitated more effective employee engagement and communication across our various locations. This is particularly important post-Covid with hybrid working. Moreover, during the year we conducted an all-employee survey which has assisted us in focusing on key improvement areas.
Clients & Partners	Understanding current and emerging requirements of clients enables us to develop new and enhanced services, together with software to support the fulfilment of those services.	We have account managers and account directors whose primary responsibility is to engage with our clients and partners to understand and develop our products and services so that we can work with them to exceed their requirements. We seek formal and informal feedback on product roadmap and enhancements via our support offering and annual user group meetings.
Suppliers	Our relationships with our suppliers are key to the core success of our business.	We treat all suppliers with respect and care, building long-term collaborative relationships and where possible working within the local community, and ensuring ongoing communication so that feedback can be received and acted upon. We seek to ensure that supplier invoices are processed and paid promptly.
Shareholders	As a public company it is vital that we build relationships with our shareholders so that we can both inform them of our successes and listen to their guidance.	This is achieved in several ways: • Regulatory news releases. • Investor relations section of the Group's website. • Annual and half-year reports and presentations. • AGM. • Capital Markets Day and Technology demo events. Our intention is to engage with our shareholders to inform them of our successes and to listen to the question and comments. This feedback is usually received at the AGM and the investor presentations.
Industry bodies	Information security is fundamental to our business, clients, partners, suppliers and associated data subjects and so we ensure that our policies and procedures provide a cohesive approach to this important area.	We have an established information security management system which encompasses independently audited ISO27001 and PCI DSS controls, industry best practices, as well as latest regulatory requirements including General Data Protection Regulations (GDPR) and the UK Data Protection Act (2018). Our experienced Information Security Committee ensure that governance, risk and compliance is actively managed and that our policies and procedures evolve to meet ongoing requirements.
Communities	We consider that it is important to be a business that makes a positive contribution to local economies and is attractive as an employer and partner.	We look to recruit locally experienced staff and through the local universities, in all of our locations. We employ local suppliers where possible, and throughout the year we encourage staff to identify charities that they have an affiliation with for the Group as a whole to support. Further information is available in the ESG Report on pages 29 to 36.
Environment	Irrespective of our status as a public company, it is part of our ethos to conduct business operations that minimise any adverse impact on the climate these may have.	We endeavour to use technology wherever possible such that meetings with both internal and external stakeholders can be held online, thus reducing the need for travel. This further extends to allowing employees to work at home, further reducing commuting costs on both economic and environmental grounds. In addition, our HQ at Sunbury uses the latest standards in insulation, lighting, heating and energy waste reduction and is now fully powered using renewable resources. During the year we reappointed an external consultancy to conduct a carbon audit. Further details are given in the ESG Report on pages 29 to 36.

Application of the QCA Corporate Governance Code continued

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board's risk management controls and mitigation strategies are described in the Annual Report on pages 39 to 41 ("Principal risks and uncertainties") and pages 47 to 49 outline the control environment the Board has put in place – as per Principles 8 and 9 of the QCA Code – to promote a corporate culture based on ethical values and behaviours and to maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.

The Directors and management have a clear responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks. To this end the Company has a Risk sub-Committee appointed by, and reporting directly to, the Board. Its membership includes the Chief Technology Officer, the Chief Financial Officer, and the Chief Security Officer; other members of the Company are seconded to the Committee as required.

The remit of the Committee is to examine the vulnerability of the Group to all types of risk, the mitigation of such risks, maintain the risk register to properly reflect this and to report back to the Board with any changes in, or new areas of, vulnerability to risks and recommendations for mitigation.

The Risk Committee meets every two months, or more often as required, and on each occasion reviews two areas of the corporate risk register in detail to assess the vulnerability of the Group to risks under consideration and how to mitigate such risks. Employees from the relevant areas of the business are invited to help provide a more informed opinion of which risks are key and how they can be managed. The Committee reports back to the Board with any changes in, or new areas of, vulnerability to risks and recommendations for mitigation. The global pandemic is an example of an occasion when the Risk Committee has convened more frequently in order to review the register for any changes to the level of risk due to the pandemic and the emergence of any new issues which may require mitigation.

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chair

Composition

Directors' biographies are shown both in this Annual Report and on the Group's website. The Board currently comprises the non-executive chairman, two executive directors and a further three non-executive directors. At the date of this Corporate Governance Statement, all of the non-executive directors are considered to be independent. The Board does not consider it necessary to appoint an independent director to a formal "senior independent director" role. All directors are subject to election by shareholders at the first AGM immediately following their appointment and thereafter are subject to re-election at intervals of no more than three years. All non-executive directors are appointed for fixed terms in line with corporate governance requirements, although any non-executive director whose independence may be called into question is subject to re-election annually. Both of the executive directors are full-time employees of the Group.

Operation of the Board

The Board is responsible to shareholders for the proper management of the Group. A statement of the Directors' responsibilities in respect of the financial statements is set out on page 64 and a statement of going concern is given on page 74. The Board meets at least eleven times a year, and more often if required.

Other matters are delegated to the Executive Directors, supported by policies for reporting to the Board. Presentations are made to the main Board at each monthly meeting by the Executive Directors and also on regular occasions by operational management.

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

The Non-Executive Chairman and Non-Executive Directors are able to meet without Executives present prior to each Board meeting. The agenda and relevant briefing papers are distributed in advance of each Board meeting.

When Directors have concerns which cannot be resolved about the running of the Group or a proposed action, these concerns are recorded in Board minutes. Upon resignation, a Non-Executive Director is asked to provide a written statement to the Chairman for circulation to the Board if there are any such concerns.

Commitment

All Directors are expected to attend the monthly meeting of the full Board, or to make themselves available to join the meeting by telephone or online, and to attend all meetings of any Committee(s) of which they are members. In addition, the Directors are expected to attend strategy and business planning meetings each year. The Non-Executive Directors are expected to make themselves available at all reasonable times for consultation by other members of the Board.

Prior to each monthly Board meeting the Directors receive a detailed pack which includes:

- Board meeting agenda;
- minutes from previous Board meeting, and outstanding actions items;
- Board pack which includes financial information and an operations update on each part of the business; and
- papers as required for additional items requiring Board attention.

Application of the QCA Corporate Governance Code continued

Meetings and attendance

The following table summarises the number of Board, Audit Committee, Nomination Committee and Remuneration Committee meetings held during the period covered by the Annual Report 2023 and the attendance record of individual Directors at those meetings: The Board met monthly as in prior years but also had additional ad hoc meetings to discuss other matters.

	Board	Audit	Remuneration	Nomination
PA Simmonds	16/16	2/2	4/4	4/4
PF Whiting	16/16	2/2	4/4	4/4
M Biddulph	16/16	2/2	4/4	4/4
B Bruno	17/17	–[1]	–	4/4
A Mehta	17/17	–[1]	–	–[2]

1 Regular attendees of meetings of the Audit Committee included the CEO, CFO and the Company's auditors.
2 The CFO was an attendee of meetings of the Nomination Committee.

Principle 6 – Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Annual Report 2023 includes, on pages 42 to 43, biographies of the current Board of Directors, with details of their experience including a skills matrix. The range of skills at the Board is also considered by the Nomination Committee in its assessment of Board requirements.

All Directors are expected to keep their skills up to date, and it is Board policy that Executive Directors receive suitable ongoing training for their position. The Chairman ensures that all Directors update their skills and knowledge required to fulfil their roles on the Board and Committees. Ongoing training is provided as necessary and includes updates from the Company Secretary and Nominated Adviser on changes to the AIM rules, requirements under the Companies Act and other regulatory matters. Directors may consult with the Company Secretary or Nominated Adviser at any time on matters related to their role on the Board.

External advice

No significant matters of a corporate governance nature arose during the period covered by the Annual Report 2023 nor subsequently to the date of this statement on which it was considered necessary for the Board or any of its Committees to seek external advice. The Board consults, on an ongoing basis, with its Nominated Adviser and other professional advisers on routine matters arising in the ordinary course of its business.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board periodically reviews the its own effectiveness, as well as that of its Committees and individual Directors in the following manner:

(i) The role of the Committees is considered by the Executive Directors without the presence of the Non-Executive Directors.

(ii) The Chairman and CEO examine the contribution and effectiveness of the individual Directors with regard to their line role and contribution at Board meetings.

(iii) The whole Board examines its purpose and effectiveness with regard to identified key areas.

(iv) The whole Board considers its structure, size and composition with particular regard to the skills, knowledge and experience of its members and otherwise as advised by the Nomination Committee.

In addition, a formal Board effectiveness evaluation process is conducted biannually. The process involves all Directors completing a detailed individual evaluation of Board performance, which covers effectiveness in several areas including Board composition, Board information, Board process, internal control and risk management, Board accountability, CEO/Senior management and Standards of conduct.

The results of these biennial evaluations are interpreted by an independent Non-Executive Director, with support from the Chairman, and outputs plus any associated recommendations are reviewed by the Board as a whole, with progress on any actions arising monitored at the monthly Board meetings.

The next evaluation will be carried out in the autumn of 2023 by Helen Gilder and presented to the Board soon after.

As the business expands and as part of succession planning, the Executive Directors have been challenged to identify potential internal candidates who could potentially occupy Board positions and set out development plans for these individuals and these are in progress.

Application of the QCA Corporate Governance Code continued

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

Our long-term growth strategy incorporates our objectives and the business model set out in the Strategic Report. The culture of the Group is characterised by values which are communicated regularly to staff through internal communications and forums. These core values are also communicated to prospective employees in the Group's recruitment programmes and are further embedded within the induction process. The Board believes that a culture that is based on the core values is a competitive advantage and consistent with fulfilment of the Group's mission and execution of its strategy. The Board believes that the Executive Directors represent these values and convey them effectively throughout the organisation.

Ethical business practices

The Group is committed to corporate sustainability and to applying the highest standards of ethical conduct and integrity to its business activities in the UK and overseas. The Group does not tolerate any form of bribery: the Directors and senior management are committed to implementing and enforcing effective systems throughout the organisation to prevent bribery in accordance with its obligations under the Bribery Act 2010.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Roles and responsibilities of Directors

The Annual Report 2023 includes, on page 46, descriptions of the individual roles and responsibilities of the Chairman, Chief Executive Officer and other Directors.

The Board and its Committee composition

The Board currently comprises the non-executive chairman, two executive directors and a further three non-executive directors. The roles of chairman and chief executive officer 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 officer 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 Board has not appointed a Senior Independent non-executive director. The Company Secretary is J Thorne, a solicitor of over 25 years standing, who was appointed to the role in 2017. He is not a director of the Group.

To deal with specific aspects of the Group's affairs, the Board has formed certain Committees. Each of these Committees is governed by terms of reference available on the Company website. Details of the membership, roles, responsibilities and activities of the Audit, Remuneration and Nomination Committees are described in more detail in the individual Committee reports commencing on page 55 of the Annual Report 2023. The Chair of each Committee reports to the Board on the activities of that Committee.

Evolution of governance framework

In 2018 the QCA Code was formally selected as the appropriate recognised corporate governance code to be applied for the purposes of AIM Rule 26. The Board monitors the requirements of this code on an annual basis and revises its governance framework as appropriate as the Group evolves. As part of ongoing governance efforts, the Group decided last year that an additional sub-Committee should be formed to focus on ESG (environmental, social & governance). This sub-Committee comprises M Biddulph, A Mehta and a number of staff members. The Committee was predominantly formed to focus on the Group's environmental and social initiatives, as governance is clearly a focus of the whole Board and all Committees. As the Group continues to grow the Board fully recognises both the importance and the need for the governance framework to continue to evolve.

Principle 10 – Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

A range of forums exist at which the functioning of the Group is critically appraised and where opportunities exist for stakeholders to challenge management and hold them to account for the Group's performance.

Board Committees

A description of the work of the Board's Committees in the financial year to 31 March 2023, including a report from each of the Audit, Remuneration and Nomination Committees, is set out on pages 55 to 61 of the Annual Report 2023.

Votes at General Meetings

All resolutions put to the AGM held on 3 August 2022 were passed by majorities of not less than 90% of the votes cast. The most recent results for the Group, together with Annual Reports for the preceding years and notices of all General Meetings, can be found on the Group's website.

Report of the audit committee

Reviewing of financial performance and controls

Dear Shareholder
I am pleased to present the report of the Audit Committee for the year ended 31 March 2023.

The Audit Committee comprises three Non-Executive Directors of the Company, all of whom served for the entirety of the year. By invitation, the meetings are also attended by the CEO and CFO of the Company. The Audit Committee includes one financially qualified member as recognised by the Consultative Committee of Accountancy Bodies, but all Audit Committee members are expected to be financially literate.

The Committee is chaired by myself and met twice during the year under review. It operates under formal terms of reference, which are available on our website.

Following the year end, in April 2023, we appointed Helen Gilder to the role of non-executive director. Helen assumed the role as chair from the recent Audit Committee meeting on 22 June 2023. I shall step down from this role ahead of retiring as Chairman and leaving the Board before the end of the new financial year.

The Audit Committee is responsible for reviewing a wide range of financial matters including ensuring that the financial performance of the Group is adequately measured and controlled, correctly represented, reported to and understood by the Board.

Committee members

- Peter Simmonds (Outgoing Chair)
- Helen Gilder (Incoming Chair)
- Monika Biddulph
- Peter Whiting

The Audit Committee advises the Board on the appointment of external auditors and on their remuneration and independence, both for audit and non-audit work, and discusses the nature and scope of their audit. If required, the Audit Committee meets the auditors at least once a year without any Executive Directors present. To ensure auditor independence, consideration is given to their integrity and the objective approach of the audit process. The use of non-audit services is not considered to be significant and amounts paid in respect of these are disclosed in note 6.

I'd like to thank Haysmacintyre for their work as our auditors. This was their second year as auditor and the process has worked smoothly again. When we appointed them last year the Committee was very impressed with the account team and their approach. Their experience acting for a number of public companies, both fully listed and AIM, with a strong presence in the technology sector has been a valuable asset to the Group.

The Audit Committee has recommended to the Board that Haysmacintyre LLP is reappointed at the forthcoming AGM.

I am satisfied that the Committee has satisfactorily discharged its duties in the year in accordance with its terms of reference.

Peter Simmonds
Outgoing Chair of the Audit Committee
11 July 2023

Key issues considered during the recent audit

Revenue recognition	This is a key issue in all audits due to historic misstatement by companies over the years. The Committee reviews the Group's revenue recognition policies to ensure they are compliant with current accounting standards and applied consistently.
Carrying value of goodwill	The Committee monitors the intangible carrying value in the Group for any indications of impairment and undertakes impairment test calculations to support decisions to not impair goodwill.
Management override of controls	This is the risk of misappropriation of assets and the risks of misrepresentation of financial information, in particular in relation to revenue and associated asset and liability accounts. The Committee receives updates on internal controls and any instances of management override.
Valuation of share options	This is the risk of incorrect pricing of share options vesting under market conditions, non-market conditions and LTIP schemes, and hence an incorrect charge being made to the income statement. This is a complex area and so the Group appointed the Valuations department of Evelyn Partners LLP to value the share options under a Black- Scholes and a Monte Carlo basis.
Capitalisation of development costs	This is the risk of incorrect capitalisation of research and development costs which do not fall in line with IAS 38. The Committee reviewed the basis and assumptions for the capitalisation.
Migration to a new accounting system	This is the risk of incorrect accounting due to errors in the migration of accounting data from the previous accounting system to Oracle Netsuite which went live in October 2022. The Committee reviewed the reports from the Finance team, and the work undertaken by the auditors to gain assurance that the migration had been performed satisfactorily.

Report of the nomination committee

A focus on succession planning

Dear Shareholder
I am pleased to present the report of the Nomination Committee for the year ended 31 March 2023.

The Nomination Committee comprises four directors: three non-executives directors (myself, Peter Simmonds and Peter Whiting) and one executive director, Bill Bruno. In the performance of its duties, the Committee held four meetings in the year. The principal activity of the Nomination Committee in the year was succession planning and Board composition.

The Nomination Committee considered the Board composition and the balance between non-executive and executive directors as well as the mix of skills amongst the independent non-executive directors. After a thorough review, the Board has decided to split the roles of Company chair and audit chair and appoint an additional non-executive director to the Board, who will also be the chair of the Audit Committee.

Therefore, I'm delighted to report that in April 2023, following a thorough selection process, Helen Gilder was appointed to the D4t4 Solutions Board as an additional non-executive director, and audit chair, succeeding Peter Simmonds as chair of the Audit Committee.

Helen is an experienced non-executive director and audit chair, with a strong track record in fast-growth digital technology companies on AIM. She currently sits on the board of Made Tech Group plc where she also chairs the audit committee, and was formerly CFO of ZOO Digital Group plc. She is a Chartered Accountant and also member of the Yorkshire Regional Advisory Group of the London Stock Exchange and advises a number of growth businesses. We are very pleased to have Helen on board and look forward to her contribution to the success of the Group.

In relation to succession planning, the Nomination Committee keeps under review, and takes appropriate action to ensure, orderly succession for appointments to the Board and to senior management, thereby maintaining an appropriate balance of skills and experience within the Group and on the Board. The change outlined above has enabled the Committee to begin its consideration to appoint a new Chairman due to Peter Simmonds tenure reaching nine years in April 2024. The process has commenced and we anticipate an appointment later this year with Peter stepping down after a transition period.

With regards to non-executive director appointments, the Committee considers, amongst other factors, their other outside commitments prior to making recommendations. This is designed to ensure that they have sufficient time to meet what is expected of them and the Board keeps any changes to these commitments under review.

The Board's policy is to ensure that all appointments are merit-based and based on clear and objective criteria, giving 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 size of the Board and the Group, the Nomination 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.

I am satisfied that the Nomination Committee has satisfactorily discharged its duties in the year in accordance with its terms of reference, which are reviewed on an annual basis.

Monika Biddulph
Chair of the Nomination Committee
11 July 2023

Committee members

- Monika Biddulph (Chair)
- Bill Bruno
- Peter Simmonds
- Peter Whiting
- Helen Gilder

Report of the remuneration committee

Determining executive remuneration

Dear Shareholder

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 March 2023.

The Committee has consisted throughout the entire year of three Non-Executive Directors: Peter Simmonds, Monika Biddulph and me.

The Committee's terms of reference require it to meet not less than once each year. The Committee met four times in the year ended 31 March 2023. It is responsible for reviewing and determining the policy of the Group on executive remuneration including specific remuneration packages for each of the Executive members of the Board, pension rights and compensation payments. The Committee is also responsible for monitoring compliance with the implementation by the Group of the legal requirements and, so far as reasonably practical, recommendations and guidelines relating to Directors' remuneration.

None of the Committee has any personal financial interest (other than as shareholders or as noted in the Directors' report), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays any part in any discussion about his or her own remuneration.

For the financial year to 31 March 2023, the Remuneration Committee has continued to operate a remuneration structure made up of basic salary, pensions and benefits, annual performance-related bonuses, and a long-term incentive plan (LTIP). As in prior years, a significant proportion of executive remuneration has been based on performance, designed to align executive pay with shareholder interests. In this respect, the Committee has assessed the performance of Executive Directors for the year reported against the targets set a year ago, set performance targets for the following financial year and made recommendations to the Board on the overall packages for the Executive Directors.

The Committee believes that a combination of Total Shareholder Return (TSR) and Annual Recurring Revenue provides an optimal alignment with shareholders over the medium term, and these remain the basis of the vesting criteria of the LTIP grants made during the year.

We pay particular attention to ensure that the package offered to each executive director is appropriate to the nature and complexity of the specific role, and aligned with the wider recruitment market, and we encourage the building-up of meaningful shareholdings in the Group. We also set personal objectives for each of the executive directors linked to Group objectives, both short term and long term, including ESG objectives.

I am satisfied that the Committee has appropriately discharged its duties in the year in accordance with its responsibilities and encourage you to read the Directors Remuneration Report on the following pages.

Peter Whiting
Chair of the Remuneration Committee
11 July 2023

Committee members

- Peter Whiting (Chair)
- Peter Simmonds
- Monika Biddulph
- Helen Gilder

Directors' remuneration report

This report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the QCA Corporate Governance Code 2018 and the Listing Rules.

The report is in two sections:

- the Directors' remuneration policy which sets out the Group's current policy on remuneration for Executive and Non-Executive Directors; and
- the Directors' Remuneration Report. This section sets out details of how the remuneration policy was implemented for the year ended 31 March 2023.

Directors' remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Company's position as a market leader and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management, and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the Non-Executive Directors is determined by the Board within limits set out in the Articles of Association.

The Company's policy is that a substantial proportion of the potential remuneration of the Executive Directors should be performance related. The performance criteria set should motivate the Executive Directors to create value for the shareholders.

There are five main elements of the remuneration package for Executive Directors and senior management:

Element of remuneration	Link to Group strategy	Operation	Framework
Base salary	Ensures that the Company can recruit and retain high-quality Executives to deliver on the Company strategy in the interest of the shareholders.	Base salary is paid monthly and reviewed annually, with any increases applying from 1 April.	An Executive Director's salary is determined by the Remuneration Committee in March of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Remuneration Committee considers the Company as a whole and relies on objective research which gives up to date information on a comparable group of companies.
Benefits	Ensures that the Company can recruit and retain high-quality Executives to deliver on the Company strategy in the interest of the shareholders.	Benefits principally comprise private healthcare and death in service insurance.	In relation to health care and death in service benefits, 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. The Company offers company cars/car allowances to a number of employees across the organisation.
Annual bonus	Rewards and incentivises the Executive Directors for achievement of strategic objectives.	The Committee sets annual performance targets, linked to strategic objectives and risk management. Bonus payments in respect of a year are made annually after release of audited results, or later if any element is deferred.	The Remuneration Committee sets bonus plans for Executive Directors based upon achieving a number of pre-defined growth targets including ARR and Adjusted Profit before tax.

Directors’ remuneration report continued

Element of remuneration	Link to Group strategy	Operation	Framework
Share option plan (LTIP)	Aligns the interests of the Executive Directors with the interest of the long term shareholders.	The Remuneration Committee has discretion to make option grants to executive directors and other staff, subject to the scheme rules, and to determine appropriate performance conditions.	The share option plans are subject to rules and limits approved by shareholders in general meeting. Any exercise is subject to satisfaction of the specified performance conditions.
Pension	Ensures that the Company can recruit and retain high-quality executives to deliver on the Group strategy in the interest of the shareholders.	Pension contributions are made by the Company to a defined contribution scheme operated by third-party providers.	Executive Directors are members of the Company Money Purchase pension scheme. To the extent that contributions to the Company scheme are restricted by HMRC limits, the Company contributes 6% of the Director’s salary providing the director contributes a minimum of 4% of their salary by way of salary sacrifice. There are no unfunded pension promises or similar arrangements for Directors. There were two directors in the scheme (2022: 3).
Chairman and Non-Executive Director fees	Ensures that the Group can recruit and retain a highquality chairman and non-executive directors to deliver on the Group strategy in the interest of the shareholders.	Fees for Non-Executive Directors are set by the Board (excluding non- executive directors). Fees are paid monthly or quarterly.	A basic fee is set for normal duties, commensurate with fees paid for similar roles in other similar companies, taking account of the time commitment, responsibilities, and committee position(s). Supplementary fees are paid for any additional duties at fixed day rates. Non-executive directors are not eligible for pensions, incentives, bonus or any similar payments other than normal out-of-pocket expenses incurred on behalf of the business. Compensation for loss of office is not payable to non-executive directors.

Remuneration policy considerations

Recruitment
The Company’s Nomination Committee is responsible for leading the process for Board appointments and making recommendations to the Board. Refer to the report of the Nomination Committee for details.

Loss of office payments
In the event of early termination, all of the directors’ contracts provide for compensation up to a maximum of basic salary plus benefits for the notice period.

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

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

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

Service contracts and letters of appointment
It is the Company’s policy that executive directors should have contracts with an indefinite term providing for a maximum of one year’s notice.

Executive Directors
Bill Bruno has a Directors’ service agreement dated 27 August 2021 which can be terminated on six months’ notice. Ash Mehta has a directors’ service agreement dated 12 May 2021 which can be terminated on three months’ notice.

Non-Executive Directors
P Simmonds, P Whiting and M Biddulph each have an agreement for 12 months. The fees of the non-executive directors are determined and confirmed by the full Board excluding (in each case) the non-executive director concerned.

Policy on Director shareholdings
The Company has no policy on Director shareholdings.

Outside appointments
Executive directors are entitled to accept appointments outside the Company providing that the chairman’s permission is sought and fees in excess of £20,000 from all such appointments are accounted for to the Company.

Directors' remuneration report continued

Aggregate Directors' remuneration

The total amounts for Directors' remuneration were as follows:

£000	2023	2022
Emoluments (Fees/basic salary, benefits and annual bonus)	**653**	1,232
Money purchase pension contributions	**26**	39
	679	1,271
IFRS 2 share-based payment charge	**469**	537
Employer's National Insurance	**58**	129
Total	**1,206**	1,937

Single figure for the total remuneration (audited)

31 March 2023	Fees/basic salary £000	Benefits £000	Bonus £000	Sub-total £000	Pension £000	**Total 2023 £000**	Total 2022 £000
Executives							
Bill Bruno (appointed 27 August 2021)	291	5	–	296	15	**311**	431
Ash Mehta (appointed 1 September 2021)	180	4	–	184	11	**195**	238
Peter Kear (resigned 31 March 2022)	–	–	–	–	–	**–**	320
Mark Boxall (resigned 30 June 2021)	–	–	–	–	–	**–**	50
Jim Dodkins (resigned 30 June 2021)	–	–	–	–	–	**–**	55
Charlie Irvine (resigned 28 April 2021)	–	–	–	–	–	**–**	13
Non-Executives							
Peter Simmonds	75	–	–	75	–	**75**	69
Peter Whiting	49	–	–	49	–	**49**	48
Monika Biddulph	49	–	–	49	–	**49**	47
Total	644	9	–	653	26	**679**	1,271

Remuneration of highest paid Director

	2023	2022
Remuneration	**296**	422
Company contributions to money purchase pension schemes	**15**	9
	311	431

Emoluments for the highest paid Director for the year ended 31 March 2023 and 31 March 2022 are included in the table above. The highest paid Director exercised no share options during the year (2022: nil).

Directors' remuneration report continued

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors.

Details of options for Directors who served during the year are as follows:

	Type	Number at 31 March 2022	Number at 31 March 2023	Option price	Grant date	Exercisable from	Expiry date
B Bruno	1	54,000	**54,000**	2.0p	25 January 2021	10 August 2023	10 February 2024
	2	66,185	**66,185**	2.0p	28 October 2021	28 October 2024	15 March 2025
	3	49,638	**49,638**	2.0p	28 October 2021	28 October 2024	15 March 2025
	2	–	**121,065**	2.0p	26 August 2022	26 August 2025	10 February 2026
	4	–	**40,921**	2.0p	26 August 2022	26 August 2024	10 February 2026
A Mehta	2	58,290	**58,290**	2.0p	28 October 2021	28 October 2024	28 October 2031
	3	49,638	**49,638**	2.0p	28 October 2021	28 October 2024	28 October 2031
	2	–	**55,102**	2.0p	26 August 2022	26 August 2025	26 August 2032
	4	–	**17,770**	2.0p	26 August 2022	26 August 2024	26 August 2032

The awards made during the year were made in two tranches, as set out above and below, under the terms of the D4t4 Long Term Incentive Plan ('LTIP').

The Type 1 award represents a one-off award, without performance conditions, following the director's promotion in 2021.

Type 2 awards are subject to the satisfaction over the three-year period from the date of grant of specified performance conditions, based on the Company's relative Total Shareholder Return (TSR) in respect of half of the award, and growth in Annual Recurring Revenue (ARR) in respect of the other half. Vesting criteria have been set as follows:

- 15% compound growth in ARR to achieve minimum award vesting, with a sliding scale above this level, up to full vesting at 27.5% compound growth; and
- TSR of no less than median performance against the selected benchmark for minimum vesting, with a sliding scale above this level, up to full vesting for top-quartile performance.

Type 3 represents a one-off award, without performance conditions, following each director's appointment to their respective roles in 2021.

Type 4 awards are deferred bonus awards, in lieu of a portion of the cash award relating to the 2021/22 Bonus Plan. Vesting is subject to continued employment, and as a 'Deferred Bonus Award' is therefore not subject to performance conditions. These awards will benefit from dividend equivalents in accordance with the LTIP Rules.

P Simmonds, P Whiting and M Biddulph who served during the year did not hold any share options.

No directors (2022: nil) exercised options during the year. No director's options lapsed during the year.

The market price of the shares at 31 March 2023 was 207.5p (31 March 2022: 262.5p) and the range in the period under review was 207.5p to 273.0p.

There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

Directors' shareholdings and dividends paid to Directors are disclosed in the Directors' Report on page 62.

Advisers

The Committee receives independent advice from FIT Remuneration Consultants LLP when required.

Peter Whiting
Chair of the Remuneration Committee

Directors' report

The Directors present their Annual Report and the audited financial statements for the year ended 31 March 2023, which should be read in conjunction with the Strategic Report on pages 1 to 41. The Corporate Governance Statement set out on pages 42 to 64 forms part of this report.

Incorporation
D4t4 Solutions Plc is a company incorporated in the United Kingdom under the Companies Act 1985.

Adoption of new Articles of Association
The Articles may be amended by special resolution of the shareholders.

Directors and Directors' interests
The Directors who held office during the year and to the date of signing, unless otherwise stated, were as follows:

B Bruno

A Mehta

P A Simmonds

P Whiting

M Biddulph

H Gilder (appointed 24 April 2023)

At the AGM, M Biddulph will offer herself for reappointment in accordance with the Articles. Additionally, H Gilder will be proposed for reappointment, having been appointed a Director since the last Annual General Meeting.

The Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company as recorded in the register of Directors' share and debenture interests:

	Interest at 31 March 2023	Interest at 31March 2022
B Bruno	13,000	13,000
A Mehta	80,570	80,000
P A Simmons	346,500	346,500
P Whiting	22,000	22,000
M Biddulph	–	–

During the year the Directors received dividends on their shares at the same rate as any other shareholder. Details of share options can be found on pages 92 to 93.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Acts and related legislation. Such appointments are overseen by the Nominations Committee. The powers of Directors are described in the Main Board Terms of Reference, copies of which are available on request, and in the Corporate Governance Statement on pages 45 to 48.

In accordance with our Articles of Association and to the extent permitted by law, Directors are granted an indemnity from the Company in respect of liability incurred as a result of their office. In addition, we maintained a Directors' and officers' liability insurance policy throughout the year. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently.

Capital structure
Under its Articles of Association, the Company has authority to issue 50,000,000 ordinary shares. Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 23. The Company has one class of ordinary shares which carry no right to fixed income. Each share (other than own shares held in treasury) carries the right to one vote at general meetings of the Company and an entitlement to any dividend announced by the Board.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, and property leases and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Substantial holdings
As far as the Directors are aware, as at 11July 2023, the only holdings of 3% or more of the Company's issued share capital were the following:

	Number of ordinary shares	%
Canaccord Genuity Wealth Management	6,745,944	16.99
Ennismore Fund Management	3,550,816	8.92
Herald Investment Management	2,974,800	7.40
Investec Wealth & Management	2,816,511	7.01
Chelverton Asset Management	2,065,000	5.14

Acquisition of the Company's own shares
During the year, the Directors had authority, under the shareholders' resolution of 3 August 2022, to purchase through the market up to 4,016,251 of the Company's shares at a maximum price of 105% of the average middle market price for the five business days immediately preceding the date of purchase and a minimum price of 2p per share. This authority expires at the AGM to be held on 9 August 2023. 536.298 shares were purchased, and 152,465 shares were sold in the year ending 31 March 2023, as shown in note 24.

Directors' report continued

Treasury shares are ordinary 2p shares purchased in order to satisfy outstanding share option obligations. Sales from Treasury shares are the shares issued to option holders on exercise of their options. The maximum number of own shares held in the year was 720,670 (2022: 224,932), which represents 1.78% (2022: 0.56%) of the issued share capital.

Share option schemes

The Company operates two share option schemes which are open to employees: the D4t4 Solutions EMI Share Options Scheme, and the D4t4 Long-Term Incentive Plan. Details of the share options are laid out on page 92 within note 28 to the accounts.

Dividends

The Directors recommend a final dividend of 2.15p (2022: 2.07p) per ordinary share to be paid this year. The directors do not recommend a special dividend this year (2022: 5.0p per ordinary share).

Employees

The Group has a policy of offering equal opportunities to employees at all levels in respect of the conditions of work. Throughout the Group it is the Board's intention to provide employment opportunities and training for disabled people and to care for employees who become disabled having regard to aptitude and abilities.

Regular consultation and meetings, formal or otherwise, are held with all levels of employees to discuss problems and opportunities.

System of risk management and internal control

The Board is responsible for maintaining a risk management and internal control system and for managing principal risks faced by the Group. Such a system is designed to manage rather than eliminate business risks and can only provide reasonable and not absolute assurance against material mistreatment or loss. In accordance with the Companies Act s414 c(11) information in relation to the business and risks is shown in the Strategic Report.

Supplier payment policy

It is Company policy to pay all claims from suppliers according to agreed terms of payment upon receipt of a valid invoice which is materially correct. The Company does not follow a code on standard payment practice. At 31 March 2023 the Company had 17 days (FY22: 25 days) of outstanding liabilities to creditors.

Research and development

The Group has continued to attach a high priority to research and development throughout the year aimed at the development of new products and maintaining the technological excellence of existing products.

Treasury policy

The Group's operations are funded by cash reserves. The policy of the Group is to ensure that all cash balances earn a market rate of interest. Bank relationships are maintained to ensure that sufficient cash and unutilised facilities are available to the Group. The Group also has exposure to foreign currency rate fluctuations and undertakes hedging contracts to mitigate potential currency losses.

Financial instruments

The Group's financial risk management objectives and policies are discussed on pages 94 to 97 within note 31 to the accounts.

Branch operations

The Group has branch operations located in Chennai, India.

Political and charitable contributions

The Group made no political contributions during the year (2022: nil), and charitable donations of £382 (20221: £625).

Sustainability

Information about the Company's approach to sustainability risks and opportunities is set out on pages 30 to 31. Also included on these pages are details of our greenhouse gas emissions.

Auditor

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of Haysmacintyre LLP as the auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Disclosure of information to the Auditor

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Future outlook

The Group's future outlook and opportunities are referred to in the Chief Executive's Statement on pages 9 to 11.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above and the risks and uncertainties summarised. The Group and Company has sufficient financial resources to cover budgeted future cash flows and has contracts in place with customers and suppliers across different geographic areas and industries. As a consequence of these factors, the Directors believe that the Group is well placed to manage its business risks successfully.

Having reviewed the future plans and projections for the business, the Directors believe that the Group and Company and its subsidiary undertakings have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

Guerino Bruno

Bill Bruno
Chief Executive Officer
11 July 2023

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and to prepare the Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

The Group and Company financial statements are required to present fairly the financial position of the Group and the Company and the financial performance of the Group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the D4t4 Solutions plc website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Guerino Bruno

Bill Bruno
Chief Executive Officer
11 July 2023

Independent auditor's report

to the members of D4t4 Solutions plc

Opinion

We have audited the financial statements of D4t4 Solutions PLC (the 'company') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the consolidated statement of changing in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

An overview of the scope of our audit

Our audit scope covered all the Group's components with varying levels of testing based on the significance of each component. We performed a scoping assessment of the Group at the planning stage and subsequently updated this assessment for the year-end figures. We assessed risk of material misstatement for each of these components and determined their significance based on the overall impact to the Group financial statements. Our assessment incorporated a consideration of the significance of revenue, expenditure, and balances in the context of the Group financial statements Group materiality. We also assessed each entity in relation to the risk of management override of controls.

At March 2023, the Parent Company was considered to be constitute a significant component and therefore subject to full testing with D4t4 Solutions Inc representing a material component and therefore targeted testing was performed.

The remaining entities were deemed to be insignificant to the Group based on the above metrics and therefore the audit work on these components has been limited to analytical review. This work has been performed by the Group audit team.

Our Group audit scoping ensures we have attained coverage through full-scope and specified audit procedures of 100% of Group profit and total Group assets and liabilities. The work performed was to the materiality levels set out below, with component materiality levels adopted for the relevant subsidiary entities depending on the level of work to be performed as a result of our scoping assessment.

We communicated with both the Directors and the Audit Committee our planned audit work via our audit planning report and relevant discussion.

We communicated audit progress with the Audit Committee through interim audit progress meetings. We have communicated any issues to the Audit Committee and the Directors in our final audit findings report.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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) 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 our scope addressed the matter
Revenue Recognition Included in the group statement of comprehensive income is revenue of £21.369m. Revenue is derived from the sale of own IP, the sale of 3rd party IP, the provision of delivery services and of support and maintenance. See revenue accounting policy note for further details around revenue recognition. There is a risk that revenue has not been recognised in line with IFRS 15 in relation to ongoing contracts with customers, particularly where contracts span the year-end and therefore application is considered to be more judgemental.	We agreed a number of revenue transactions to cash receipts and appropriate evidence of customer acceptance in order to gain comfort over occurrence and completeness and satisfaction of the performance obligations per the underlying revenue agreements. We have reviewed management's judgment in applying relevant requirements of IFRS 15, specifically around the timing of software license sales. We have inspected a sample of new significant revenue contracts in the year and have challenged management on the application of IFRS 15 rules in line with the accounting policy. We have also reviewed the treatment of deferred income as a result of this assessment and considered implications of the classification of deferred income in the statement of financial position. As a result of our procedures, we conclude that the group's revenue is stated accurately in all material aspects.

Independent auditor's report

to the members of D4t4 Solutions plc continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the financial statements, would be changed, or influenced. At the planning phase of the audit, we determined overall materiality for the group financial statements as a whole to be £250,000 being 8.75% of earnings before interest, taxation, depreciation, and amortisation ("EBITDA").

During the course of the audit, we reconsidered our approach to materiality and determined that adjusted profit before tax ("APBT") represented a more suitable metric given that this is a key metric used by the directors in assessing the financial performance and position of the group. As a result, we revised our overall materiality for the group financial statements as a whole to £320,000 being 8.75% of adjusted PBT ("APBT") for the year. On the basis of our risk assessments, together with our assessment of the overall control environment, we apply a different level of materiality, performance materiality, to determine the extent of our testing and this was set at 75% of the overall audit financial statements' materiality, being £240,000.

We also considered the impact of materiality thresholds on our testing of the subsidiaries within the group. We determined that D4t4 Solutions UK (parent) represented the main activity of the group and therefore £320,000 has been used as the materiality for testing within the parent. We have then tested D4t4 Solutions US to 80% of group materiality as a result of this entity representing a far smaller portion of total revenue for the group with 80% ensuring appropriate coverage of this entity has been achieved. D4t4 Solutions Australia has been subject to an analytical review to group materiality as a result of this representing a non-significant component of the group.

We agreed with management that we would report to the Audit Committee all audit differences in excess of £16,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- We reviewed cash flow forecasts prepared by management and assessed their adequacy, and also challenged the assumptions and judgements inherent within them;
- We have corroborated cash levels after the reporting date to consider whether they are in line with forecasts and investigated the reasons for any significant discrepancies;
- We reviewed prior period budgets and forecasts against actual performance to consider management's ability to accurately forecast and budget;
- We have considered pipeline income and contracts to understand the uncertainty in management's budgets;
- We have considered external factors that impact the forecasted revenues and the cashflows of the Group as part of our review of the going concern assessment; and
- We have performed sensitivity analysis on the forecasted revenues and the cashflows of the Group in assessing the liquidity headroom and the impact on the adoption of the going concern basis of accounting.

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'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.

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the 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.

Independent auditor's report

to the members of D4t4 Solutions plc continued

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 are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 64, 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.

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:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Based on our understanding of the company and industry, we considered the extent to which non-compliance with laws and regulations could have a material effect on the financial statements. We also identified and considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, corporation tax, payroll tax and sales tax.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to areas subject to significant judgement and management bias through accounting estimates. Audit procedures performed by the engagement team included:

- Obtaining an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the AIM rules, Companies Act 2006, and tax regulation;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities;
- Inspecting correspondence with regulators and tax authorities;
- Identifying and testing journals, in particular journal entries posted to revenue which have unusual or unexpected double entry patterns; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission, or misrepresentation.

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

Use of our report

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

Jon Dawson
Senior Statutory Auditor
For and on behalf of Haysmacintyre LLP, Statutory Auditors

11 July 2023

10 Queen Street Place, London, EC4R 1AG

Group statement of comprehensive income

for the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Continuing operations			
Revenue	4,5	**21,369**	24, 459
Cost of sales		**(8,497)**	(11,755)
Gross profit		**12,872**	12,704
Administration expenses	6	**(10,833)**	(11,000)
Other operating income	8	**15**	58
Profit from operations		**2,054**	1,762
Finance income	9	**373**	22
Financing costs	9	**(36)**	(21)
Profit before tax		**2,391**	1,763
Tax	10	**(274)**	(68)
Attributable to equity holders of the parent		**2,117**	1,695

	Notes	2023 £'000	2022 £'000
Earnings per share from continuing operations attributable to the equity holders of the parent	13		
Statutory			
Basic		**5.29p**	4.21p
Diluted		**5.18p**	4.14p
Attributable to equity holders of the parent		**2,117**	1,695
Other comprehensive income:			
Items that will not be reclassified to income statement			
(Loss)/gain on property revaluation	26	**(300)**	70
Exchange differences on translation of foreign operations		**204**	(21)
Total comprehensive income for the year attributable to equity holders of the parent		**2,021**	1,744

The notes on pages 74 to 97 form part of these financial statements.

Group statement of financial position

for the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Goodwill	14	**9,446**	9,446
Intangible assets	15	**806**	808
Property, plant and equipment	16	**607**	4,012
Trade and other receivables		**942**	–
Deferred tax assets	11	**212**	232
		12,013	14,498
Current assets			
Trade and other receivables	18	**7,561**	27,385
Tax receivables		**15**	573
Cash and cash equivalents		**17,155**	11,430
		24,731	39,388
Assets in disposal groups classified as held for sale	19	**3,000**	–
Total assets		**39,744**	53,886
Current liabilities			
Trade and other payables	20	**(2,219)**	(7,144)
Tax liabilities		**(8)**	–
Deferred revenue	21	**(9,383)**	(14,200)
Lease obligations	22	**(73)**	(54)
		(11,683)	(21,398)
Non-current liabilities			
Lease obligations	22	**(148)**	(146)
Deferred revenue	21	**(173)**	–
Deferred tax liabilities	11	**(395)**	(457)
		(716)	(603)
Total liabilities		**(12,399)**	(22,001)
Net assets		**27,345**	31,885

	Notes	2023 £'000	2022 £'000
Equity			
Share capital	23	**809**	809
Share premium account	23	**3,365**	3,365
Merger reserve	25	**6,281**	6,031
Revaluation reserve	26	**1,010**	1,310
Treasury shares	24	**(1,464)**	(670)
Retained earnings		**17,344**	21,040
Attributable to equity holders of the parent		**27,345**	31,885

These financial statements were approved by the Board of Directors and authorised for issue on 11 July 2023 and were signed on its behalf by:

Guerino Bruno

Bill Bruno
Director
Company registration number: 01892751 (England and Wales)

The notes on pages 74 to 97 form part of these financial statements.

Group statement of changes in equity

for the year ended 31 March 2023

	Notes	Share capital	Share premium	Merger reserve	Revaluation reserve	Treasury shares	Retained earnings	Total £'000
Balance at 1 April 2021		**808**	**3,365**	**5,981**	**1,240**	**(542)**	**20,034**	**30,886**
Dividends paid	12	–	–	–	–	–	(1,147)	(1,147)
Purchase of own shares	24	–	–	–	–	(377)	–	(377)
Issue of new shares – exercise of share options	23	1	–	50	–	–	–	51
Settlement of share-based payments		–	–	–	–	249	(140)	109
Share-based payment charge	28	–	–	–	–	–	619	619
Transactions with equity holders		**1**	**–**	**50**	**–**	**(128)**	**(668)**	**(745)**
Profit for the year		–	–	–	–	–	1,695	1,695
Other comprehensive income		–	–	–	70	–	(21)	49
Total comprehensive income		**–**	**–**	**–**	**70**	**–**	**1,674**	**1,744**
Balance at 1 April 2022		**809**	**3,365**	**6,031**	**1,310**	**(670)**	**21,040**	**31,885**
Dividends paid	12	**–**	**–**	**–**	**–**	**–**	**(6,194)**	**(6,194)**
Purchase of own shares	24	**–**	**–**	**–**	**–**	**(1,488)**	**–**	**(1,488)**
Settlement of share-based payments		**–**	**–**	**250**	**–**	**694**	**(679)**	**265**
Share-based payment charge	28	**–**	**–**	**–**	**–**	**–**	**856**	**856**
Transactions with equity holders		**–**	**–**	**250**	**–**	**(794)**	**(6,017)**	**(6,561)**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**2,117**	**2,117**
Other comprehensive income		**–**	**–**	**–**	**(300)**	**–**	**204**	**(96)**
Total comprehensive income		**–**	**–**	**–**	**(300)**	**–**	**2,321**	**2,021**
Balance at 31 March 2023		**809**	**3,365**	**6,281**	**1,010**	**(1,464)**	**17,344**	**27,345**

The notes on pages 74 to 97 form part of these financial statements.

Group statement of cash flow

for the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Operating activities			
Profit before tax		**2,391**	1,763
Adjustments for:			
Depreciation of property, plant and equipment	16	**265**	391
Amortisation of intangible assets	15	**346**	306
Finance income	9	**(373)**	(22)
Finance expense	9	**36**	21
Share-based payments	28	**856**	619
Loss/(gain) on sale of property, plant and equipment	16	**13**	(16)
Operating cash flows before movements in working capital		**3,534**	3,062
Decrease/(increase) in receivables		**18,882**	(14,023)
Decrease in inventories		**–**	129
(Decrease)/increase in payables		**(9,184)**	10,671
Cash generated from/(used in) operations		**13,232**	(661)
Tax received		**472**	1

	Notes	2023 £'000	2022 £'000
Net cash generated from/(used in) operating activities		**13,704**	(660)
Investing activities			
Interest received		**373**	22
Purchase of property, plant and equipment	16	**(173)**	(197)
Purchase of intangible fixed assets	15	**(97)**	–
Acquisition of subsidiary, net of cash acquired		**–**	(200)
Capitalisation of development costs	7	**(247)**	(242)
Net cash used in investing activities		**(144)**	(617)
Financing activities			
Dividends paid	12	**(6,194)**	(1,147)
Lease repayments	22	**(102)**	(98)
Interest paid	9	**(36)**	(21)
Purchase of own shares	24	**(1,488)**	(377)
Exercise of share options		**(15)**	109
Net cash used in financing activities		**(7,835)**	(1,534)
Net increase /(decrease) in cash and cash equivalents		**5,725**	(2,811)
Cash and cash equivalents at start of year	31	**11,430**	14,241
Cash and cash equivalents at end of year	31	**17,155**	11,430

Company statement of financial position

as at 31 March 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Goodwill	14	**8,696**	8,696
Intangible assets	15	**806**	808
Property, plant and equipment	16	**502**	3,996
Investment in subsidiaries	17	**750**	1,023
Other receivables		**942**	–
Deferred tax assets	11	**212**	232
		11,908	14,755
Current assets			
Trade and other receivables	18	**6,899**	25,754
Tax receivables		**5**	322
Cash and cash equivalents		**17,099**	11,387
		24,003	37,463
Asset in disposal group classified as held for sale	19	**3,000**	–
Total assets		**38,911**	52,218
Current liabilities			
Trade and other payables	20	**(2,318)**	(6,723)
Deferred revenue		**(9,187)**	(13,612)
Lease obligations	22	**(42)**	(48)
		(11,547)	(20,383)
Non-current liabilities			
Lease obligations	22	**(93)**	(145)
Deferred revenue		**(173)**	–
Deferred tax liabilities	11	**(395)**	(457)
		(661)	(602)
Total liabilities		**(12,208)**	(20,985)
Net assets		**26,703**	31,233

	Notes	2023 £'000	2022 £'000
Equity			
Share capital	23	**809**	809
Share premium account	23	**3,365**	3,365
Merger reserve	25	**6,281**	6,031
Revaluation reserve	26	**1,010**	1,310
Treasury shares	24	**(1,464)**	(670)
Retained earnings		**16,702**	20,388
Attributable to equity holders of the parent		**26,703**	31,233

The Company's profit for the year was £2.1m (2022: £0.8m).

These financial statements were approved by the Board of Directors and authorised for issue on 11 July 2023 and were signed on its behalf by:

Guerino Bruno

Bill Bruno
Director
Company registration number: 01892751 (England and Wales)

Company statement of changes in equity

for the year ended 31 March 2023

	Notes	Share capital	Share premium	Merger reserve	Revaluation reserve	Treasury shares	Retained earnings	Total £'000
Balance at 1 April 2021		**808**	**3,365**	**5,981**	**1,240**	**(542)**	**20,012**	**30,864**
Dividends paid	12	–	–	–	–	–	(1,147)	(1,147)
Purchase of own shares	24	–	–	–	–	(377)	–	(377)
Issue of new shares – exercise of share options	23	1	–	50	–	–	–	51
Settlement of share-based payments		–	–	–	–	249	(140)	109
Share-based payment charge	28	–	–	–	–	–	619	619
Transactions with equity holders		**1**	**–**	**50**	**–**	**(128)**	**(668)**	**(745)**
Profit for the year		–	–	–	–	–	1,065	1,065
Other comprehensive income		–	–	–	70	–	(21)	49
Total comprehensive income		**–**	**–**	**–**	**70**	**–**	**1,044**	**1,114**
Balance at 1 April 2022		**809**	**3,365**	**6,031**	**1,310**	**(670)**	**20,388**	**31,233**
Dividends paid	12	**–**	**–**	**–**	**–**	**–**	**(6,194)**	**(6,194)**
Purchase of own shares	24	**–**	**–**	**–**	**–**	**(1,488)**	**–**	**(1,488)**
Settlement of share-based payments		**–**	**–**	**250**	**–**	**694**	**(679)**	**265**
Share-based payment charge	28	**–**	**–**	**–**	**–**	**–**	**856**	**856**
Transactions with equity holders		**–**	**–**	**250**	**–**	**(794)**	**(6,017)**	**(6,561)**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**2.144**	**2,144**
Other comprehensive income		**–**	**–**	**–**	**(300)**	**–**	**187**	**(113)**
Total comprehensive income		**–**	**–**	**–**	**(300)**	**–**	**2,331**	**2,031**
Balance at 31 March 2023		**809**	**3,365**	**6,281**	**1,010**	**(1,464)**	**16,702**	**26,703**

The notes on pages 74 to 97 form part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2023

1. General information

D4t4 Solutions plc is a public limited company incorporated and domiciled in England and Wales and quoted on the AIM Market. There is no ultimate controlling party.

Details of substantial shareholdings are shown in the Directors' Report on page 62.

The address of its registered office, registered number and principal place of business is disclosed on the inside cover of the financial statements.

The financial statements of D4t4 Solutions plc and its subsidiaries (the Group) for the year ended 31 March 2023 were authorised and issued by the Board of Directors on 11 July 2023 and the Consolidated Statement of Financial Position was signed on the Board's behalf by Bill Bruno.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with International Accounting Standards adopted by the Companies Act 2006 applicable to companies reporting under International Accounting Standards.

The financial statements have been prepared under the historical cost convention, with the exception of land and buildings which is held at valuation.

The presentation of the financial statements is British Pounds and amounts are rounded to the nearest thousand pounds.

Going concern

The Group and Company's business activities, together with the factors likely to affect its future development, performance and position and the risks and uncertainties are presented in the Strategic Report on pages 1 to 41.

The Group and Company have considered these risks and uncertainties along with any impact from the global economic situation.

The Directors have reviewed stress tests for future cash flows over the 18 months to 30 September 2024 to ensure there are sufficient financial resources, together with income from existing contracts with a number of customers, to cover budgeted future cash flows.

On this basis, the Directors have adopted the going concern basis in preparing these accounts.

Adoption of new and revised standards

The following amendments to standards were issued and adopted in the year, with no material impact on the financial statements:

- Property, Plant and Equipment: Proceeds Before Intended Use – Amendments to IAS 16.
- Reference to the Conceptual Framework – Amendments to IFRS 3.
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37.
- Annual Improvements to IFRS Standards 2018-2020.

There were no other new accounting standards issued that have been adopted in the year.

Standards, amendments and interpretations to existing standards that have not been early adopted by the Group:

At the date of approval of these financial statements there were amendments to standards which were in issue, but which were not yet effective, and which have not been applied. The principal ones were:

Effective for annual periods beginning on or after 1 January 2023

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12.
- Definition of Accounting Estimates – Amendments to IAS 8.
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2.

Effective for annual periods beginning on or after 1 January 2024

- Lease Liability in a Sale and Leaseback Transaction – Amendments to IFRS 16.
- Non-Current Liabilities with Covenants – Amendments to IAS 1.

Effective date deferred until accounting periods starting not earlier than 1 January 2024

- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the reporting date.

Investee companies 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.

Notes to the financial statements continued

for the year ended 31 March 2023

2. Significant accounting policies continued

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.

In accordance with Section 408 of the Companies Act 2006 D4t4 Solutions plc is exempt from the requirement to present its own income statement and related notes that form a part of these approved financial statements. The profit of the parent is disclosed at the foot of the Company Statement of Financial Position for the year.

Property, plant and equipment

The carrying value of these assets is stated at cost or valuation, less accumulated depreciation and any impairment loss. Freehold land is not depreciated. The estimated lives of assets are reviewed annually by the Board, the lives and values are adjusted as necessary, and any impairment loss is recognised in the income statement. Freehold land and buildings were last valued professionally in October 2022 and are reviewed by the Directors on an annual basis. The carrying values are considered for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The Group makes provision for depreciation so that the cost less estimated residual value of each asset is written off by equal instalments over its estimated useful economic life as follows:

Buildings – up to 35 years.

Leasehold improvements – up to 10 years.

Fixtures and equipment – up to 4 years.

Motor vehicles – up to 5 years.

The Directors have assessed that no impairment is required in the current period other than for the freehold building in the UK.

Revaluation gains/losses are shown in the Statement of Comprehensive Income and recognised in Other comprehensive income. Where losses are greater than previously recognised gains, these are taken to the income statement.

Acquisitions

On the acquisition of a business, net fair values are attributed to the identifiable assets and liabilities acquired. Where the cost of acquisition exceeds this net fair value, the difference is treated as purchased goodwill and capitalised in the Group Statement of Financial Position in the year of acquisition. If a subsidiary's assets are subsequently hived up into the parent then the corresponding amount of goodwill is capitalised in the Company Statement of Financial Position.

Goodwill

Capitalised goodwill is shown in the Statement of Financial Position.

Its carrying value is subject to annual review and any impairment is recognised immediately as a loss which cannot subsequently be reversed. Goodwill arising on acquisitions made before the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested annually for impairment.

Goodwill has arisen on the acquisition of Speed-Trap Holdings Limited and Prickly Cactus Limited.

Investments in subsidiaries

The carrying value of investments is stated at cost less any provision for impairment. This value is reviewed annually by the Board with respect to future cash flows in respect of revenue streams related to the investment.

Intellectual Property Rights (IPR)

On the acquisition of a business, the fair value of IPR is estimated and capitalised taking into consideration the software development cycle and the amount of effort involved between updated versions of the software. The fair value is amortised over the expected development cycle which is estimated to be eight years.

Capitalised IPR is shown in the balance sheet. Its carrying value is subject to annual review and any impairment is recognised immediately as a loss which cannot subsequently be reversed.

Trade names

On the acquisition of a business, the future value of the trade name of that business is estimated and capitalised. The fair value is amortised over ten years.

Impairment of intangibles is reviewed annually with reference to the identification of any potential indicators of impairment.

Inventory

Inventories are stated at the lower of cost or net realisable value. The valuation method for each item of inventory remains consistent from one accounting period to the next.

Notes to the financial statements continued

for the year ended 31 March 2023

2. Significant accounting policies continued

Research and development costs

To assess whether research and development expenditure has generated an intangible asset the Group classifies the expenditure into two phases, the research phase and the development phase.

Expenditure on the research phase is recognised as an expense when it is incurred.

Expenditure on the development phase is recognised as an intangible asset if, and only if, each of the following can be demonstrated:

a. the technical feasibility of completing the asset;

b. its intention to complete and use or sell the asset;

c. its ability to use or sell the asset;

d. how the asset will generate future economic benefit;

e. the availability of sufficient resources to complete the development and to use or sell the asset; and

f. the ability to measure reliably the expenditure incurred on the asset during its development.

The intangible asset is recognised using the cost model and is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

The useful economic life of development costs capitalised is deemed to be eight years and capitalised costs are amortised over eight years.

Foreign currencies

In line with IAS 21, transactions denoted in foreign currencies are recorded at an approximation of the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

Similarly, for translation of foreign operations, transactions are recorded at an approximation of the exchange rate ruling in the period of consolidation.

Monetary assets and liabilities are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in Other comprehensive income.

Profit from operations

Profit from operations is stated before investment income, finance costs and other gains and losses. Other gains and losses principally include movements in property valuation and are included in Other comprehensive income.

Leases and lease commitments

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease;
- any lease payments made at or before the date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months or less.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Notes to the financial statements continued

for the year ended 31 March 2023

2. Significant accounting policies continued

Dividends

Final dividend and special dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Interim and prior period dividends paid are included in the Statement of Changes in Equity.

Share-based payments

Periodically the Group offers share options to employees. The Group has conformed with the requirements of IFRS 2 "Share-Based Payment" for share options issued after 7 November 2002 and unvested at 31 March 2023. Those options are measured at fair value either:

- using the Black-Scholes model and management's best estimates); or
- options with market-based performance conditions, such as Total Shareholder Performance compared to a peer group of companies, are fair valued using a Monte Carlo model.

Values from both methods are expensed on a straight-line basis over the vesting period of the options.

Options vest only when the Remuneration Committee is satisfied that the vesting criteria have been met, and are settled subsequently by equity shares in the parent company and unless the Board, at its discretion, agrees to settle in cash.

Treasury shares

From time to time the Company purchases its own shares for the purpose of satisfying the future exercising of outstanding share options. These shares are held in treasury and are shown as a reduction in the Company's reserves.

Pension costs

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation

Current tax (UK and foreign) is calculated on the profit for the year (adjusted for appropriate tax reliefs, allowances, non-deductible expenses and timing differences) using the appropriate tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all material temporary differences in the treatment of certain items for taxation and accounting purposes which have arisen but have not reversed by the balance sheet date. It is recognised at the expected prevailing rate at the time of reversal, and is recognised as an asset only to the extent that it is probable that taxable profits will be available to utilise it. It is reviewed annually.

Revenue recognition

Revenue is measured at the transaction price received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, rebates and discounts and after the elimination of intercompany transactions within the Group.

The Group recognises revenue as it satisfies its performance obligations by transferring contracted goods and services to its customers.

The principal revenue streams are described below:

Licenses

D4t4 creates, authors, markets and sells software products within the Celebrus family of products (e.g., CDP, FDP, and CDM).

The Group's products are licensed predominantly on a term basis and revenue is recognised on an annual basis for each year of that term, upon delivery of the license(s) to the customer, for the whole year in the month of sale or on each successive anniversary for multi-year contracts.

Perpetual license revenue is recognised in full upon delivery as the Company has no further obligations to the customer once the non-refundable licenses have been delivered. Any upgrade to the software on a perpetual basis will be supplied as part of an ongoing maintenance contract that the customer may make. This maintenance contract is covered under the 'Support and maintenance' section below.

Celebrus Cloud, support and maintenance

Support and maintenance is typically of a recurring nature, over the term of a license, and is made up of hosting, support services and product maintenance.

For support services and maintenance, the Group's efforts are expended evenly throughout the performance period therefore revenue is recognised on a straight-line basis over the period of the contract, normally between 12 and 36 months. This reflects the even nature of the Group's obligations to the customer over the duration of the agreement.

In the case of Celebrus Cloud hosting, an amount of effort is required up front to create the environment for hosting. Thereafter, the Group's obligations are evenly spread over the term of the hosting period. Therefore, a proportion of the fees for hosting are recognised during the set-up phase, with the balance being recognised evenly over the term of the period.

Notes to the financial statements continued

for the year ended 31 March 2023

2. Significant accounting policies continued

Professional Services

For fixed-price delivery services work, revenue is recognised over time by comparing how much of the project has been completed versus total expected time required and also with reference to the completion of specific milestones. This is because costs are incurred in proportion to the Group's progress as it satisfies its performance obligations.

In relation to time-based projects, revenue is recognised based on time spent on a project at an agreed rate on a monthly basis.

Third-party products

D4t4 also provides services that are focused on delivering data management solutions using public and private cloud infrastructure which is securely designed to ensure our clients can operationalise data within their organisation.

D4t4 design and build performant platforms for critical business, analytics, compliance, risk, marketing and artificial intelligence applications. Customer Data Management platform solutions may include both third-party hardware and software (as well as our own IP software described above).

The revenue for each component of the product is recognised when the full performance obligation has been satisfied. Typically, this is when the hardware is delivered to the customers designated premises, and for the software upon delivery to the customer.

Partnerships with third-party organisations

The Company sells both directly to the customer and via partnerships. The Company acts as principal in the sale to the partner. The partner then uses the products and services purchased from the Company as part of their sale to their customer. The revenue will consist of a combination of license, delivery and support and maintenance as defined in the revenue recognition policy above, and recognised as defined in those sections.

Initial and subsequent measurement of financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and other short-term deposits held by the Group with maturities, generally, of three months or less.

Trade, Group and other receivables

Trade receivables are initially measured at their transaction price. Group and other receivables are initially measured at fair value plus transaction costs.

Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Initial and subsequent measurement of financial liabilities

Trade, Group and other payables

Trade, Group and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost.

Equity instruments

Equity instruments issued by the Company are recorded at fair value on initial recognition net of transaction costs.

Derecognition of financial assets (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset it is derecognised ('written off').

The gain or loss on derecognition of financial assets measured at amortised cost is recognised in the income statement.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in the income statement.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Notes to the financial statements continued

for the year ended 31 March 2023

2. Significant accounting policies continued

Trade and other receivables

For trade receivables, expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the ageing of the receivable. The Group has adopted a simplified approach to calculating its expected credit loss provision. For intercompany loans that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date. If the subsidiary does not have sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the parent company assesses the expected manner of recovery.

Assets held for sale

Assets are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Assets classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs of disposal.

Following their classification as held for sale, assets are not depreciated.

Related party transactions

These are disclosed in note 30 of the financial statements.

3. Critical accounting judgements and key sources of estimation uncertainty

In applying the accounting polices described in note 2 the Directors are required to make judgements, estimates and assumptions of the carrying values of 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 estimations means that actual outcomes could differ from those estimates. These judgements are reviewed on an ongoing basis, and recognise revisions to accounting estimates in the period in which the Directors revise the estimate and in any future periods affected. It is considered that all judgements have an element of estimation.

a. Judgements

Capitalisation of development costs

The Group is required by accounting rules to capitalise certain development costs. However, the Group almost always expenses a significant percentage of research and development in the period it is incurred.

Internal activities are continually undertaken to enhance and maintain our products in a bid to stay ahead of our competition. Whether this expenditure is an internally generated intangible asset requires management to make judgements, especially with respect to whether the asset created will generate future economic benefit.

This is a key judgement in this respect as the time between development and any income can be considerable and often the income-generating asset may have considerably evolved from the asset originally created.

b. 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 material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based compensation

Management believes that there will not be only one acceptable choice for estimating the fair value of share-based payment arrangements. The judgements and estimates that management apply in determination of the share-based compensation are detailed further in note 28.

Valuation of goodwill and intangible assets

The ongoing valuation of goodwill for the purposes of determining impairment requires the evaluation of future cash flows from the cash generating unit to which the goodwill has been allocated. This is disclosed in note 14.

Lease accounting

Lease payment accounting rules require lease payments to be discounted using the lessee's incremental borrowing rate as required by IFRS 16 "Leases". The Group's incremental borrowing rate has been based on local commercial or bank loan rates. Therefore, the specific cost of borrowing has been applied to each lease as this reflects the different economic conditions within each geography and is therefore more representative of the funding facilities available in those countries.

Valuation of freehold land and building

Freehold land and buildings are professionally valued periodically and were last valued at 12 October 2022. The carrying values are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Notes to the financial statements continued

for the year ended 31 March 2023

4. Business and geographical segments

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the management team to allocate resources to the segments and assess their performance.

Whilst having three product groups, the Group operates the business as a single business with no separation into divisions or allocation or people or assets to a particular division. The management team is responsible for all three product groups with no individual having responsibility for a particular product group. This is consistent with the internal reporting for management purposes. Management does however monitor revenues by revenue type.

Information is presented to the Board on the revenue analysis below:

- Licenses
- Hosting, support and maintenance
- Services
- Third party products

The revenue analysis set out below is consistent with that provided to the Board of Directors.

Continuing operations 2023

	Group	
	2023 £'000	2022 £'000
Licenses	**8,198**	6,137
Celebrus Cloud Hosting, support and maintenance	**7,771**	7,127
Services	**3,173**	4,194
Underlying revenue	**19,142**	17,458
Third-party products	**2,227**	7,001
Revenue	**21,369**	24,459

Major customers (partners) over 10% of revenue

	2023 £'000	**2023 £'000**	2022 £'000	2022 £'000
	Customer 1	**Customer 2**	Customer 1	Customer 2
Licenses	**2,061**	**4,444**	2,086	1,577
Celebrus Cloud Hosting, support and maintenance	**3,583**	**1,110**	2,538	1,159
Professional services	**30**	**–**	2,337	17
Underlying revenue	**5,674**	**5,554**	6,961	2,753
Third-party products	**2,227**	**–**	7,001	–
Revenue	**7,901**	**5,554**	13,962	2,753

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

As the Group works with partners, who are responsible for billing to end customers, the Group's customer is very often the partner which may have numerous end customers of the Group.

5. Revenue

Geographical information

	Group	
	2023 £'000	2022 £'000
United States of America	**11,055**	16,859
United Kingdom	**3,800**	3,962
Rest of Europe	**3,745**	2,421
Others	**2,769**	1,217
	21,369	24,459

The geographical revenue analysis is determined by the domicile of the external customer.

Non-current assets, including Property, Plant & Equipment, Goodwill and Intangibles, are mostly located in the United Kingdom.

Notes to the financial statements continued

for the year ended 31 March 2023

5. Revenue continued

Analysis of revenue

	Group	
	2023 £'000	2022 £'000
Rendering of services	**19,142**	18,911
Sale of goods	**2,227**	7,001
	21,369	24,459

Timing of transfer

	Group	
	2023 £'000	2022 £'000
Goods and services transferred at a point in time		
Licenses	**8,198**	6,137
Third-party products	**2,227**	7,001
Goods and services transferred over time		
Professional services	**3,173**	4,194
Celebrus Cloud, support & maintenance	**7,771**	7,127
	21,369	24,459

Contract balances

	Group	
	2023 £'000	2022 £'000
Receivables included within Trade and other receivables	**4,967**	24,992
Contract assets	**2,015**	1,657
Contract liabilities	**9,556**	14,199

Contract assets predominantly relate to fulfilled obligations in respect of Licenses, Third-party products, Services and Support and Maintenance which have not yet been invoiced. At the point of invoice, the contract asset is derecognised and a corresponding trade receivable is recognised.

Contract liabilities relate to consideration received from customers in advance of work being completed.

Adjustments to profit before tax

	Group	
	2023 £'000	2022 £'000
Profit before tax	**2,391**	1,763
Amortisation of intangible assets	**346**	306
Share-based payment	**856**	678
Net foreign exchange differences	**(330)**	93
Costs related to acquisition during the year	**–**	36
Restructuring costs	**513**	390
Adjusted profit before tax	**3,776**	3,266

6. Analysis of expenses by nature

	2023 £'000	2022 £'000
The breakdown by nature of expenses is as follows:		
Employee remuneration (see note 7)	**12,317**	12,036
Intangible assets		
Amortisation of intangible assets (see note 15)	**346**	306
Research and development costs expensed	**1,954**	1,743
	2,300	2,049
Property, plant and equipment		
Depreciation of property, plant and equipment (see note 16)	**265**	391
Loss/(gain) on disposal of property, plant and equipment	**13**	(16)
	278	375
Auditor's remuneration		
– for audit services (Group and Company, the Company fee is not separately quantifiable)	**100**	85
– for other services	**–**	–
	100	85
Net foreign exchange (gain)/loss	**(330)**	93
Other expenses	**4,876**	8,117
Total cost of sales and administration expenses	**19,330**	22,755

Notes to the financial statements continued

for the year ended 31 March 2023

7. Staff costs

	Group		Company	
	2023 Number	2022 Number	**2023 Number**	2022 Number
The average number of employees (including Directors) during the year was:				
Product and support	**103**	99	**90**	88
Distribution	**32**	33	**25**	27
Administration	**16**	17	**14**	16
	151	149	**129**	131
	£'000	£'000	**£'000**	£'000
Their aggregate remuneration comprised:				
Wages and salaries	**9,907**	9,953	**7,448**	7,678
Social security costs	**1,090**	951	**921**	833
Defined contribution pension costs	**480**	455	**354**	367
Share-based payments: equity settled	**840**	677	**840**	677
	12,317	12,036	**9,563**	9,555

Included in staff costs is £247,000 (2022: £242,000) which were not recognised through the income statement, but rather capitalised and form part of development costs.

Key management personnel consist of the Board of Directors and their remuneration (included in the totals above) was as follows:

	Group & Company	
	2023 £'000	2022 £'000
Emoluments	**536**	1,315
Social security costs	**58**	129
Defined contribution pension costs	**26**	38
Share-based payments: equity settled	**469**	537
	1,089	2,019

Details of Directors' remuneration required by the Companies Act are set out in the audited information included in the Directors Remuneration report on pages 57 to 61.

Other related party transactions including loans and dividends involving Directors are disclosed in the Directors' Report on pages 62 to 63.

8. Other operating income

	Group	
	2023 £'000	2022 £'000
Analysis of other operating income		
Operating lease receipts (see note 29)	**15**	58
	15	58

9. Finance income and finance costs

	Group	
	2023 £'000	2022 £'000
Analysis of finance income		
Bank interest received	**371**	22
Other	**2**	–
	373	22
Analysis of finance costs		
Lease interest	**(20)**	(20)
Other	**(16)**	(1)
	(36)	(21)

Notes to the financial statements continued

for the year ended 31 March 2023

10. Taxation

	2023 £'000	2022 £'000
Current UK tax	**–**	–
Foreign tax	**178**	67
Under/(over) provision in prior year	**138**	(225)
	316	(158)
Deferred tax		
– change in rates	**–**	55
– temporary differences	**(42)**	138
– tax losses current year	**–**	33
	274	68
Corporation tax		
The charge for the year can be reconciled to the reported profit as follows:		
Profit before tax	**2,391**	1,763
UK corporation tax at 19% (2022: 19%)	**454**	335
Research and development credit	**(483)**	(431)
Patent box	**(43)**	–
Exercise of share options	**(35)**	(32)
Share-based payments	**177**	131
Difference between writing-down allowances and depreciation	**(73)**	3
Amortisation of intangibles - ineligible	**64**	183
Other non-deductible expenses	**2**	33
Effect of different rates in other jurisdictions	**(147)**	(132)
Movement in US tax losses	**–**	33
Over provision in prior year	**138**	(225)
Effect of change in tax rates on deferred tax opening balance	**–**	55
Foreign tax charge – India	**78**	9
Foreign tax charge – USA	**100**	58
Current year loss carried forward	**42**	48
Tax charge as above	**274**	68

11. Deferred tax

	Other timing differences £'000	Equity reserve £'000	Share-based payments £'000	Tax losses £'000	Intangibles £'000	Total £'000
Group						
Balance at 1 April 2021	(45)	–	176	33	(165)	(1)
(Charge)/credit to income statement	(21)	–	53	(33)	(223)	(224)
Balance at 1 April 2022	**(66)**	**–**	**229**	**–**	**(388)**	**(225)**
(Charge)/credit to income statement	60	–	(17)	–	(1)	42
Balance at 31 March 2023	**(6)**	**–**	**212**	**–**	**(389)**	**(183)**
Company						
Balance at 1 April 2021	(45)	–	176	33	(165)	(1)
(Charge)/credit to income statement	(21)	–	53	(33)	(223)	(224)
Balance at 1 April 2022	**(66)**	**–**	**229**	**–**	**(388)**	**(225)**
(Charge)/credit to income statement	60	–	(17)	–	(1)	42
Balance at 31 March 2023	**(6)**	**–**	**212**	**–**	**(389)**	**(183)**
Comprised of:						
Deferred tax assets						212
Deferred tax liabilities						(395)
						(183)

A deferred tax rate of 25% (2022: 25%) has been used.

The financial statements include a deferred tax asset of nil (2022: £nil) in respect of trading losses in the Group's US subsidiary.

Notes to the financial statements continued

for the year ended 31 March 2023

12. Dividends

	2023 £'000	2022 £'000
Amounts recognised as distributions to equity holders		
Final dividend for the year ended 31 March 2022 of 2.07p (31 March 2021: 2.0p) per share	**831**	805
Special dividend for the year ended 31 March 2022 of 12.5p (31 March 2021: nil) per share	**5,012**	–
Interim dividend for the year ended 31 March 2023 of 0.88p (31 March 2022: 0.85p) per share	**351**	342
	6,194	1,147

There is a proposed final dividend for the year ended 31 March 2023 of 2.15p. This is subject to shareholder approval at the AGM and has not been included as a liability in these financial statements.

13. Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the parent and the weighted average number of ordinary shares in issue during the year.

The adjusted earnings per share figures have been calculated based on earnings before adjusted items. These have been presented to provide shareholders with an additional measure of the Group's year-on-year performance.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares arising from share options granted to employees where the exercise price is less than the market price of the Company's ordinary shares at the year end.

Details of the adjusted earnings per share are set out below:

	2023 £'000	2022 £'000
Profit attributable to owners of the parent	**2,117**	1,695
Amortisation of intangible assets	**346**	306
Share-based payment	**856**	677
Net foreign exchange differences	**(330)**	93
Costs related to acquisition during the year	**–**	36
Restructuring costs	**513**	390
Tax on the adjustments	**(340)**	(284)
Adjusted profit attributable to owners of the parent	**3,162**	2,913

	2023 No.	2022 No.
Basic weighted average number of shares, excluding own shares, in issue	**40,004,526**	40,240,799
Dilutive effect of share options	**825,517**	725,221
Diluted weighted average number of shares, excluding own shares, in issue	**40,830,043**	40,966,020

	2023 pence per share	2022 pence per share
Basic earnings per share	**5.29**	4.21
Diluted earnings per share	**5.18**	4.14
Adjusted basic earnings per share	**7.90**	7.24
Adjusted diluted earnings per share	**7.74**	7.11

Notes to the financial statements continued

for the year ended 31 March 2023

14. Goodwill

	Group £'000	Company £'000
Cost of goodwill		
Balance at 1 April 2021	10,952	10,608
Goodwill acquired on acquisition of subsidiary (see note 27)	750	–
Cost at 31 March 2022 and at 31 March 2023	**11,702**	**10,608**
Accumulated impairment charges		
Balance at 1 April 2021, 31 March 2022 and 31 March 2023	2,256	1,912
Carrying amount at 31 March 2022 and at 31 March 2023	**9,446**	**8,696**
Allocation of goodwill		
Speed-Trap	8,696	8,696
Prickly Cactus	750	–
Balance at 1 April 2021	8,696	8,696
Balance at 31 March 2022 and at 31 March 2023	**9,446**	**8,696**

Goodwill acquired in a business combination is allocated at acquisition to the cash-generating units (CGUs) that are expected to benefit from that business combination.

Goodwill is not amortised but tested annually for impairment with the recoverable amount being determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rate, growth rates, pre-tax cash flow and forecasts of income and costs.

The Group assessed whether the carrying value of goodwill was supported by the discounted cash flow forecasts of the Group based on financial forecasts approved by management covering a one-year period, taking into account both past performance and expectations for future market developments.

Management estimates the discount rate using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to each separate business unit if applicable. The impairment charge was £nil (2022: £nil). The recoverable amount of the CGU is determined from value-in-use calculations.

Key assumptions used for the value-in-use calculations

Value-in-use was determined by discounting future cash flows generated from the continuing use of the titles and was based on the following most sensitive assumptions:

- cash flows for 2023/24 were projected based on the forecast for 2023/24, using the budget as a base and sensitising in light of the current environment;
- forecasts based on current customer contracts and gross margins being achieved;
- cash flows for year ending 31 March 2024 were projected based on the Group forecast for that year based on the current economic environment in respect of the global pandemic. For years ending 31 March 2025 onwards, cash flows were prepared using underlying growth rates of 2% based on a conservative view;
- cash flows were discounted using the CGU's pre-tax discount rate of 14.7% (2022: 14.7%).

Based on the above sensitivity assumptions the calculations disclosed headroom against the carrying value of goodwill for the CGU. Management carried out several sensitivity scenarios on the data. These were based on best estimates under the current economic environment created by the global pandemic.

Sensitivity to changes in assumptions

The margins achieved are based on actual margins, whilst the forecast revenues are based on budget for the current year and an ongoing 2% growth rate.

The discount rate is considered to be the variable with the maximum impact. Varying this by 20% would still allow the recoverable amount to exceed the carrying value. Therefore management is confident in the assumptions used.

Management has considered the growth rates used in light of macroeconomic conditions, and remains confident that they are reasonable.

Management are satisfied that a reasonable change in the key assumptions used in assessing the recoverable amounts of the cash generating unit would not give rise to the recoverable amount exceeding the carrying value.

Notes to the financial statements continued

for the year ended 31 March 2023

15. Intangible assets

Group and Company	Development costs £'000	Internally generated IPR £'000	Purchased £'000	Trade name £'000	Software £'000	Total £'000
Cost						
Balance at 1 April 2021	383	56	1,858	142	–	2,439
Additions	242	–	–	–	–	242
Balance at 1 April 2022	625	56	1,858	142	–	2,681
Additions	247	–	–	–	97	344
Disposals	–	(56)	–	–	–	(56)
Balance at 31 March 2023	**872**	**–**	**1,858**	**142**	**97**	**2,969**
Accumulated amortisation						
Balance at 1 April 2021	33	56	1,393	85	–	1,567
Amortisation	59	–	233	14	–	306
Balance at 1 April 2022	92	56	1,626	99	–	1,873
Amortisation	87	–	232	14	13	346
Disposals	–	(56)	–	–	–	(56)
Balance at 31 March 2023	**179**	**–**	**1,858**	**113**	**13**	**2,163**
Carrying amount						
Balance at 1 April 2021	350	–	465	57	–	872
Balance at 31 March 2022	533	–	232	43	–	808
Balance at 31 March 2023	**693**	**–**	**–**	**29**	**84**	**806**

The amortisation charge for the year is booked to administration expenses. Development costs are amortised over eight years.

The remaining amortisation period for the Purchased IPR is nil years (2022: 1 year) and for the Trade name is 2 years (2022: 3 years).

Notes to the financial statements continued

for the year ended 31 March 2023

16. Property, plant and equipment

Group	Land & buildings £'000	Fixtures & equipment £'000	Motor vehicles £'000	Right-of-use assets £'000	Total £'000
Cost or valuation					
Balance at 1 April 2021	3,300	1,940	65	334	5,639
Additions	–	197	–	–	197
Disposals	–	(790)	(65)	–	(855)
Balance at 1 April 2022	**3,300**	**1,347**	**–**	**334**	**4,981**
Additions	–	61	–	112	173
Fair value loss recognised in other comprehensive income	(300)	–	–	–	(300)
Reclassified to assets held for sale	(3,000)	–	–	–	(3,000)
Disposals	–	(493)	–	(90)	(583)
Balance at 31 March 2023	**–**	**915**	**–**	**356**	**1,271**
Depreciation					
Balance at 1 April 2021	–	1,370	54	74	1,498
Depreciation charge	70	229	6	86	391
Revaluation	(70)	–	–	–	(70)
Eliminated on disposals	–	(790)	(60)	–	(850)
Balance at 1 April 2022	**–**	**809**	**–**	**160**	**969**
Depreciation charge	–	184	–	81	265
Eliminated on disposals	–	(493)	–	(77)	(570)
Balance at 31 March 2023	**–**	**500**	**–**	**164**	**664**
Carrying amount					
Balance at 1 April 2021	3,300	570	11	260	4,141
Balance at 31 March 2022	3,300	538	–	174	4,012
Balance at 31 March 2023	**–**	**415**	**–**	**192**	**607**

Allocation of depreciation charge

	2023 £'000	2022 £'000
Cost of sales	**–**	37
Administration expenses	**265**	354
Charge for year	**265**	391

Tangible assets held at valuation

In respect of tangible assets held at valuation, the comparable carrying amount that would have been recognised if the assets had been carried under the historical cost model is as follows:

	2023 £'000	2022 £'000
Land & building	**–**	1,753

Included in land & buildings in the prior year was freehold land at £1,230,000 which is not subject to depreciation. The land and buildings original purchase cost was £2,224,000. This is now classified as an asset held for sale.

Notes to the financial statements continued

for the year ended 31 March 2023

16. Property, plant and equipment continued

For detail on the fair value measurement of the freehold land and buildings see note 31.

Company	Land & buildings £'000	Fixtures & equipment £'000	Motor vehicles £'000	Right-of-use assets £'000	Total £'000
Cost or valuation					
Balance at 1 April 2021	3,300	1,940	65	264	5,569
Additions	–	186	–	–	186
Disposals	–	(790)	(65)	–	(855)
Balance at 1 April 2022	**3,300**	**1,336**	**–**	**264**	**4,900**
Additions	–	45	–	–	45
Fair value loss recognised in other comprehensive income	(300)	–	–	–	(300)
Reclassified to non-current assets held for sale	(3,000)	–	–	–	(3,000)
Disposals	–	(493)	–	(21)	(514)
Balance at 31 March 2023	**–**	**888**	**–**	**243**	**1,131**
Depreciation					
Balance at 1 April 2021	–	1,370	54	45	1,469
Depreciation charge	70	228	6	51	355
Revaluation	(70)	–	–	–	(70)
Eliminated on disposals	–	(790)	(60)	–	(850)
Balance at 1 April 2022	**–**	**808**	**–**	**96**	**904**
Depreciation charge	–	179	–	46	225
Eliminated on disposals	–	(492)	–	(8)	(500)
Balance at 31 March 2023	**–**	**495**	**–**	**134**	**629**
Carrying amount					
Balance at 1 April 2021	3,300	570	11	219	4,100
Balance at 31 March 2022	**3,300**	**528**	**–**	**168**	**3,996**
Balance at 31 March 2023	**–**	**393**	**–**	**109**	**502**

17. Investment in subsidiaries

	Company 2023 £'000	Company 2022 £'000
Cost of investment		
Balance at 1 April 2022 and 1 April 2021	**1,023**	273
Additions in the year	**–**	750
Disposal in the year	**(273)**	–
Balance at 31 March 2022 and 31 March 2021	**750**	1,023
Accumulated provision for impairment		
Balance at 1 April 2022 and 1 April 2021	**–**	–
Carrying amount at year end	**750**	1,023

The disposal in the year was wholly in respect of Chapter26 Ltd, which was dissolved on 13 December 2022 (see below).

	Country of Incorporation	Nature of business	Proportion of ownership of ordinary shares
IS Solutions Limited (formerly Celebrus Limited)†	England & Wales	Dormant	100%
Celebrus Technologies Limited*†	England & Wales	Dormant	100%
D4t4 Solutions Inc§	USA	Software & services	100%
D4t4 Solutions Pty Limited‡	Australia	Software & services	100%
Magiq Limited*†	England & Wales	Dormant	100%
Prickly Cactus Limited	England & Wales	Dormant	100%
Speed-Trap Holdings Limited†	England & Wales	Dormant	100%

* Owned by Speed-Trap Holdings Limited
† Registered address – Windmill House, 91-93 Windmill Road, Sunbury-on-Thames, TW16 7EF, UK
§ Registered address – 215 E Chatham Street, Suite 215, Cary, North Carolina 27511, USA
‡ Incorporated 12 January 2021. Registered address – Level 19, 207 Kent Street, Sydney, NSW 2000, Australia

All UK subsidiaries individually prepare and file their own financial statements. The principal place of business is considered to be the registered address.

Notes to the financial statements continued

for the year ended 31 March 2023

17. Investment in subsidiaries continued

The following companies had been subsidiaries of D4t4 Solutions plc at 31 March 2022 and were dissolved on 13 December 2022:

	Country of Incorporation	Nature of business	Proportion of ownership of ordinary shares
Chapter26 Ltd	England & Wales	Dormant	100%
Internet Service Solutions Ltd	England & Wales	Dormant	100%
Internet Systems Solutions Ltd	England & Wales	Dormant	100%
Internet Site Solutions Ltd	England & Wales	Dormant	100%

18. Trade and other receivables

Non-current

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Prepayments	**181**	–	**181**	–
Accrued Income	**761**	–	**761**	–
	942	–	**942**	–

Current	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Trade receivables	**4,967**	24,992	**4,347**	23,782
Other debtors	**45**	66	**42**	63
Prepayments	**1,295**	670	**1,137**	666
Accrued income	**1,254**	1,657	**1,373**	1,243
	7,561	27,385	**6,899**	25,754
Trade receivables				
Ageing of receivables;				
Less than 30 days	**1,211**	2,699	**914**	1,500
31 to 60 days	**3,693**	52	**3,370**	28
61 to 90 days	**–**	14	**–**	2
91 to 120 days	**63**	22,227	**63**	22,252
	4,967	24,992	**4,347**	23,782

The average credit period taken on sales of goods and services was 108 days (2022: 111 days).

In accordance with IFRS 9, the Group performed a year-end impairment exercise to determine whether any write down in amounts receivable was required, using an expected credit loss model. The expected loss rate for receivables less than 120 days old is 0% and above 120 days has not been considered on the basis of immateriality.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Definition of default

The loss allowance on all financial assets is measured by considering the probability of default.

Receivables are considered to be in default when the principal or any interest is significantly more than the associated credit terms past due, based on an assessment of past payment practices and the likelihood of such overdue amounts being recovered.

Notes to the financial statements continued
for the year ended 31 March 2023

Determination of credit-impaired financial assets
The Group considers financial assets to be 'credit-impaired' when the following events, or combinations of several events, have occurred before the year end:

- significant financial difficulty of the counterparty arising from significant downturns in operating results and/or significant unavoidable cash requirements when the counterparty has insufficient finance from internal working capital resources, external funding and/or Group support;
- a breach of contract, including receipts being more than materially past due;
- it becoming probable that the counterparty will enter bankruptcy or liquidation.

Write-off policy
Receivables are written off by the Group when there is no reasonable expectation of recovery, such as when the counterparty is known to be going bankrupt, or into liquidation or administration. During the year, no trade receivables were considered impaired (2022: none) and there was a charge of £nil (2022: £nil) to the Income Statement.

Additionally the recoverability of intercompany debts is considered. After review, the Directors believe that no further expected credit loss provision is required. The policy of credit risk management is covered in note 31.

19. Assets classified as held for sale

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Land and buildings	**3,000**	–	**3,000**	–

In light of the Group's move towards a hybrid working model resulting in lower utilisation of the building, the Directors have decided that the freehold land and building in Sunbury-upon-Thames should be disposed of allowing the move to a leased office facility offering greater flexibility whilst also freeing up capital for reinvestment into growing the business. The property was previously held at a valuation of £3.3 million but was written down to a fair value of £3.0 million following a professional third party valuation in October 2022, as described in note 31. The property was subsequently transferred to Assets held for sale.

20. Trade and other payables

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Trade payables	**585**	840	**427**	403
Amounts owed to Group undertakings	**–**	–	**546**	3,163
Other taxes and social security	**382**	396	**358**	356
Other creditors	**76**	1,239	**76**	1,236
Contingent consideration	**–**	500	**–**	–
Accruals	**1,176**	4,169	**911**	1,565
	2,219	7,144	**2,318**	6,723

There is no material difference between the fair value of payables and their carrying value.

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 14 days (2022: 25 days). Their carrying value approximates to their fair value.

Contingent consideration relates to the acquisition of Prickly Cactus Limited as described in note 27.

21. Deferred revenue
Deferred revenue has been disaggregated from Trade and other payables on the face of the Group statement of financial position. The balance arises from invoices raised by the Group and sent to customers in advance of revenue being recognised for the related products and services. It has been disaggregated due to its size and because it represents revenues related to obligations yet to be fulfilled for customers.

Notes to the financial statements continued

for the year ended 31 March 2023

22. Lease obligations

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Lease obligations	**221**	200	**135**	193
	221	200	**135**	193

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Opening balance	**200**	277	**193**	236
Additions during the period	**117**	–	**–**	–
Early termination of lease	**(14)**	–	**(14)**	–
Interest expense	**20**	21	**15**	20
Repaid during the year	**(102)**	(98)	**(59)**	(63)
Closing balance	**221**	200	**135**	193
Repayable within one year	**73**	54	**42**	48
Repayable within more than one year	**148**	146	**93**	145

At 31 March 2023 there were no undrawn facilities (2022: nil).

23. Share capital

	2023			2022		
	Shares	**Share capital £'000**	**Share premium £'000**	Shares	Share capital £'000	Share premium £'000
Ordinary shares of 2p each Authorised	**50,000,000**	**1,000**		50,000,000	1,000	
Issued and fully paid up						
Balance at 1 April 2022	**40,431,453**	**809**	**3,365**	40,417,556	808	3,365
Issued during year	**–**	**–**	**–**	13,897	1	–
Balance at 31 March 2023	**40,431,453**	**809**	**3,365**	40,431,453	809	3,365

The Company issued nil (2022: 13,897) ordinary shares during the year.

24. Own shares

At the year end the Company held 608,765 (2022: 224,932) ordinary shares in Treasury, with fair value of £1,260,000 (2022: £590,000). Details of purchases and sales are shown below.

	Number of own shares	Share price at point of transaction in pence	£'000
Balance of own shares at 1 April 2021	191,498		
Shares acquired into Treasury reserve	120,934	260.00 – 340.00	377
Shares sold out of Treasury reserve	(87,500)	295.00 – 340.00	
Balance of own shares at 31 March 2022	224,932		
Total consideration paid in year ended 31 March 2022			377
Shares acquired into Treasury reserve	618,602	221.00 – 277.73	1,488
Shares sold out of Treasury reserve	(234,769)	221.00 – 257.50	
Balance of own shares at 31 March 2023	**608,765**		
Total consideration paid in year ended 31 March 2023			**1,488**

In the Statements of Changes in Equity (page 70 and 73) the value of Treasury shares is calculated on a First-In-First-Out (FIFO) basis, while the Fair Value represents the value based on the year-end share price.

25. Merger reserve

The merger reserve originally arose on the acquisition of Speed-Trap Holdings Ltd (23 January 2015) and represents the excess consideration paid by the issue of shares over the share capital nominal value. Additions to this reserve in the year of £250,000 (2022: £50,000) are a result of the issue of shares as part consideration for the acquisition of Prickly Cactus Limited.

26. Revaluation reserve

This represents the gains on revaluation of the property in line with market valuations. The property was last professionally revalued in October 2022. The loss on revaluation was £300,000 (2022: gain of £70,000). This is a non-distributable reserve as it represents unrealised profits on the revalued assets.

Notes to the financial statements continued

for the year ended 31 March 2023

27. Acquisition of Prickly Cactus Limited

On 2 August 2021, the Group acquired Prickly Cactus Limited ('Prickly Cactus'). The acquisition was part of D4t4's investment in specialist resources to capitalise on the market opportunity for its Celebrus product range. Within D4t4, the Prickly Cactus team has been focused on driving customer success with existing customers in the key markets of Financial Services, Telecoms and Insurance

The total consideration comprised an initial consideration of £0.25 million which was satisfied by £0.2 million in cash and by the allotment of 13,897 new ordinary shares of 2p each in D4t4. This was paid in the prior financial year.

The consideration included an earn-out of up to £0.5 million over the period to 31 December 2023 tied to both existing customer growth and the acquisition of new customers for the CDP and FDP. The earn-out was achieved early resulting in a cash payment of £250,000 and the issue of 111,905 shares.

28. Share-based payments

The Company has share option schemes for various employees of the Group, a combination of both EMI and non-EMI schemes. Share options are granted at the closing price on the day prior to grant, and typically vest over three years, based on previously set targets such as Total Shareholder Return, growth in Annual Recurring Revenue, EPS growth, and results being in line with market expectations. In relation to the share options shown below the Board forecast that the remaining share options will vest.

If the options are not exercised within the allotted time, or if employees leave before their options vest, then those options are forfeited.

Vested options are settled subsequently by a combination of equity shares in the parent company and cash at Board discretion.

	2023 Number of share options	**2023 Weighted average exercise price**	2022 Number of share options	2022 Weighted average exercise price
Balance at 1 April	**862,219**	**23.52p**	1,026,342	57.65p
Granted during the year	**309,858**	**2.00p**	191,113	2.00p
Forfeited during the year	**(186,573)**	**–**	(267,736)	–
Exercised during the year	**(89,304)**	**17.05p**	(87,500)	124.12p
Balance at 31 March	**896,200**	**19.31p**	862,219	23.52p
Exercisable at year end	**213,531**	**74.66p**	152,000	112.92p

The weighted average share price at the exercise date of the exercised options was £2.247 (2022: £3.364). The weighted average contractual life of the outstanding options was 7 years (2022: 8 years), exercisable in the range 2.00p to 114.00p.

89,304 share options were exercised in the year, by way of issue of shares from Treasury.

A summary of the option price ranges is as follows:

	2023 Exercisable price range	**2023 Number of share options**
	2.00p	**756,200**
	90.50p – 114.00p	**140,000**
Balance at 31 March 2023		**896,200**

The Group recognised £840,000 (2022: £677,000) of expense related to equity-settled share-based payments in the year. This comprised £856,000 (2022: £619,000) as share-based payments and £(16,000) (2022: £58,000) as Employers NI.

The fair value of options granted during the year is determined by applying the Monte Carlo model, or the Binomial method depending on the performance criteria applicable to the particular option grant. The expense is apportioned over the vesting period of the option and is based on the number which is expected to vest and the fair value of those options at the date of grant.

The inputs into the models in respect of options granted this year are as follows:

Date of grant	26-Aug-22	26-Aug-22	26-Aug-22
Model type	Binomial	Monte Carlo	Binomial
Vesting date	26-Aug-25	26-Aug-24	26-Aug-25
Number of options granted	176,167	58,691	76,000
Share price at date of grant	245.50p	245.50p	245.50p
Exercise price	2.00p	2.00p	2.00p
Option life in years	10	10	10
Risk-free rate	2.67%	2.76%	2.67%
Expected volatility	40.00%	40.00%	40.00%
Expected dividend yield	1.19%	0.00%	1.19%
Fair value of options	196.2p	243.60p	196.20p

Notes to the financial statements continued

for the year ended 31 March 2023

28. Share-based payments continued

The inputs into the models of options previously granted which have contributed to the share-based payment arising this year are:

Date of grant	14-Jan-20	10-Aug-20	08-Jan-21	08-Jan-21	08-Jan-21	25-Jan-21	28-Oct-21	28-Oct-21
Model type	Black Scholes	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Black Scholes	Monte Carlo	Black Scholes
Vesting date	14-Jan-23	09-Aug-23	15-Jul-22	15-Jul-23	15-Jul-24	10-Aug-23	28-Oct-24	28-Oct-24
Number of options granted	8,333	362,976	59,400	59,400	59,400	54,000	118,159	72,954
Share price at date of grant	205.00p	302.5p	302.5p	302.5p	302.5p	302.5p	383.50p	383.50p
Exercise price	205.00p	2.00p	2.00p	2.00p	2.00p	2.00p	2.00p	2.00p
Option life in years	10	10	10	10	10	10	10	10
Risk-free rate	3.25%	0.01%	0.01%	0.01%	0.01%	0.01%	0.61%	0.61%
Expected volatility	38.50%	47.50%	46.50%	43.90%	47.30%	44.60%	44.40%	44.40%
Expected dividend yield	1.17%	0.00%	1.00%	1.00%	1.00%	0.00%	0.00%	0.00%
Fair value of options	56.36p	392.00p	150.00p	151.00p	152.00p	283.00p	650.00p	382.00p

Expected volatility was determined by calculating the historical volatility of the Group’s share price for the five-year period prior to the date of grant of the share option. The expected life used in the model is based on management’s best estimate. The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

29. Operating lease arrangements (Group and Company)

As lessor

	2023 £’000	2022 £’000
Lease receipts recognised as an income during the year	**15**	58

Lease receipts are for fixed-term sublets of parts of the parent company’s premises bearing no contractual right of renewal or extension.

Notes to the financial statements continued

for the year ended 31 March 2023

30. Related party transactions

During the year the Company undertook the following transactions with D4t4 Solutions Inc., a wholly owned US subsidiary:

	2023 £'000	2022 £'000
Sales to D4t4 Solutions Inc.	**69**	116
Purchases from D4t4 Solutions Inc.	**1,959**	6,129
Management charge to cover services provided (from D4t4 Solutions plc to D4t4 Solutions Inc.)	**84**	47
Management charge to cover services provided (from D4t4 Solutions Inc. to D4t4 Solutions plc)	**2,437**	1,936
Interest charged on Intercompany loan (from D4t4 Solutions plc to D4t4 Solutions Inc.)	**(29)**	42
Payments made by D4t4 Solutions plc on behalf of D4t4 Solutions Inc.	**6,884**	5,545

During the year the Company undertook the following transactions with D4t4 Solutions Pty Ltd, a wholly owned Australian subsidiary:

	2023 £'000	2022 £'000
Management charge to cover services provided (from D4t4 Solutions Pty Ltd. to D4t4 Solutions plc)	**–**	164
Interest charged on Intercompany loan (from D4t4 Solutions plc to D4t4 Solutions Pty Ltd.)	**(11)**	2
Payments made by D4t4 Solutions plc on behalf of D4t4 Solutions Pty Ltd.	**51**	152

Details of any intercompany balances outstanding are shown in notes 18 and 20.

Other than the payment of remuneration, there have been no related party transactions with the Directors.

31. Financial instruments and risk management

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the executive team.

The Board receives monthly reports from the executives through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

Capital management policy

Management considers capital to comprise issued share capital, reserves and borrowings, along with cash and cash equivalents.

The Group manages its capital to ensure its operations are adequately provided for, while maximising the return to shareholders through effective management of its resources. The principal financial risks faced by the Group are liquidity risk, interest rate risk and foreign exchange rate risk. The Directors review and agree policies for managing each of these risks. These policies remain unchanged from previous years.

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern and to provide returns for shareholders. The Group meets its objectives by aiming to achieve growth which will generate regular and increasing returns to shareholders.

The Group manages the capital structure and makes changes in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

Notes to the financial statements continued

for the year ended 31 March 2023

31. Financial instruments and risk management continued

Capital risk management

The Group and Company's capital structure, as defined above, is managed by the Board to ensure that the Group and Company continues as a profitable going concern. There are no externally imposed capital requirements.

The Group has no net debt (2022: nil).

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Cash and cash equivalents	**17,155**	11,430	**17,100**	11,387
Net cash	**17,155**	11,430	**17,100**	11,387

	Group		Company	
Categories of financial instruments	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Financial assets at amortised cost				
Cash and bank balances Trade and other receivables	**17,155**	11,430	**17,100**	11,387
Financial liabilities at amortised cost	**7,027**	26,715	**6,523**	25,088
Trade and other payables	**1,837**	6,663	**1,960**	6,283

Foreign currency risk management

The Group's foreign currency exposure arises from:

- transactions (sales/purchases) denominated in foreign currencies; and
- monetary items (mainly cash and receivables) denominated in foreign currencies.

The exposure to transactional foreign exchange risk is monitored and managed at a Group level. Natural hedging is employed, to the extent possible, to minimise net exposures; however, where significant exposures arise it is Group policy to enter into formal hedging arrangements.

Carrying amounts of the Group's financial assets and liabilities denominated in foreign currencies were as follows:

	Liabilities		Assets	
Categories of financial instruments	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
US Dollars				
- cash	**–**	–	**4,392**	1,115
- receivables	**–**	–	**4,160**	24,224
- payables	**186**	437	**–**	–
Euros				
- cash	**–**	–	**24**	86
- receivables	**–**	–	**–**	36
- payables	**–**	29	**–**	–
Australian Dollars				
- cash	**–**	–	**–**	–
- receivables	**–**	–	**1**	–
- payables	**–**	2	**–**	–

The value of foreign currency hedge instruments outstanding at the year end was US$1.0 million (2022: US$21.5 million).

The following table shows the effect on the Group's result for the year of £ strengthening by 5% against debtor, creditor and cash balances denominated in foreign currencies, with all other variables held constant. 5% represents management's assessment of the reasonably possible change in exchange rates.

	USD \$ £'000	EUR € £'000	AUD \$ £'000	Total £'000
As at 31 March 2023				
Impact on profit/equity for the year	(398)	(1)	–	(399)
As at 31 March 2022				
Impact on profit/equity for the year	(1,226)	(4)	–	(1,230)

Notes to the financial statements continued

for the year ended 31 March 2023

31. Financial instruments and risk management continued

The following table shows the effect on the Group's result for the year, of £ weakening by 5% against debtor, creditor and cash balances denominated in foreign currencies, with all other variables held constant. 5% represents management's assessment of the reasonably possible change in exchange rates.

	USD $ £'000	EUR € £'000	AUD $ £'000	Total £'000
As at 31 March 2023				
Impact on profit/equity for the year	440	1	–	441
As at 31 March 2022				
Impact on profit/equity for the year	1,266	5	–	1,271

Credit risk management

The Group uses credit reference agencies to determine and monitor the credit limits of new and existing customers. At the end of the year one partner owed a total of £3.364m (2022: two partners owed £22.3m) and no expected credit loss provision has been made in relation to this balance (2022: nil). No other customers or partners owed more than 10% of the outstanding total. No expected credit loss provision has been recognised for trade receivables at 31 March 2023 (2022: nil).

The Group's customers primarily consist of banks, partners and other longstanding customers, mostly blue-chip companies that are deemed to have a low credit risk. As a result, the credit quality of trade receivables that are neither past due nor impaired has been assessed by the Directors to be relatively high, taking account of a low historic experience of bad debts and relatively good ageing profiles.

The Group controls its exposure to credit risk by setting limits on its exposure to individual customers, compliance is monitored by the Credit Control Team. As part of the process of setting customer credit limits, different external credit reference agencies are used, according to the country of the customer. The Group has a policy of dealing only with creditworthy counterparts.

The Group manages the credit risk and quality of cash balances by holding balances with reputable banks.

Liquidity risk management

The Board manages liquidity risk by maintaining adequate reserves of cash and banking facilities to cover day-to-day trading. The Group's policy is to pay creditors in full as and when they become due, which for all practical purposes is at latest by the end of the month following the invoice date. The Board believes that there is little liquidity risk since the Group has adequate cash balances to satisfy its creditors.

Maturity analysis of financial liabilities:

	Group		Company	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
In less than one year:				
Trade payables	**585**	840	**427**	403
Amounts owed to Group undertakings	**–**	–	**546**	3,163
Other creditors	**76**	1,239	**76**	1,236
Accruals	**1,176**	4,584	**911**	1,481
	1,837	6,663	**1,960**	6,283

All of the financial liabilities above are recorded in the financial statements at amortised cost. The above maturity analysis amounts reflect the contractual undiscounted cash flows, including future interest charges, which may differ from the carrying values of the liabilities at the reporting date.

Interest rate risk management

The Group's exposure to changes in interest rate risk is immaterial as there were no borrowings during the year.

The Board of Directors monitors movements in interest rates and has not prepared sensitivity analysis in relation to interest rates as it does not believe that any reasonable variance would have a material impact on the Group and there are no such financial liabilities at the year end.

Notes to the financial statements continued

for the year ended 31 March 2023

31. Financial Instruments and risk management continued

Fair value measurement

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The freehold land & buildings are observable at Level 2.

The Group's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of the revaluation of 12 October 2022. The fair value measurements of the Group's freehold land and buildings were performed by De Souza & Co., independent valuers not related to the Group. DeSouza & Co. are members of the Royal Institution of Chartered Surveyors, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant location. The valuation was prepared in accordance with the RICS Valuation – Global Standards 2017 and the International Valuation Standards and was based on recent market transactions at arm's length terms for similar properties in a similar area.

Following the revaluation and in light of the Group's move towards a hybrid working model resulting in lower utilisation of the building, the Directors have decided that the freehold land and building in Sunbury-Upon-Thames should be disposed of allowing the move to a leased office facility offering greater flexibility whilst also freeing up capital for reinvestment into growing the business. The net proceeds from a sale are expected to exceed the carrying value and so no impairment charge has been recognised in the accounts.

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